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INDUSTRIAL POLICIES:
THE EXPERIENCE OF THE DEMOCRATIC REPUBLIC OF THE SUDAN 1/

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THE EXPERIENCE OF THE DEMOCRATIC [illegible] IN THE FORMULATION AND USE OF [illegible]

INTRODUCTION

The Sudan has had to grapple with sizeable economic proplems since its independence. The major economic problem of the Sudan is its excessive dependence of cultivation and export of a few agricultural products, mainly cotton. Thus the Sudanese economy is fragile and the alliviation of the excessive dependence of the economy on cotton is still immediate goal to be achieved. Broadening of the Sudanese economic structure through development of Industries is probably the only solution; Sudanese economic development can be greatly accelerated if the Sudan puts exceedingly more emphasis on industrial development and limits the allocation of national and foreign resources on <u>extensive</u> Agricultural Development.

Directly after the Proclamation of Independence, in January, 1956, some steps were taken to accelarate industrial development, both in the private and public sectors. One of the important steps taken was the "Approved Enterprises (Concession) Act "of 1956. This act, a Governmental Declaration to encourage industrial development by Private enterprise, ecouraged the growth of some small-size industries in the country. Yet through the eleven years when the Act was put into force, and based upon the experience gained, it was evident that inspite of the concessions granted by the Act, many private industrial enterprises were confronted with certain impediments.

The second important step taken to encourage industrial development was the establishment of a Ministry for Industry and Mining 1966/67 entrusted with the planning implementation of the National Industrial Development Policies. Coupled with the establishment of a Ministry of Industry and Mining, a new legislation was introduced, namely "The Organization and Promotion of Industrial Investment Act 1967", which repealed the Approved Enterprises (Concession) Act of 1956.

A further step taken towards industrial development was the fixation of planned targets for the industrial sector, both private and public sector, in the adopted socio-economic development plans.

The main objective of this study is to examine whether the established package of industrial policies in the Sudan induced implementing the established targets for the industrial sector during the last decade or so.

I. THE ROLE OF INDUSTRIAL POLICIES IN IMPLEMENTING DEVELOPMENT PLANS:

The Sudan is faced with various difficulties in seeking to accelerate economic development in general and industrial development in particular. These difficulties necessitate the existence and the active role of the state in economic and social development.

The objective of economic planning in the Sudan consists of defining the goals of national development effort; it has the objective of mobilizing the necessary domestic and foreign resource and allocating them to those specific uses which seem likely to make the greatest contributions to achieving the defined national goals.

Planning efforts in the Sudan [illegible] world war(2); in the period between [illegible]47 and [illegible] three five years programmes were implemented and partially achieved. The fluctuating nature of the year-[illegible] suggests the major feature of all three development plans; budgetary surpluses financed the entire development programmes. A second feature of the three development programmes is that, most of the development funds, about [illegible]0 per cent, had been allotted to agriculture and the development of Sudanese infrastructure.

A further feature of the first three five year programmes is their limited character. They were not comprehensive; that is, the private sector was not covered in them. The private effort has been left largely unco-ordinated and uncontrolled. "There was little planning in shaping the three programmes and there were no serious attempts of drawing a balanced programme for development." (1)

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(1) The Republic of the Sudan, Ministry of Finance and Economics, the Ten Year Plan of Economic and Social Development 1961/1962 - 1970/1971, Khartoum: Government Printing Press, n.d.), P.163.

The [illegible] development programmes were mainly limited to collections of projects prepared and executed separately by responsible [illegible]. But the Ten Year Plan (1961/62 – 1970/71) was considered to be the first comprehensive programme of development involving investment in all economic and social sectors and all types of projects, public and private. It "is the first comprehensive and balanced plan, since most of our development effort in the past was not, in essence, more than collections of capital works of various nature put together without an underlying theme or defined targets joining them together."(2)

The Ten Year Plan aimed at creating economic and social stability, and encouraging quick and sustained growth in the Public and private sectors. The Ten Year Plan may be considered as the second essential step towards Sudanese economic development in general, and towards accelerated industrial development in particular.

Manufacturing and mining were given more consideration in the plan than before. The share of these two activities in the G.D.P. about two per cent in 1960/61, was expected to nearly quadruple over The Plan period. "The shift in composition of the domestic production would mainly consist of a considerable increase in the share of industrial production at the expense of the share of pastoral activity." (3)

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(2) The Republic of the Sudan, Ministry of Finance and Economics, The Ten Year Plan of Economic and Social Development, 1961/62 – 1970/1971. (Khartoum: Government Printing Press, n.d.), P.3.

(3) Ibid., P.45.

The share of the industrial output (including public utilities, minerals, manufacturing, building and civil engineering) in the gross domestic product of the Sudan was expected to increase from 9 per cent in 1960/61 to 16 percent in 1970/71. This implied a faster growth of the industrial sector than of the other sectors. However, this expected rapid development demands a heavy investment in the industrial sector during the plan period, amounting to Ls. 106.6 million or some 19 percent of total gross fixed investment (Modern Type).

This is much higher than the share of industrial investment in the period 1955/56 - 1960/61 which was then 11 per cent. (See table 1.)

Manufacturing output is projected to increase at a rate of about 20 per cent annually over the Plan period. At the end of the plan, manufacturing is to contribute approximately 6.8 per cent of the G.D.P. as compared with 1.6 percent in 1960/61. Mining is projected to increase from an insignificant figure in 1960/61 to the point where it will contribute about 0.5 percent of G.D.P. in 1970/1971.

TABLE 1

Output and Investment in the Industrial Sector During the Plan Period (£s million)

Components of Industrial Sector	Output in 1960/61	Net investment in Plan period			Output in 1970 / 71
		Public	Private	Total	
Public Utilities	1.4	15.9	0	15.9	5.0
Minerals	0.3	0.4	4.0	4.4	2.8
Manufacturing	5.8	25.3	51.0	76.3	39.8
Building and Civil Engineering	25.0	0.3	10.0	10.3	45.4
Total	32.5	41.9	65.0	106.9	93.0

Source: The Republic of the Sudan, Ministry of Finance and Economics, the Ten Year Plan of Economic and Social Development, 1961/62 -1970/1971. (Khartoum: Government, Printing Press, n.d. P.112.

Government investment throughout the plan period in manufacturing is conceived at a level of Ls. 25.3 Million.

This is for projects which were under construction or already in production. These projects consist of two large sugar mills, a tannery a cardboard factory, two canneries, an onion dehydrating plant, and a milk Powder plant.

On the other hand, private investment in manufacturing amounts to Ls. 51.0 Million, twice as large as that of the Government. Hereby the Plan appears to be ambitious. The expansion in manufacturing by Private Enterprises could have been accomplished, provided that the Government continued to provide an atmosphere conductive to confidence in the Business Community.

For the past five years 1965/66 - 1969/70 industry was continuously growing, industrial production increased in absolute figures, yet " The percentage of industrial production in the total volume of gross national product is still low, i.e. 9% -(4) The Ten Year Plan envisaged that ratio reached 16% by the end of 1970/71. Industrial output was targeted to reach Ls. 93 Million by the end of the plan period, though provisional figures for the year 1969/1970 were Ls. 51.0 only. The volumes of production envisaged by the Ten Year Plan have not been reached by the major products, i.e. sugar, cement, fertilizers, insecticides (5), etc., see table (2).

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(4) The Democratic Republic of the Sudan, Ministry of Planning, Five Years Plan of Economic, Social Development, 1970/71 -1974/75, Volume 1, (Khartoum,1970) P. 37.
(5) I bid., P. 37.

<u>TABLE 2</u>

Main Industrial Production in the Ten Year
Plan Compared with 1969/1970
<u>Provisional Figures</u>

Commodity	Unit of Measurement	Output Target 1970/71	Output 1969/1970
1. Sugar	000 Tons	150	80
2. Edible Oils	000 "	56	95
3. Footwear	Mln. Pairs	8.3	12
4. Cement	000 Tons	230	150
5. Fertilizers	000 "	90	Nil.
6. Insecticides	000 "	6.8	Nil.
7. Refined Petroleum products.	000 "	924	890
8. Iron Ore	000 "	100	26
9. Manganese	000 "	15	3
10. Chromite	000 "	15	29

Source: The Ten Year Plan, P. 155 and 109. and the Five Year Plan, P. 38.

The Ten Year Plan targets in manufacturing were not met, both in the private and public sectors. Public sectors enterprises faced serious drawbacks and difficulties. A number of existing enterprises e.g., fruit canning and cardboard factories, were not provided with raw materials. Inefficiency of private sectors enterprises is reflected in their low capacity utilization which ranges between 40 and 75% of their productive capacity (see table 3).

TABLE 3

Capacity utilization of Private Sector Enterprises

Industrial Branches	Capacity Utilization in %
1. Ready-made Clothes Factories	75
2. Shoes Factories	60
3. Confectionery Factories	40
4. Flour Mills	45
5. Spinning and Weaving Factories	50
6. Tobacco Factories	53

Source: Five Year Plan, P. 59.

Regarding Minerals, the growth of Minerals output envisaged by the Ten Year Plan has not been reached. In the last few years the output of gold, manganese and Iron Ores practically stopped. Private enterprises exploiting mineral resources do not invest Capital to ensure the increase of reserves and industrial exploitation of deposits:

Failure to realize the Ten Year Plan targets in the Industrial sector is mainly due to the dichotomy between Plan setting and plan implementation. The package of incentives provided by the Approved Enterprises (Concessions) Act were not enough to realize the plan targets. "There are no approved Regulations stipulating relationship between public enterprises on the one part and Ministries and the Government Budget on the other part. Proper control has not been exercised over efficient utilization of productive capacities, material, labour and financial resources. (6).

Thus not enough attention was paid to the need to design appropriate policies conductive to industrial development.

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(6) The Five Years Plan, P. 39.

II. DESCRIPTION OF THE INDUSTRIAL POLICY MEASURES USED

1. Tariffs and other forms of protection

The main sources of the Central Government Budget revenues are indirect taxes consisting of export and import duties, excise duties and Sugar monopoly profits. The share of these revenues in the total amount of Budgetary revenues for the last five years is 65.8%. Hence Government revenues depend mainly on import and export duties. Import tariff policies are designed mainly to secure a sizeable revenue to enable the state to cover part of its ordinary expenditures and to allocate to surplus to the development plans. In addition to that import tariffs are levied to protect the national industries.

Sudanese import tariffs can be classifies into three main categories according to their magnitude:

1. 100% or more of CIF value on imports for which there is local production, i.e., products of animal origin, cotton, textile (150%), Soap (120%), Shoes, air coolers and refrigeration units (120%) , Luxury cotton articles (300%) , Alchoholic beverages (600%), etc...
2. 40% of CIF value on imports which may be considered as primary products or capital goods for existing industries, e.g., tanning materials, mineral oils and products, lumber and pulp, iron and Steel, machinery and equipment, locomotive and waggons, ships and boats, etc...

5. 20% of CIF value on imports which may be considered as primary products for existing industries and agriculture, e.g., chemical products, fertilisers, tanning and dying material, etc.

Despite the fact that tariffs on imports are a major source of government revenue, yet it can be observed that the Sudanese tariff structure is designed to protect Sudanese infant industries in two ways. Firstly, there are high tariffs imposed on competative imports, e.g. textiles, accumulators (80% + 15% sur-charges) , Soap, air coolers and refrigeration units, etc. There is no any limit beyond which the government is not prepared to go when protecting a new industry, provided that the quality specifications of the national products are in line with the imports and that the local production is capable of satisfying the local demand at reasonable prices. According to the Organization and promotion of industrial investment Act, 1967, "the minister of Industry and Mining may from time to time submit recommendations to The Minister of Finance and Economics aiming at increasing the customs duties on imported competing commodities or substitutes to the extent which the minister deems reasonable for the purpose of this Act." Secondly, import tariffs on machinery, equipments and raw materials needed for existing industries are relatively law, e.g., minerals, plastic raw materials, chemicals, etc. According to the Organization and Promotion of Industrial investment Act, 1967, the minister may grant the enterprise "exemption of all machinery, equipment and spare parts necessary for production maintenance and construction from present and future customs duties and customs charges of any kind, and reduction of such duties on the

[illegible] it [illegible] not exceed 10 per cent of the value of the product [illegible]..."
As regards the importation of machinery, equipment and spare parts, all enterprises which have the classification of "approved or assisted" enterprises under the present or previous act enjoy either partial custom reduction or exemption. Nearly all "approved or assisted "enterprises which use imported raw materials enjoy tax reductions on imported raw materials, e.g., plastics, iron and steel, etc. However, the minister may grant the enterprise the "draw-back of customs duties, less 1% already paid by the enterprise for raw material and packaging materials used in the manufacture of an exported product." So far one of the Sudanese industrial enterprises has benefitted from this consession.

In addition to the import duties proteccion there are physical import controls, partial and total, set to protect local manufacturing enterprises. These controls are especially applicable to commodities whose local production satisfies the local demand or a great portion of it. According to the Act, the Minister may from time to time submit recommendations to "The minister of Commerce and Supply aiming at total or partial prohibition or restriction of imports to protect the product of the enterprise. "physical import controls have been especially applicable in the case of matches, canned fruits, tomato paste, plain biscuits, school stationaries accumulators, ordinary and toilet soap etc. In such cases imports quotas were permitted to supplement as well as to check local production. especially when the quality specifications and prices are not in line with imports. As far as

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7- The 15% sur-charges are applicable to all imports in addition to the ordinary rates.

prices are concerned there is no clear cut policy given by the Act; generally local prices compare with prices of imports and they are usually not much more than 15% higher than imports, and this is mainly due to firstly to the independence of many local industries on imported raw materials, on which imports duties are collected, secondly the idle capacities of many sudanese industrial enterprises and thirdly the dumping prices of many imports from certain countries. e.g.. yarn, textiles, ready-made clothes, shoes, school stationaries plastics articles etc. ...

As far as government purchases from local manufacturers are concerned, the Act, allows a 15% excess of local production prices over imports; "the Minister may, after consulation with the Minister of Finance and Economics, restrict Government pruchases to the product of the local enterprise or enterprises concerned, if their prices are not in excess of 15 per cent of the similar imported products at the required place of delivery." (8)

2. Identifying, Formulating and Promoting Industrial Projects.

It is to be observed in the Sudan that the investment cost of industrial projects, both in the private and public sectors, is rather high due to: firstly the high preinvestment costs as well as the high cost of building, machine installations, running tests and labour training, and secondly to the

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(8) Republic of the Sudan, Ministry of Industry and Mining the Organization and Promotion of Industrial Investment Act, 1967.
University of Khartoum Press, 1967, P.12.

partial utilization of existing industrial capacities. In so far as research is concerned, the Government has already in 1967, established an Industrial Research Institute which is a joint venture between the Sudan and the United Nations.

In November, 1967, a Provisional Order, number 27, to provide for the establishment of the Institute was issued and the Minister of Industry and Mining appointed the 20th of February, 1968 as the date on which this order would come into force. In accordance with the Provisions of this Order, the Institute, on the appointed date, became a Body Corporate, having perpetual succession, a common seal, and may sue and be sued in its own name.(9) A Board which represents many institutions both in the private and public sectors who are concerned with industrial development is responsible for framing the policy of the institute and its operation.

The purpose of the Institute is to assist and promote the development of industry and to co-operate with other bodies in promoting scientific and technological research in the Sudan, by conducting research work on natural resources, raw materials and the by-products of industry and agriculture, with the object of utilizing them economically. The Institute is also entitled to provide advice and consultation services to existing and prospective industrial projects, both in the private and public sectors, on problems of industrial planning process engineering, production management, cost accounting and quality control.(10) Moreover, the Institute may organize

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(9) Ministry of Industry and Mining, the Industrial Research Institute. Act, 1967, P.5.
(10) Ibid., P.6.

conferences, seminars, training courses and lectures on all matters related to industrial development.

As far as the public sector is concerned, the Institute conducts their feasibility studies, especially the industrial projects embodied in the Five Year Plan 1970/71 - 1974/75. The need for the Industrial Research Institute was especially felt when the Ten Year Plan industrial project were confronted with sizeable problems, e.g.:

1. the quick execution of the projects without conducting a proper feasibility study,
2. the wrong selection of the project site,
3. the inavailability of raw materials in sufficient quantities,
4. the absence of forward and backward linkages and the malutilization of the by-products,
5. the negligence of the distribution problems and the insuitability of the products to the consumer demands.

All these problems should have been thought of and solved at the pre-investment stage. As far as the private sector industries are concerned the Institute has not been effective in identifying or formulating them and the initiative was left complstly to the entrepreneurs to develop and promote their own projects. This situation was due mainly to:

1. the passive role of the Institute and its alienage in the industrial environment,
2. the limited resources of the Institute,
3. the lack of specialized staff; the Institute has about forty Sudanese graduates trained in the broad disciplines of social and natural sciences.
4. the lack of a wide experience in the specialized fields of industries.

In the wake of evaluating the applications filed for the approval of establishing new industries and/or granting certain concessions, the Ministry of Industry and Mining conducts a preliminary appraisal. There are three short comings in such appraisals conducted by the Ministry:

1. they rely on the data provided by enterpreneurs as far as investment requirements and production cost are concerned,
2. they are conducted to assure that the proposed projects are in line with the Government policy towards industrilization and whether there is effective demand for the proposed products and consequently concessions are granted or other-wise.
3. such preliminary appraisals are only conducted when applications for establishing industrial enterprises are filed. Thus the Ministry stands passive as far as guidance and advice are concerned; the Ministry does not conduct complete feasibility study for projects which seem essential for the

economy and channel the [illegible] towards such projects or branches.

It is thus apparent that there is a pressing need for an institution which conducts complete preinvestment studies for the private sector to secure the completeness and the success of the projects and to channel the private industrial investment into such avenues which lead to the realization of the state policy in the industrial sector and the implementation of the plan targets. The only institution which conducts such preinvestment studies is the Industrial Bank; its advisory and research role, which is geared to its financing role, will be discussed under the following section:

3. Financing Industrial Development:

The Sudan has a very low rate of savings. Thus far voluntary savings have not resulted in any substantial supply of investment funds.(11) The major reasons for the low saving rate are the low per capita income of the Sudanese (the per capita G.D.P. fluctuates between Ls. 30 and 35 per annum) and the high expenditure patterns originated in the strong sense of kinship and a tradition of both hospitality and conspicuous consumption. Moreover, the underdeveloped banking institutions do not encourage the depositing of the small economic surplus. In addition to that the public lacks confidence in private business on matters of financial nature. Lack of confidence is a reflection of lack of proper understanding of operation of banking institutions and of the benefits accuring to the community from investment.

(11) Voluntary saving differs from money and gold hoarding.

It can easily be observed that commercial banks operating in the Sudan were striving at making profits with no real intention of contributing to the development of the concerned economy.

"The commercial bank thinks primarily of profit-making, ... If the commercial bank is taking sufficiently long view it will forgo immediate profits for the sake of stability; but it is competing with other banks and cannot afford degrees of far-sightedness and altruism far beyond those of its competitions. It has its shareholders and must do the best it can for them." (12) This implies that the process of "Profit -making" does not coincide with the hopes and needs of developing the Sudan economy, especially through industrialization.

Analysis of bank advances proves that commercial banks in the Sudan concentrate their operation on servicing foreign trade. Foreign trade financing fluctuates between a minimum of 55.45% and a maximum of 64.55% of total bank advances. Export financing is fully devoted to the traditional export commodities of the Sudan; cotton and cotton seed exports count for over 50% of export advances.

Compared with advances for imports and exports, advances for industrial purposes are quite low; they range between 22.21% and 10.97% (See table 4)

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(12) R.S. Sayers, Modern Banking (Oxford: At the Clarendon Press, 5th, ed., 1960), P.20

TABLE 4

Commercial Bank Advance to Industry as a percent of total Bank Advances.

Year	Advance to Industrial Enterprises	B Total Advance 000 Ls.	A as a percent of B
1960	4,245	34,791	12.20
1961	4,497	38,938	11.54
1962	5,114	46,567	10.97
1963	7,959	59,881	13.30
1964	7,205	55,355	13.01
1965	7,575	45,748	16.55
1966	8,430	49,419	17.06
1967	11,555	52,033	22.21
1968	12,251	70,817	17.30

Source: Bank of Sudan, Annual Reports 1960-1968.

The given data for industrial purposes is misleading because the item "Industrial Enterprises" includes imports of equipment, working capital and credit sales. Nearly 45 to 50% of the amounts given under this item go for imports of equipment and credit sales. Imports of equipment is a pure foreign trade process, i.e. financing of imports of equipment is a pure foreign trade financing and should not be considered as financing of industrial enterprises. As far as working capital is concerned its portion was 50% of the advances to industrial enterprises for the years 1962, 1963 and 1964; it reached 55% for the years 1965 and 1966 and jumped to 70% in 1968.

As far as medium and long-term advances are concerned, the commercial banks have a negligible contribution to industrial investment; such advances have never exceeded one million Sudanese pounds at the end of the years 1960-1968 and thus they have not exceeded the two percent margin of total commercial bank advances. Thus commercial bank advances to the public proves that commercial banks have not been successful in conducting a lending policy conducive to industrial development of the Sudan; they refrain from long-term advances to industrial enterprises because of the various risks involved in industries.

Despite the fact that commercial banks borrowing from the central bank (Bank of Sudan), i.e., 20% of total commercial banks deposits in 1968, the Central Bank could not effectively control commercial banks to mobilize their credit expansion to the development of the industrial sector of the country. Hereby preferential interest rates could have been used to favour bank advances to industrial enterprises. On the contrary, interest rates which are limited at a mininum of 8½% and a maximum of 12% have been used by commercial banks to prefer among classes of customers rather than among lending activities, e.g., commercial lending, industrial lending etc. It should have specified a minimum rate of long-term advances to be allocated to industrial projects. In addition to such pressures and incentives the Central Bank should have extended technical advice to commercial banks to cope with the economic needs of Sudanese expanding economy. Thus it is apparent that the central bank has not been adopting a monetary policy conducive to meet the financial requirements of existing and potential industrial enterprises in the private sector and the burden of industrial advances was dumped over the shoulders of the Industrial Bank of Sudan, the only financial institution specialized in private industrial financing.

A further measure designed to create the necessary climate for the desired rate of industrialization was the establishment of the Industrial Bank of Sudan in 1962. The nature of the Industrial Bank is primarily that of a development Bank with an orientation towards the promotion of industrial development in the private sector. As prescribed in its Act "The objects of the Bank shall be to assist in the establishment, expansion and modernization of private industrial enterprises in the Sudan and to encourage and promote the participation of private capital both internal and external." The authorized capital of the Bank is 3 million Sudanese Pounds divided into 3,000,000 shares having a par value of Ls. 1 each. The paid up capital of the Bank by the beginning of 1970 was 2.2 million pounds fully subscribed by the Bank of Sudan.

The Bank's policy is to finance up to two-thirds of the total cost of the project and the one third is covered by the entrepreneurs. The Bank places particular emphasis on the sound and competent management, the earning potential and the financial strength of the enterprises, applying for Bank assistance, as well as on the economic and technical feasibility of the projects presented by the entrepreneurs for consideration. A thorough economic, financial and technical feasibility is conducted to determine whether the proposed industrial enterprise be assisted or otherwise, no extra charges are demanded by the Bank for conducting such studies. Besides appraising the financial and managerial merits of projects, the Bank, when considering priorities as among projects presented to it, also appraises the project's importance from the point of view of a balanced economic development and of the contribution of the project to the national economy of the country.

The Bank charges interest rates of 8½ and 9½ % in addition to a commitment charge of ½% , per annum for loans repayable within 6 years and up to 15 years respectively, against a 120% security of the amount of the loan. Such interest rates as are now prevailing may appear to be relatively high, in effect the fringe benefits to the potential borrower are considerable since the Bank conducts free of additional charges intensive and comprehensive appraisals, supervises the execution and conducts the follow-up of operating projects. Since the Bank is authorized to acquire loans, both from abroad and locally, Bank interest rate should bear relation to the cost of capital, namely the servicing of such loans. Furthermore, such interest rates should be of a level that would attract potential investors when the time comes for the Bank to float its own bonds to the public, as catered for in its Act.

Working against the general framework of the national economy the Industrial Bank's operations are very much geared to the overall economic situation of the country. Though the Bank Act has prescribed diverse powers by which the Bank can fully meet its objectives, yet due to the general economic situation of the country, the limited material (its capital) and manpower resources at its disposal, the Bank could not so far fully exercise the powers vested into its hands, e.g., act as under-writer, promote industrial securities market or float its own bonds. The Bank, being aware of such short - comings, has so far taken some steps to fully assure its powers as envisaged in the Act.

In its relatively short life-time, the Bank has met relative success in meeting its objectives, namely assistance in establishment, expansion and modernization of private industrial enterprises by providing financing in the form of loans, sponsoring of shares, guaranteeing loans and furnishing managerial and technical advice. Despite the traditional difficulties facing industrial undertakings in Sudan which are inadequate means of transport, lack of working capital, managerial incompetence, and fear of officious interference which diverts businessmen from resorting to financial institutions, the Bank was able to approve 90 projects and 13 supplementary loans up to the end of 1969. The 90 projects approved by the Bank are responsible for a total investment of 4.1 million Sudanese Pounds and involving a volume of loans of the order of Ls. 2,067,731 would contribute in creating over 2400 new employment opportunities and result in annual production of about 4.5 million Sudanese Pounds. Moreover, approved projects would contribute to about two million pounds foreign exchange savings and an unascertainable additional tax revenue. In addition to the loans approved by the Bank it has extended guarantees to various industrial enterprises in the magnitude of 335 thousand Sudanese Pounds and has also made a direct participation in form of shares in two industrial undertakings in the order of 618 thousand pounds.

The Bank makes a continiuous effort to draw the attention of foreign manufacturers to the possibilities available for the supply of machinery and that of potential foreign investors to channel their investment into joint industrial projects with potential Sudanese investors. It has so far succeeded in attracting foreign investment to participate in three Sudanese industrial undertakings.

Yet despite its heavy commitments, in form of loans, equity capital, and guarantee, the Bank cannot cope with the ever increasing demand of private industrial enterprises for financial assistance. This fact is reflected in the disparity between the projects financed and applications received. Out of a total of 581 applications received by Bank, since its inception in 1962 and up to the end of 1969, the Bank has granted only 15.5% of total number of loans applied for; this ratio was 17.2% and 17% at the end of the previous two years respectively. Such a position implies a deterioration in the Bank's ability to meet the increasing financial requirements of private industries, and this is mainly due to the limited financial resources of the Bank.

4. Fiscal Policies and Industrial Investment:

In the last four decades the policy of the Sudan was to strike a favorable balance between its annual revenues, which rely mainly on indirect taxation, and expenditures so that the budgetary surpluses could be allocated to investment for Sudanese economic development; surpluses of the ordinary budget are transferred to the development budget. Budget surpluses are the only domestic source of financing public development schemes in all sectors of the economy as specified by the development plans. To meet the needs of the country for development, budgetary surpluses are complemented by international loans and grants. Development in all sectors of the economy depends on the budgetary surpluses and the foreign exchange components availed in form of loans and grants or balance of payment surpluses. Due to the agricultural basis of the Sudanese economy and its heavy dependence on cotton cultivation and export, budgetary surpluses and deficits fluctuate from year

to year, depending entirely upon realization of agricultural exports and consequently upon import potentiality of the country. In case of ordinary budget deficits, government expenditure on both the ordinary and development budgets are augmented from the banking system. Ordinary budget deficits in a previous year induce the government to levy additonal taxes (both direct and indirect) for the coming year. This situation implies that fiscal policy is not geared to development, rather dictated by the ordinary budget surpluses and deficits, which in turn are dictated by export and import realization.

As far as public manufacturing enterpirses are concerned, they operate at a loss and they are not in a position to fully generate their financial requirements by themselves; on the contrary, their deficits are covered by the central budget. The only surplus which is generated by public enterprises is in the agricultural sector.

As can be seen in Table 5, annual government surpluses are on the decline, in 1962/1963 there was a total surplus in the order of 26.4 million pounds, whereby the years 1965/1966 and 1966/67 ended with deficit of 8 and 2.6 million Sudanese Pounds respectively. The deterioration of the position of the turn-out of the budget is mainly due to the increase in ordinary budget expenditures and deterioration of the financial returns in the independent government corporations, e.g., the Sudan Railways, factories of the Industrial Development Corporation, Sudan Airways, etc.. In order to augment the budgetary surpluses and consequently to avail additional local investment for the development plans, the government has levied additional taxes, i.e., increase of the personal income tax, of the business profit tax, of the excise dues on local production and of the import custom dues.

TABLE 5

Actual Turn-out of the Public Sector Budgetary Position 1962-63-67-1968.

(Million Sudanese Pounds)

Fiscal Year	Central Budget Surplus or Deficit	Local Government Surplus or Deficit	Statutary Corporations Surplus	Total Deficit or Surplus or Dificit	Development Expenditure	External Loans	Reliance on Banking System
1962/63	16.0	-2.9	13.3	26.4	36.6	8.7	6.5
1963/64	17.8	-5.5	2.7	15.0	42.1	15.8	19.[illegible]
1964/65	10.7	-1.6	- 5.3	3.8	30.6	13.8	21.3
1965/66	2.3	-0.3	-10.0	- 8.0	29.3	17.5	[illegible]
1966/67	- 0.6	-1.2	- 0.8	- 2.6	23.0	14.2	[illegible]
1967/68	9.4	-1.0	3.2	11.6	29.7	16.0	[illegible]

Source: Bank of Sudan : Ninth Annual Report, 196[illegible], P.52.

Though all new and additional [illegible] impact on local industries, yet the [illegible] tax, business profit tax and the importation tax [illegible] which can be felt. Thus it is prudent to analyse only their impact on local industries.

The excise tax was introduced in 1951 with the advent of Sudanese private industries. It was levied for the first time on cigarettes production. At present it is applicable with varying magnitude to tobacco products, alcoholic beverages, soap, matches, flour, shoes, edible oils, mineral waters, sugar, confectionary, petroleum, cement, electrical equipments, accumulators, paints, plastic articles, iron and steel furniture, household utensils and building materials. (See Table 6).

It is rather comprehensive to deal with excise tax levied on all Sudanese industries and then to analyse its impact on them, because its impact depends upon the elasticity of demand for the various industrial articles. In all cases any increase of excise tax on an inelastic consumer article has no adverse effect, i.e., it does not reduce the quantities consumed or produced every year; especially when the local production fully satisfies all or a great portion of local demand , e.g, toilet and common soap, matches, wheat flour, edible oils, cement, accumulators, sugar, etc. Moreover, such articles have neither local nor imported substitutes to which demand may shift when additional excise taxes, which are usually transfered to the consumer, are imposed. Thus it is more useful to analyse the impact of excise tax on such articles:

TABLE 6

Excise Tax on Local Industril Production

ITEM	UNIT OF [illegible]	DATE OF IMPOSING THE TAX	THE AMOUNT OF THE TAX IN LE.						
				[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1) [illegible]									
a- [illegible]	Kilo	1952	[illegible]	20/9/66	[illegible]	13/7/67	6.015	14/10/55	[illegible]
b- [illegible]	"		[illegible]	1966	5.415	"	7.200	"	8.520
c- [illegible]	"		[illegible]	-	-	-	-	"	[illegible]
d- [illegible]	"		[illegible]	-	-	13/7/67	[illegible]	"	7.615
e- [illegible]	"		[illegible]	20/9/66	[illegible]	"	5.375	"	[illegible]
f- [illegible]	"		[illegible]	"	8.985	"	5.0[illegible]	"	6.005
g- [illegible]	"		[illegible]	"	[illegible]	"	7.500	"	8.520
2) [illegible]									
a- [illegible]	[illegible]	[illegible]	[illegible]	21/12/63	1.750	11/9/65	1.900	"	2.000
b- [illegible]	"		[illegible]	-	-	-	-	-	-
c- [illegible]	% of [illegible]		[illegible]	16/10/[illegible]	0.100	-	-	1/7/70	1.000
d- [illegible]	[illegible] of [illegible]		[illegible]	-	-	-	-	14/10/53	2.000
e-									
3) [illegible]	[illegible] of [illegible]	[illegible]	1.000	21/12/63	1.070	14/10/63	3.000	1/7/69	4.000
4) [illegible]	[illegible] of [illegible]	[illegible]	0.100	1959	0.030	1959	0.102	[illegible]	0.120
5) [illegible] *	"								
6) [illegible]									
a- [illegible]	[illegible]	1963	10.000	21/3/66	12.000	-	—	[illegible]/10/62	65.000
b- [illegible]	"		5.000	"	7.000	-	-	-	-
7) Matches	[illegible]	[illegible]	0.030	-	-	-	-	1/7/70	[illegible]
8) Flour	[illegible]	1961	2.000	-	-	-	-	-	-
9) [illegible]	[illegible]	1963	0.020	-	-	-	-	[illegible]	[illegible] per cent [illegible] factory price
10) Vegetable oils	[illegible]	1967	5.000	1/7/69	15.000	-	-	-	-
11) Mineral Water	[illegible]	1960	3.090	8/4/59	0.070	6/12/55	[illegible]	1/7/69	[illegible]
12) Sugar	[illegible]	1963	17.400	-	-	-	-	-	-
13) Confectionaries		1963	25% of factory price	-	-	-	-	-	-
14) Electrical Equipments		1963	40% of factory price	-	-	-	-	-	-
15) Petroleum products	[illegible]								
a- Aeroplane Fuel	Metric [illegible]	1/7/1969	Le. 53 per metric ton	-	-	-	-	-	-
b- Motor car Fuel	"		"	-	-	-	-	-	-
c- Fuel Oil			13% of Refinery price	-	-	-	-	-	-

d- Kerosene	Ton		5% of Refinery price	-	-	-	-	-	-
e- Diesel oil	"		15% of Refinery price	-	-	-	-	-	-
f- Gas oil	"		15% of Refinery price	-	-	-	-	-	-
16) Cement	Ton	1963	0.500	-	-	-	-	-	-
17) Accumulators		1/7/1970	40% of Factory price	-	-	-	-	-	-
18) Paints & Varnishes	"	1/7/1970	15% of factory price	-	-	-	-	-	-
19) Processed Plastic, except for shoes and household utensils	"	1/7/1970	20Per cent of factory price	-	-	-	-	-	-
20) Iron and Steel beds		1/7/1970	0.200	-	-	-	-	-	-
21) Macaroni	Kilo	1/7/1970	0.030	-	-	-	-	-	-
22) Kitchen utensils		1/7/1970	10% of factory price	-	-	-	-	-	-
23) Tiles									
a- Fancy	sq. metre	[illegible]	0.200	-	-	-	-	-	-
b- Ordinary	"	"	0.100	-	-	-	-	-	-

* Beer has exceptionally more than three changes in the rates of the tax which was as follows:1955: Ls.0.060, 1958: 0.080, 1959: 0.101, 1964: 0.120, 1969: 0.145, 1970:0.245, its unit of measurement is litre of liquid.

Source: Department of Customs, KHARTOUM.

a) which have an elastic demand.

b) which have an iferior or superior both local and imported, substitutes.

Such two products are beer and mineral waters.

Excise tax on beer was introduced in [illegible] when the national brewery started production; tax rate levied at that time was Ls.0.050 per liter. It was increased throughout the years until it reached Ls.0.155 in 1966. Local beer production in the following year, 1967/68 was 7.4 million liters. In fiscal year 1967/68 the excise tax on beer increased twice and reached Ls.0.245 in October, 1968. Consequently, beer production for 1968/69 dropped to 7.1 million liters, i.e. by 4% as compared with the preceding year. By the beginning of 1969/70 fiscal year the excise tax increased to Ls.0.345, i.e. an increase of 40%. Consequently, beer production decrease to 4.7 million liters, or by 34%.

On July 1st, 1970 excise duty on beer was put back to the level of June 1969, accordingly the distribution of the national brewery increased by 25% during July, 1970 as compared to June of the same year, i.e., before the reduction of the excise duty. Thus it is evident that beer consumption is very responsive to the movement of the excise duty which is transfered to the consumer.

The impact of excise dues is also felt in the production of mineral waters. Excise dues on mineral waters were introduced in 1958, and Ls.060 were charged on each dozen of bottled mineral waters. On July 1st, 1963 it was abolished and then reintroduced in February 1965 but at 50% of the previous rate, i.e. Ls.0.030. It continued like this until the end of June, 1969 then it was doubled. In the time period between 1965/66 and June 1969 there was a steady increase in the production in the average of one million dozens per year.

dozens per year. During the year when the [illegible] was increased, mineral waters production in the Sudan dropped from 6.3 to 5.5 million dozens as compared with 1968/69, i.e. with a 12.7% decrease.

As for import duty new and existing industrial enterprises have certain concessions for the importation of machinery, equipment and raw materials. According to the Organization and Production of Industrial Investment Act, 1967 the minister may grant the enterprise "Exemption of all machinery, equipment and spare parts necessary for production maintenance and construction from present and future customs duties and customs charges of any kind, and reduction of such duties on the raw materials necessary for production so that it will not exceed 10 percent of its value at the port of delivery... " The impact of any additional increases of custom duties on machinery or raw materials are not felt as in the case of excise duty, because they are born by the producers; hence such increases are not reflected in the volume of production of the different industrial enterprises. Moreover, any additional custom duties on machinery and or raw materials are spread over a wide range of daily consumer goods resulting in an insignificant price increase per unit of production.

The third type of tax levied on industrial enterprises in the business profit tax, its structure looks as follows:

The first Ls. 300 are exempted,
the following Ls. 200 at 15% ,
the following Ls. 500 at 20% ,
the following Ls. 3000 at 30% ,
the following Ls. 6000 at 40% ,
the following Ls. 20,000 at 50%.

additionl and any amounts exceeding Ls. 30.000 at 60%.

The businedd profit tax is applicable to all economic activities, being agriculture, services etc. The only economics activity which may be exempted from the business profit tax is industry. According to the Act the Minister may grant the enterprise full exemption from payment of business profit tax for a period of __five years__ to be calculated as from the date of commencement of production. In case of an enterprise the employed capital of which reaches, in the fifth year, one million pounds or more, such an enterprise shall be exempted from payment of half of that tax for another period of five years. Moreover, during the first five years, and on applications, the depreciation rates shall be allowed to be counted at double or three times the rates in forces. The Act also catered for such enterprises which have to operate at a loss during the first years of production start; any loss incurred during the first five years period shall be considered to be a loss incurred during the last year of that period.

In addition to the incentives discussed above the Act provides for the allocation of land necessary for the establishment of new industrial enterprises, taking into account the requirements of their future expansion, at a reduced price paid either fully or by instalments. Such lands are available in the industrial areas of all big cities in the country. Furthermore, the Ministry may, after consultation with the authorities concerned reduce the rates of electrical power consumed by the enterprise as well as the rates of freight applicable on equipment, spare parts, raw materials, products and by-products of the enterprise as far as means of transport owned by or controlled by the government.

Thus far the state has neither introduced nor applied policies to provide financial assistance to individual enterprises for labour training or to develop industrial estates, a device which is being used in many countries to promote industrial growth. The pressing problem which confronts the government at present is the heavy concentration of over 80% of Sudanese private industrial enterprises in and around the national Capital. Such industrial areas have grown out of proportion without the provision of adequate social services and resulted in massive internal migration, growth of slums and other social vices which usually go hand in hand with the imbalanced regional growth of underdeveloped countries.

5. Licensing Policy on new Industrial Establisments:

Like any other developing country in the preliminary stage of industrial development, the Sudan has sought as a policy to utilize first and before all its local resources. Imports substitution and foreign exchange savings were put as a target for indusgrialization to achive. The priority is given to industries which fulfil this aim, e.g. utilizing raw materials and contributing to the betterment of the balance of payments position. It is also expected from these industries to provide good employment opportunities and to have the capacity of linkages both backword (as to have a good tie with agricultural and other raw products) and forward (as to pave the way for the growth of complementary activities, be it in the field of industry or commerce).

Being aware of the immaturity of industrialization in the country and the unfamiliarity of the businessmen with this idea, the government has assumed the responsibility of providing every help to private investors and formulated its rules and regulations accordingly.

The institution responsible for the guiding and achievement of this policy is, the Ministry of Industry and Mining.

The Ministry is responsible for the approval of licences and the guiding of industrialization so as to avoid destructive competition and growth of unrequired industries. Licences for the establishment of new industries are usually attained by following a certain channel. Applicant should first fill in a form containing detailed specifications of the proposed industry-its aim, location, total cost, source of raw materials, preliminary layout of the plant.... etc. The form should then be submitted to the Ministry where the officials look into the project, make a preliminary study and then submit their recommendations to an advisory committee. This advisory committee, composed of representatives of various units concerned with industrialization, aggregate to discuss the submitted projects guided by the underlined policy & rules, it passes on its recommendations to the Minister who is the final authority in this process. The Committee also passes recommendations on the concessions to be given to the project on the light of its evaluation to the project. The Minister may accept, amend or reject the recommendations of the committee and make his decision within fiteen days starting from the date of receiving the committees recommendations.

Having gained the acceptance of the Minister, the investor can then seek his own means to establish the project. He can contact the Industrial Bank for assistance or can achieve it alone.

However, the Ministry may revoke the licence if the beneficiary: (a) failed to take positive steps without satisfactory cause to fulfil the project in the specified period. (b) contravened any of the conditions stated in the licence (c) provided false information.

The merits of this procedure lie in the chance it provides for organizing industrial investment and avoiding the establishment of various competing projects and guiding investments to the most required channels. Bearing in mind the market capacity and development level of the Sudan, the committee has endeavoured to avoid retarding competition even if this might create monopolistietic positions, such as in the case of accumulators or oligopolistic positions, such as in the case of textile industries.

Not to mention that this policy has [illegible] succeeded to a reasonable extent in promoting industries using local materials such as oil mills, textiles, [illegible] board... etc.

The target of foreign exchange savings has also begun to carry weight and the Sudan is expected to reach the stage of self-statisfaction in a good number of commodities by the end of the Five Year Plan ending 1975.

6. <u>Measures to facilitate foreign Investments</u>:

Both the 1956 and 1967 Acts have adopted special measures to encourage foreign investment in the private and public industrial projects. According to the 1956 Act Clause 10 : "The question of association of local Capital, whether Government or Private, with foreign capital will be a matter of negotiation at the commencement and not a compulsion." (1)

Clause (6) of the same Act however specifies this more clearly. According to this Clause,

"For the purpose of classifying an enterprise as an approved enterprise no discrimination shall be made against foreign enterprise".(2)

Similarly Clause (8) has tackled the question of guarantees as follows:

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(1) Page 4 investment Act 1956.

(2) Page 6 " "

"If at any-time any property belonging to an approved foreign enterprise is compulsorily acquired by the Government in furtherance of nationalization of any industry, fair and equitable compensation shall be paid for the same, and the same and said compensation shall be permitted to be remitted out of the Sudan"(3)

At the same time while the Government accepts the principle that foreign industrialist should have the right to remit profit to the Country of origin and savings of foreign employees, it has also demanded foreign industria-lists to provide reasonable facilities for the training of Sudanese personnel so that they would eventually realise their participation in those establishments. On the same line labour permit and stay visas were easily granted to foreign industrialists to facilitate their required effective participation.

The 1967 Act similary stressed packages of incentives to stimulate foreign capital participation. The incentives offered included as well question of repatriation of profits, compensation etc. which are indentical with those embodied in 1956 Act.

These two Acts, though generously specified the concessions obtainable by foreign investors, have not endeavoured to elaborate the role which foreign investment should play, nor the punishments it should face in case of any manipulation that may occur. Recent investigations have clearly revealed many incidents of smuggling, illegal transfer of funds and exploitation of corrupt adminstrative

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(3) Page 6 investment Act 1956.

key posts to realise this, [illegible] profits without any attention to welfare of [illegible] and the Consumer. Foreign investors in pursuance of these objectives tended to prefer investment in [illegible] and extractive industries. The only few industries based on local raw materials that considerably attracted foreign capital were oil industries, but even these were preferred not because they utilize local raw material but rather because they were meant for export.

To the best of our knowledge no special law for foreign investment specifically exists beside the 1967 Act already referred to. However legislation pertaining to questions of double taxation exists subject to mutual agreement embodying the kind of exemption, or assessment of tax intensity on income generated by non-residents in Sudan in accordance with the agreement drafted. An example of countries with which the D.R. of Sudan effected this is U.A.R.

Regarding the international convention on the settlement of investment disputes, it is known that the previous Government regime has signed this late in 1966.

7. Measures to Promote Export of Manufactured Goods:

UNIDO and UNCTAD resolutions in various occasions have emphasized the positive role of export-oriented industries as a new orientation towards the fulfillment of an accelerated Industrial Growth. This policy is related primarily to the processing of locally available raw material with the view of either exporting them processed or semi-processed and secondly to the conversion of industries to an export orientation. [illegible] planning [illegible] import substitution it is [illegible] competitive industries with packages of [illegible] in the case of export-oriented industries [illegible] are clearly inapplicable. Export oriented industries [illegible] naturally faced by severe competition which requires essentially a reduction in production costs and an improvement in the quality of the product. Secondly, such industries usually obtain both the equipment and the technical know-how from Developed Countries. Despite these various limitations it was recognized when the Sudan obtained independence in 1956, that in order to achieve a higher development, emphasis should be laid on the promotion of industry, parallel with the expansion of agriculture and within the framework of a balanced and integrated economic and social development plan. It was further recognized that the Industrial processing of agricultural produce and mineral raw materials should constitute an important part of this policy.

Immediately after the declaration of the 1956 Act serious steps were taken by Sudanese and foreign enterprises in the process of establishing new industries predominantly of import-substituting nature.

Although the act did not specify clearly the concessions' granted to promote export oriented industries reference has been made to the possible classification of an industry as "an approved enterprise" if it was beneficial to the public interest, for example by increasing the national income, by saving foreign exchange or for strategic reasons."

Quasi rapid expansion in oil industries has been taking place following the inception of the 19[illegible] Act. These industries were meant primarily to satisfy local demand - for oil, but at the same time increased the export share through the promotion of export oil and oil cake in particular. Oil mills have specialized in cotton seed crushing, while others in ground nut and sesame seed crushing. The demand by oil mills for seed was basically determined by foreign demand for oil and oil cake, i.e., if there the foreign demand is high, the oil mills operated at full capacity, if not they operated at reduced capacity. Experience has shown that most of the oil mills were not operating at full capacity. One needs not to go on arguing the various measures imposed by developed countries in affecting negatively the possible success of such industries.

The Industrial investment Act in 1967 has touched specifically export oriented industries when it listed industries qualified for obtaining approved enterprise status; that they utilise local raw materials or encourage the production thereof, and will make a partial or full import substitute or assist partially or fully in exporting and saving of reasonable sums of foreign exchange." Besides other concessions granted to infant industries whether of export oriented or imports substitutting nature like allocation of a piece of land, exemption of machinery and equipment from custom duties etc.. the act has clearly stated in clause (f), as discussed before, "Draw back of custom duties, less 1 percent already paid by the enterprise for raw and packing materials used in the manufacture of an exported product."

At the end of this brief survey it is worth mentioning, that the commercial promotion of export oriented industries entails appropriate incentives for exporters, supply of information to such industries from foreign markets, conducting commercial publicity, trade fairs etc... which have not been clearly indicated in the act.

Moreover, other conditions necessary for the success of this policy is the existence of an economic space"market" large enough, hence the importance of international co-operation among neighbouring countries in Africa and the Middle East, the co-ordination of their development plans in order to lessen competition and utimately economic integration.(1) This in itself will help to promote the spirit of entrepreneurship, i.e., to prompte the entrepreneur ability to stand the risk of decision making involved which could be well achieved through the domination of public sector over the private sector in order to facilitate easy contacts and close co-ordination among the various countries. Secondly, technology and techniques available in various countries could be utilized based on the comparative cost advantage prevailing.

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(1) See part VI.

III-Brief [illegible] Policies used:

Ever since the end of the second world war when the era of planned economic development of the less developed areas of the world began the impetus to develop industry lead to the design of one or other system of incentives for the attraction of investors to the industrial sector. As the objectives are the same, and one country copies from another, the incentives packages tend to follow the same pattern as between countries thus diminishing their usefulness to any one country. Most of these incentive schemes have tax implications it could be adequate to list main types of them.

1. Tax holidays
2. Tax Stablization agreement
3. Acclerated Depreciation
4. Preferential Rates or total exemptions from import duties.
5. Assurance of availability of foreign exchange
6. Provision of industrial sites and other infra-structure at lower costs.
7. Subsidised living amenities for expatriate management personnel.
8: Tax Agreement with potential capital exporting countries so as to avoid double taxation of earning.
9. Assurance of monopoly rights over domestic markets for certain period of time.
10. Offers of Government participation in enterprises
11. Compensation and arbitration schemes in the event of nationalization.

The main objectives of these schemes could be roughly summarized as follows:-

1. Assurance of profitability of investment
2. Attraction to particular sites, projects or sectors of the economy.
3. Assurance of safety of initial capital investment.
4. Encouragement of the re-investment of earning in the same country.
5. Attraction of foreign capital.

The first act embodying some of these incentives in the Sudan, as mentioned elsewhere, was declared in 1956. The main provisions of this act were to grant certain concessions and tax privileges to industries designated as "Approved enterprises" conditions to be satisfied by a particular industry to qualify as an "approved enterprises" were basically the following:-

i- It must be benefecial to the public interest
ii- It must have a favorable prospect of successful development.
iii- Adequate capital and efficient management would be available.
iv- Its function must not already be adequately performed within the country.

The act [illegible] (1967) [illegible] of resolving the problem of scarcity [illegible] capital and lack of efficient management. It only [illegible] qualifications for obtaining concessions, [illegible] that until then no specialized institutions for finance and training of personnel were existing. The listing of the kernel the problem as condition for obtaining concessions has no doubtedly limited the number of pioneer industries.

Considerations such as the number of companies already in the industry or about to be established in addition to the quantities of products forthcoming in relation to total demand, determined whether or not certification was granted. In other words care was being taken to see to it that there were not so many companies as to disturb the profit rating of those already existing. However, refusal to grant pioneer company status did not rule out setting up of the particular company, but the material disadvantage of not having the tax privileges were enough to prevent operation. Broadly speaking, there was no mention to special concessions pertaining specifically to private industries as distinguished from public industries. This could be attributed to the declared policy of the Government then, which according to 1956 act "It is however, the intention of the government of the Sudan that all Indusgries other than Railways, public utilities, etc. should be left to the private sector." In spite of this, huge volume of public investment was realized embodying the establishment of five public owned enterprises in the first phase of the past ten year plan, specifically during 1960-1965. But as, those industries were publically owned there was no need however, to design any set of concessions for public industries as they are usually fully exempted by definition.

But if, and when, the need arises for any concession granted to the private industries, it would automatically be subjected to the public industries. A concrete example was in the case of sugar which is both produced and consumed by industrial development corporation factories.[1] The corporation sells the sugar to the Government at the prevailing C.I.F prices, but when it buys the same for its fruit canning factories it pays market prices inclusive all taxes. An appeal was made to affect their subjection to tax relief enjoyed by private industries, and were eventually allowed to enjoy the same. Several examples do exist to illustrate the argument, that though no mention was made to distinctive measures between private and public industries yet similar treatment within the concept of equity is always valid.

Late in October 1968 the previous Minister of industry has declared the Government policy toward industry then. A full quotation of the text may give a good indication of the policy:-

1. "The policy of the Government, as stated in the Articles of the Organization and Promotion of industrial investment Act, 1967" is to encourage and stimulate private investment in industry, and to grant it all the concessions and facilities that will enable it to play its full role in the industrialization of the country, It is also the government policy to create a favourable climate, and attract foreign capital, so that it can participate in industrial development."

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(1) The organization responsible for all government industries.

2. Although the government is convinced of the necessity for the continuity of the public sector in the field of industry, at the same time, the government believes that the activities of this sector should be concentrated in the execution of industrial projects which the private sector hesitates to undertake, either because of the prohibitive amount of capital required, or because such projects do not yield quick and attractive returns for investors. The public sector may also undertake projects which are considered to be of a strategic nature and projects which, by necessity and for national considerations, should be injected into the traditional sector of the economy."

3. Government policy also aims at the promotion and the encouragement of the federation of industries and the establishment of chambers of industry which will look after the interests of their members and, at the same time, provide the Ministry of Industry and Mining with the necessary support and collaboration in its efforts and policies.

"The Government considers that the federation and the specialised chambers are valuable instruments for coordinating private and public efforts for the promotion of industry.

"In brief, the prupose of the Act and the stated policy of the Government in this direction, is to extend all possible assistance and facilities and give all reasonable guarantees to both local and

> foreign investors for equitable returns on their capital and also provide all the services and conditions necessary for the creation of a healthy and favourable investment climate for the stimulation and acceleration of the industrial development of the country.
>
> This is the policy which the government is committed to and which it intends to pursue. The private sector, whether its capital is local or foreign, should be confident of government protection to its investments in industry. The government is quite aware that industrial development requires large investments that form the fixed capital of industrial enterprises and in this way industrial development is totally different from the commercial commodities taken over and cannot therefore be compared with them.

The Government in enacting the "Organization and promotion of industrial investment Act, 1967" provides the maximum possible protection for private capital, be it local or of foreign sources, and enables it to obtain remunerative returns in due proportion to its share in the economic activity of the country."

The above statement was made together with the declaration of the Organisation and promotion of Industrial Investment Act 1967". According to this Act there was a full exemption from payment of business profit tax for 5 years, and if the capital employed reached one million at the fifth year an exemption of ½ of the tax will be effected for another 5 years. By contrast the 1956 Act specifies "Profit up to 5% of the capital employed will be exempted with additional profits taxed at half the standard rate." Secondly, the 1956 allows <u>reduction</u> on machinery equipment and raw material but the 1967 allows for even total exemption. Finally, the 1967 Act includes other concessions that never existed before in the 1956 Act like reduction in rates of power, granting of protection, reduction in freight charges, restriction of government purchase to products of the enterprise and other banking facilities available.

In brief the 1967 Act was comparatively too much generous; the concessions listed as they are, were so designed under only one objective with the view of stimulating private industrial growth, without paying adequate attention to the implication of these on the general fiscal policy as a whole and the dominating monetary policy and financial institutions existing then.

Considering the fiscal side the total revenue estimates thoughout previous years were excessively relying on designing new taxes or attaining the maximum possible from existing ones. The sizeable increases in revenue were mainly due to increases . . . in the process of import duties and intensibe efforts taken to collect the arrears in direct taxes. Impact of excise tax on local product will be discussed elsewhere in this paper, the point to indicate here is that no sufficient co-ordination used to exist between tax authorities from one side and Ministry of Industry and Commerce from the other side; and as such no clear features are traceable as neither modification of fiscal measures were meant for a particular sector except exclusively conceived as means of budgetary improvement and control.

Capital in-availabilities in its liquid form to synchronize with increases in capital investment, continued still to hamper, if not completely ban, industrial progress in the private sector. Commercial Bank's credit facilities in the form of short term loans to private industry, limited as they are, have mostly been absorbed by few industries; personal contact and round about methods being the relevant criterion, and were only used to finance any rises in production costs, i.e., ocean and in-land freight, labour surcharge and to a limited extent raw material etc., rather than expanding the industrial production base of the private sector. The Industrial Bank incessant efforts to increase its financial resources have not produced substantial positive results due to the inavailability of financial resources, and even foreign loans as they existed with their rigid limitations and complicated procedure, inhibited the Bank from full utilization of the facilities rendered.

Worse still, the Government which represented the main buyer for a variety of local industrial products, failed on many occasions to comply with its financial commitments to local producers at the fixed dates, and therefore rendered many producers unnecessarily illiquid. The Government had also failed to give local industries effective protection. It is quite evident that Governments delays in fulfilling its financial obligations to local producers has definitely accentuated the already existing capital shortages of local producers. The continued deterioration of economic and political conditions of the last Government regime had accentuated further the adverse effects on the prospects of economic activity and consequently more directly upon the rate of growth in industrial investment.

During the last 10 years the considerable growth in the industrial sector is basically attributed to the huge investment involved in the public sector industries but still have not complied with the targets outlined in the plan.[1] The new five year plan envisages still a further increase in the industrial production through the better use of available modes of production, utilizing when possible the unused capacities existing, with the minimum injection of additional investments. Furthermore 20 projects of the public sector were outlined and studied while the private sector projects have also been identified. Most of these projects aim at regional development and as such their proposed location is distributed throughout the various regions of the Sudan at the concentration points of the local raw materials. In addition, these projects are dominantly export oriented projects, a new policy which is quite contradictory to the undefined policy that existed before. It is quite certain that after the nationalization of commercial banks and the direct control of the Central Bank realized over them thereof, it only remains to analyse the existing package of policies with the view of attaining a more practical and realistic incentive measures.

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(1) See table 2 , page. 8.

Considering the generous 19[illegible] Act, one has also to consider the revenue implications of the Act. It is noticed that while provision was made for extending the tax free period in case of loss in any accounting year, there was no provision that if the industry should recoup the whole of its capital investment before, say the end of the 5 year period, taxation of net income would automatically come into force. The existence of accelerated depreciation and tax relief at the same time may lead to a contradictory situation, one of them has to be preferred over the other. If we assume that the safety of capital is the first pre-occupation of foreign or local investors, then accelerated depreciation allowances are to be preferred to tax holidays. The accelerated depreciation not only speeds up the process of recouping initial investment capital, but it also enables the treasury to commence profit taxation as soon as this recoupment has been achieved.

The tax holiday scheme as a whole creates situation whereby an older industry, whose tax and custom duties exemptions are over, may have to compete with new industries still enjoying such privilges. Accelerated depreciation minimises such awkward confrontation. If, on the other hand the authorities operating tax holidays schemes are over sensitive about the said confrontation and therefore severely limited the entrance of new industries, they would end up with monopoly or oligopoly situation. These remarks were put forward to help in appraising the various incentive methods listed, both from the point of view of investor, and the tax administration of the country offering these incentives.

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IV. Machinery used to Formulate Industrial Policies and Measures:

1. It is generally conceived that preparation and execution of a plan will normally be effected in the following stages:-

1. Collection of information
2. Plan formulation : This includes basically:-
    - I Objectives
    - II Duration
    - III Analytical frame-work
    - IV Coverage
    - V Evaluation, Selection and Phasing of projects
    - VI Investment programme
    - VII Financing
    - VIII Institutions and policies
3. Plan approval
4. Plan Implementation
5. Feed-back and follow-up
6. Plan Revision

Institutions and policies listed as N°. VIII of the 2nd stage are very necessary for the effective execution of the plan and as such constitute the bridge of transition between plan and plan realization. New institutions or modification of existing ones may always be needed for carrying out specific parts of the plan. Where new institutions are required, these must be carefully planned and set up, due consideration being given to the nature and functioning of institution in the light of research conducted. Other stages are by no means less important, however, for the purpose of this chapter it is considered quite enough to mention the various stages since they are essential when constructing a planning administration so that the machinery designed would make provision for the coordinated execution of each of these stages in the planning process. The main objective is by and large to emphasize the planning functions, identify its nature and suitably locate it with the entire public administration, the private sector and the entire community. The purpose of this integration is to ensure both the orientation of all Government Units concerned with planning itself, and co-ordination and smooth functioning towards execution.

It is under this concept that an attempt will be made to survey the machinery used to formulate industrial policies and measures in the process of industrialization in the Democratic Republic of the Sudan.

Immediately after independence there were various serious measures taken to stimulate industrial growth. Early in 1956 a declaration of the approved enterprise act was made as the first serious step in the process of industrialization. At that time the Government organ responsible for industrial growth in the Sudan was only a Department of Industry in the Ministry of Commerce, Industry and Supply as called then. Section 3(1) of the Act says:

"The Minister shall establish an Advisory Committee for the purpose of this Act.

Section (3) 2 "The Advisory Committee shall consist of:-

a. Director of Ministry of Commerce, Industry and Supply.

b. P.U.S. Ministry of Finance and Economics.

c. P.U.S. " " Interior.

d. Director of Agriculture.

e. Commissioner of Labour.

f. Two persons nominated by the Minister.

"When the Advisory Committee is of the opinion that an enterprise should be classified as an Approval Enterprise it shall forward its recommendation to the Minister together with the extent of the manner in which the concession should be provided. The Minister may accept, reject, or alter the same and make an order accordingly, and his decision is final and shall not be called into question by the Court or any other authority."

It is observed from the formation of the Advisory Committee in 1956 that the integration required was not well executed. This is basically attributed to the fact that no specific organ or organs besides the Department of Industry in the Ministry of Commerce was existing at that time. Even though the Committee was not well represented, as while the act embodies facilities like tax reduction the Department of Custom was not represented but still since it was under the Ministry of Finance then the argument could hold as invalid. If we consider the argument which calls for integrating the administrative machinery with the three basic elements necessary for success and subsequent implementation of objectives, namely personnel supply, statistical data and finance, then the formation of the Advisory committee in 1956 can be described as not effective. But as mentioned elsewhere earlier in this chapter this formation was dictated by historical factors when no organ was seriously entrusted with formulation and implementation of industrial policy. Secondly, the objective then was primarily to acquaint the private capital which was either shy or not forthcoming with industry and make the people industrially minded. The philosophy behind the whole thing, was to make a change both in the mind and attitude of the people and as such only very limited attention was given to the realisation of an organ well integrated within the planning functions and co-ordinating with the various Government units.

Undoubtedly this act played a significant role in encouraging and attracting both local and foreign capital to invest in industry, but in spite of the concessions that the act gave, many industrial enterprises were faced with a number of problems and impediments, either in the initial implementation stage or after they had started operation. Things like lack of capital, question of acquiring a piece of land, and location question of protection, high costs, inferior quality and all other factors pertenant to the basic functions as mentioned before.

To remedy these short-comings, the Government after establishing a Ministry of Industry and Mining entrusted with the planning and implementation of a National Industrial Development Policy, introduced a new legislation namely " The Organisation and Promotion of Indusgrial Investment Act 1967"

Prior to the establishment of the Ministry of Industry and the declaration of the Act 1967, the inception of the Industrial Bank in 1961 constituted a fulcrum in the extension of financial and technical assistance to new industries or for expansion of existing ones. Thus both the question of preparing statistics and finance, two important functions of planning, were resolved.

"The Government has also established an Industrial Research Institute in Collaboration with UNIDO to provide technical and economic advise and consultation to existing industries or to new industrial enterprises."

For the same purpose, in collaboration with the ILO the Government has established the management and productivity centre., to provide for the training of managerial and technical personnel required during the process of industrialisation and to improve the productivity of industry in general. Meanwhile steps were embarked upon to conduct a national wide industrial survey which was completely carried out by IDCAS and final reports were submitted. This survey as expected will enable the Ministry of Industry to formulate its industrial policy based on the evaluation of industrial resources of the country, potential domestic and export markets, identifying feasible project for potential investor as already included in the new five years plan. On the same line a vocational training centre was established for the training of labour.

Now after these various developments in the process of industralization have been realized the basic functions of planning , personnel, statistical data and finance are all available waiting only for proper implementation and integration to facilitate easy co-oridination among the various Government Units concerned. The question is now whether the newly formed administrative body has realized our call for this.

According to section 4 (ii) (a) The Committee shall be constituted as follows:-

1. Under Secretary Ministry of Industry and Mining (Chairman)
2. Under Secretary Ministry of Commerce and Supply (Member)
3. Under Secretary Ministry of Finance and Economics (Member)
4. Under Secretary Ministry of Local Government "Land's Departments" (Member)
5. Commissioner of Labour Department "Co-operation and Labour Ministry" (Member)
6. Director of Customs (Member)
7. Managing Director of Industrial Bank of Sudan (Member)
8. Director of the Department of Industry (Reporter)
9. Dean Faculty of Agriculture Univ., of Khartoum (Member)
10. Dean Faculty of Engineering " of Khartoum (Member)
11. Dean Faculty of Economic and Social Studies (Member)

12 & 13 . Two persons appointed by the Minister for a period of one year and they may be re-appointed. (Members)

The act has clearly indicated that in case ex-officio members were unable to attend the meeting, only their deputies or direct assistants are authorized to attend instead. This was done intentionally to enable members to follow exactly the trend of assistance and concessions granted to industries, the volume of growth of any sector of industry, and their number comparable to the actual or potential market capacity, so as to avoid the usual interchanging of members that may lead eventually either to waste of time, or inability to follow the trend of discussion.

To facilitate easy control and supervision over industries the act requires all new and existing industrial enterprises to register and to provide periodically detailed information and industrial statistics on their activities.

The usual procedure followed in granting the concessions to industry is by way of filling a standard application file with a stamp duty of Ls. 10. This application includes broadly the salient indicatives of the industry-things like Foreign Exchange Expenditure, source of raw material, total production costs, expected sales Revenue, number of local labour employed, etc.. The Department of Industry after receiving the application, starts analysing the possible avenues for the success of the project and eventually prepare a sort of a preliminary report involving a recommendation as to whether the project is viable or otherwise. It is up to the Advisory Committee to discuss in length the merits and disadvantage of the project, each member from his own point of view and finally to submit their recommendations to the Minister.

Judging from the above survey we have a tendency to believe that the new formation of the Advisory Committee (1967) has the capacity both to ensure the required integration of the basic planning functions with the entire Government Administration, and to effect well in advance the co-ordination required. It only remains to evaluate briefly the work of this machinery and indicate when relevant whether such co-ordination has been fulfilled.

A remarkable feature of the work of the Advisory Committee is to recommend the granting of concessions to infant industries, when the Minister approves such a recommendation the Ministry of Industry only grants these concessions but evidently does not execute them. To quote examples, several times entreprenurs find every difficulty in obtaining a piece of land at nominal price inspite of such a concession already granted to them by the Advisory Committee (Land Section is represented).

The application for the acquisition of a piece of land undergoes another land Committee. In addition to the usual lengthy procedure excercised the applicant faces considerable limitation imposed upon him.

A first limitation is the prevailing of different prices per square meter of land at different towns, e.g. the price per square meter of land(including service) in Khartoum is Ls. 2.25 while the same in Khartoum North is only Ls. 0.25.

Naturally a great demand on the available areas in Khartoum North is continuously exercised, and a situation of competition is evolved without any need, if prices were standardized. Another limitation is that applicant putting in mind his future plans for expansion applies for a definite area large enough to accomodate any expansion he is aiming to realize, but is never able to acquire that, thus leaving the problem unsolved till its date of occurance. A third limitation is that Applicants are never able to judge exactly the most adequate time for the acquisition of the piece of land. If such dates were well recognized priorities can then be determined, new extension can be planned easily and the artificial rush would hence diminish. The Ministry of Industry was recently given the final word to decide on the when and which industry should be allocated a piece of land first.

It is needless to mention that the previous regime with its various political parties relying basically on a week civil service, ignorant native administration and reactionary supporters have well led the whole economy into dark avenues and political mess This has directly hit into the heart of the good administration and healthy implementation of industrial policies. Import licences were issued without any attention as to whether this will harm local industries or even inflate the provision of supplies required. The only consideration being only to gain money for election or to enrich certain group of opportunists. Directives were occasionally imposed to approve the establishment of an industry in one place, and at the same time import licence were issued to import similar commodities; a situation that really led to a contradictory, if not altogether [illegible] situation. There was no clear cut distinction between what sort of industries that should be left entirely to the private sector and those under the control of the public sector, the only criterion being the volume of investment involved.

The functions performed by Industrial Bank of Sudan, unfortunately one could say, fell short of the demands placed upon it. The high rate of interest it charges, the minimum $\frac{1}{3}$ contribution by applicants of the total cost of the project, the 120% security required of the amount of the loan extended, rendered the Bank a Commercial function rather than a development institution. Moreover, although the Bank is a public institution lending its money to private industries, the composition of the Board included three members from the private sector. According to the Act the Board of Directors shall consist of the following:-

a) The Managing Director
b) The Deputy Managing Director
c) One representative each from the Ministry of Finance and Economics, the Ministry of Commerce, Industry and Supply and the Bank of Sudan.
d) Not more than three persons nominated by the Minister. "Private Sector."

The Board could not stand the corruption of the post regimes. Two remarkable incidents have happened which affected the capital of the Bank considerably. The first relating to the extension of loan and buying of shares in the amount of

Ls. 438,000,- to a cement factory superimposed on the [illegible] from higher authorities then, though this was clearly against Bank's regulation limiting the maximum amount of financial help to any one industry to 15% of its capital (2,000,000 Ls. then) and this was done even without any study by the technical departments of the Bank as usual.

The other incident was that the previous Minister of Finance has withdrawn from the Bank resources an amount in the magnitude of Ls. 300,000,- , thus leaving the Bank quite illiquid, the thing which was clearly reflected in Bank operation in 1969, when it only financed 2 or 3 projects. Incidents like these plus the limitations imposed by the Act itself impeded the Bank from playing its role more effectively.

The new management after May Revolution has approached the working force of the Bank to discuss their own problems and insisted on opening its Arms for any criticism or suggestions. Eventually the discussions held embodied recommendations involving a change, a complete radical change in the functions, in the by-Laws, in the administrative machinery with a view of exploring new role that should be played by the Bank within the framework of the socialist economic growth for the benefit of the people only.

The year 1969 witnessed substantial, if not altogether radical, changes in the political, economic and social fields all over the country. The May Revolutionary Government had to re-examine the whole labyrinth of the economic and social structure with a view to achieving speedier and higher rates of development. The civil service has also been subjected to a series of purges and re-shfulles to enhance efficiency by ridding it of malcontent and placing the right men on the right job. A central Bureau for administrative control was created to check on the effective performance of the whole Government's machinery which was itself re-organized to avoid overlapping and at the same time ensure maximum co-operation. Accordingly, certain Ministries were split into two, other new Ministries were created all in line with the declared policy of the Government.

These radical changes in the whole country in general, and in the administrative machinery in particular, together with the declaration of the new five year plan(1970/1971/1974/1975), regardless of any other consideration, demand a quick appraisal of the existing concessions together with the machinery entrusted with policy and measures implementation. The five year plan has clearly indicated the share of both public and private sector in industrial investment envisaged. Right now there is a complete discussion going on; and in the coming few days a new set of effective incentives will be announced to help the plan implementation and execution in conformity with the objectives drawn.

V. SOME PROBLEMS EXPERIENCED IN IMPLEMENTING INDUSTRIAL POLICIES

Generally speaking, the formulation of a policy to activate the growth of a business should lay a heavy weight on the environment in which this policy is to be accomplished and the psychology & readiness of people concerned. Hence, to guarantee the success of the implementation of industrial policies in developing countries, we have first to look into the formulation & investigate howfar does it consider the business environment, the psychology of businessmen & their readiness to undertake risk. This applies to a larger extent to developing countries like the Sudan where people are more familiar to activities other than industry and obsessed by secured profits & quick earning activities. Hence, policy formulation is confronted by a severe challenge of reshuffling the business mind and a radical diversion of investment.

This introduction is forwarded mainly to stress that the ineffectiveness of policy implementation and problems that arise there from, follow directly from the passivity of formulation and the ignorance of the basic guides to a successful policy.

In the Sudanese business arena, there is but only a handful of a few bussinessmen who enjoy all the distinctive features of the modern and sophisticated enterepeneurs. The traditional bussinessmen misled by ignorance and inexperience tend to fragment the small capital they have into various activities, e.g. contracts, landlordism, wholsaling, retailing ... etc.

These are the same basic facts which our policy should endeavour to abolish. Before dealing with the secondary element of capital, we should first seek ways & means of paving the way for capital utilization.

Incentives & guarantees are not enough, education and guiding aiming at changing the attitudes, co-operation and pooling-up of capital are perhaps more effective.

Industrial investment encouragement policy operating in Sudan since 1956 countinued to be guided by:-

1. The approval enterprise concession act of 1956, and its amendment in 1967.
2. The establishment of industrial Bank of Sudan in 1961.
3. The assistance expected to be extended by commercial Banks.

The two acts emphasize several concessions for newly established projects, such as tax exemptions & holidays, provision of land at nominal price, reduction in customs duties on imported machinery & material ... etc. The industrial Bank is to provide financial & technical assistance for projects that turn out to be economically feasible. A maximum of 2/3 of the cost of projects is provided by the Bank to sound projects at an annual rate of 8½% per annum. This is applicable to all types of projects everywhere in the country.

The provision of necessary working capital is left for Commercial Banks.

One can not say that these measures have not played a role in raising the level of industrial investment. Suffice to mention that the volume of industrial production (public & private) has reached Ls. 51 millions in 1965/70 and was growing at an annual rate of 9.4% . It is also worth mentioning that the industrial Bank has succeeded to assist the establishment of 90 projects since its inception in 1961.

However, this is not all that should be expected and these measures would have been more remunerative, had they been flexible compherhensive & will-backed by the essential educational & training measures. (A critical evaluation for the two acts are dealt with elsewhere in this paper). The Industrial Bank has not yet shown any good results. Its rules & regulations were not so designed as to cater for differential treatment of unequals and true regional diversification of industries. The provision of 2/3 of total cost & the rigid interest rate (8½%) is applicable to every region in Sudan irrespective of its level of development & the per capita income. The result is a heavy concentration of industries in the prosperous areas and an increase in the disparities between regions & excessive out-migration from backwards areas to developed areas, the thing which has its bad impact on agricultural production itself. The imperical result of this rigid policy is that out of the 90 projects so far approved by the Bank. 63% are located in Khartoum province, 23% in Blue Nile province and only 14% for the rest of the country.

For investment policy to be effective on a macrolevel it should be based on a good economic regionalization which bears in mind resource inventory of regions, simultanious growth of agriculture & industry within regions, and a harmonious growth of all regions within the context of the country. This could be easily acheived by orienting incentive, policies in such a way as to satisfy this aim, e.g., more incentives will be given to a textile weaving factory if it is located in Nuba Hills than in Khartoum..ect.

One more important factor contributing to the ineffectiveness of investment policies was the passibity of Commercial Banks. Commercial Banks, before nationalization in May 1970, were all expect one branches of foreign Banks. Their Prime objective was profit making. Accordingly, they get involved primarily in easy, secured and money-earning activities-e.g. foreign trade financing, short-term financing for crop cultivation & Commercial pruposes. This can be easily noticed from their advances from 1960-1968:-

	Short term advances as % of total	Long-term advances as % of total
1960	78.31	21.69
61	81.52	18.48
62	85.27	14.73
63	89.23	10.77
64	86.37	13.63
65	85.23	14.67
66	83.50	16.50
67	84.70	15.30
68	86.40	13.60

Source:- Bank of Sudan Annual Reports 1961/1968.

It is quite clear from the above figures that commercial banks were restricting their lending to highly liquid loans for short term commercial purpose.

If only statistics are available it will further prove the rapid growth of the tertiary sector vis-a-vis other sectors, the thing which is basically attributable to the feeding of this sector by commercial banks loans. Deposits with commercial banks including those of primary & secondary sectors are channelled into trade and commerce.*

Besides this, Industrial policies implementation has encountered several other problems resulting directly from administration & lack of co-ordination between concerned department.

It was stated in the ten year plan for reconstruction and development 1960 -1970/71 that bulky industrial project which require a large amount of capital are to be undertaken by the public sector and others with smaller capital investment to be left to the private sector. For the administration of government projects, namely sugar factories, canning factories, oninion dehydration factories ... etc, the industrial development corporation was set up under the auspices of the Ministry of Industry & Mining. Private projects are left to private administration.

Mostly all government projects save one, Khashim Elgibra Sugar factory, proved failure. This failure is mainly attributable to the inadequacy of the preinvestment studies. However, administration and poorly designed measures to implement policeis also played a part in hampering the success of these projects. From the very start, the construction cost of these projects had surpassed the estimates by 12%. This was due to wrong estimation, and extravagance in expenditure due to the failure of the people responsible to supervise their execution and to implement the plan as formulated. Not to mention that one of the basic reasons for the early failure was the lack of experience and technical know-how and the complete unfamiliarity of the public sector with industrialization then.

One example proving the failure of administration and the undue haste in establishing this projects is provided by Elgenied Sugar factory. In this factory, whereby sugarcane is the basic requirement, no previous studies or experiments were conducted to prove the suitability of the area, which was basically for cotton and not for cane cultivation, nor any attempts or efforts were made to convince the originally cotton cultivators to divert to sugar-cane, nor any explanation was made to the farmers as to their new position and their relationship with the management of the factory.

The result was insufficient supplies and very high cost of production of materials, and consequently a high cost of production per ton. In 1968, the production of Khashem Elgirba (a successful one) factory was 60 thousands tons costing only Ls. 26 per ton and that of Elgynied was only 33 thousand tons costing Ls. 63 per ton of sugar. The cost of sugar cane production was Ls. 14.5 per ton at Elgirba and about Ls. 39.7 per ton at Elgenied.

Another striking example of failure due to bad planning & managment is provide by Aroma cardboard factory which was lastely closed for having shown no prospects of success.

Though these factories have independent administration yet they are still subjected to the government routine. Any plan for expansion and improvement can not be achieved unless approved by the Industrial corporation, Ministry of Industry Ministry of Planning & lastely Ministry of Treasury, a thing which results in much delays and clashes of policies and might lastly not materialize at all. The result is that these factories continue unimproved and to show a growing loss till lately the present regime began to show an interest in them.

In the private arena, administrative and managerial problems also stand as a barrier. Not to mention that the Sudanese have not yet develop an industrial sense & not yet matured to run industrial ventures. Still Sudanese enterpreneurs are fund of and obsessed by the view of owning more than a business and hence efforts are shared by several activities. The management Science is applied but in a very narrow scale in factories and private industries are almost run and administered by businessmen who were originally engaged in commerce and agriculture.

Private indusgries are also not free from the hazards of the public sector administration and the routine and clashes that arise between ministries and public departments have also their impact on the Ministry of Industry might mean something else to the Customs Department and another thing to the Ministry of Trade & Commerce. Suffice to mention in this respect, the obstacles that confronted private industries under the previous regime as a result of the issuance of quite a good sum of licences for the importation of competing products.

The remedy seems to lie in the awareness of these problems and the setting up of policies to avoid their recurrence. A good machinery for the co-ordination of various government factories within the context of the overall policy should be felt as a necessity.

The possibility of establishing a training institute in industrial management and an intensive program for industrial enlightening & guiding should be studied.

VI. Industrial Policies in the Context of Regional Co-operation.

Broadly speaking developing countries, including the Sudan, have comparatively small markets and limited resources, however, even where the potential resources are abundant, the ability to develop them in the form of establishing modern industrial firms with the view of expanding the market to absorb their products, faces often severe limitation. One possible way to overcome this difficulty is the intention usually expressed to benefit from joining each other in a concented afiort to overcome these shortcomings which hinder their economic growth. Being aware of this fact, and carried with the intention to alleviate pressures on its balances of payments, the Sudan signed bilateral agreements with various east European Countries, UAR and India.

Such bilateral agreements used to have some adverse effects on one branch of Sudanese industries, i.e., textiles. The Sudan used to import grey sheeting from the UAR with reduced custom duties, this resulted in some distribution problems of the local grey sheeting production, and inventory carry-overs were quite often in recent years. Grey sheeting importation was recently stopped and hence no distribution problems were felt.

Certain industries, which rely on raw material importation, e.g. plastic processing, weaving, fruit conservation etc. benefited from the existence of such bilateral agreements. Importation of raw materials and or machinery from bilateral agreement countries have been carried out without severe forien exchange restrictions.

As far as economic integration with Arab Countries is concerned, the Sudan signed the economic integration of Arab States agreement in 1970, between Sudan, Libya and UAR. The objective of this agreement is the gradual abolition of trade restrictions among Arab Countires through the establishment of a unified duty zone, the exchange of national products, free movement of both capital and labour. Though the implementation of this agreement will widen the market for Sudaness Products, yet it will expose Sudanese industrial products to severe competition from inside the unified duty zone. It is still quite early to evaluate the impact of the integration agreement on Sudanese industries, because the joint projects have not yet been clearly specified.

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