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Vienna, Austria, 13 - 16 December 1976

EVALUATION REPORT ON INDUSTRIAL ESTATES, NO. 12;
SUDAN ^{1/}

by

C.R. Droesch *

* Consultant

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INTRODUCTION

The Democratic Republic of the Sudan was one of the countries selected for study in the second phase of the evaluation of the role of industrial estates in industrial development carried out by UNIDO on behalf of the Swedish International Development Agency, (SIDA). The mission took place from 29 September to 14 October, 1976. It was undertaken by Mr. Charles-René Drosch, Consultant.

Due to a number of factors, not the least of which was the shortness of time available to complete the second phase of the study, the selection of the Sudan as a country to be studied was made without sufficient preliminary information. A cable from the Resident Representative of the UNDP indicated that, in fact, there were no industrial estates operational in the country but that the Government would be interested in the consultant's visit, since it was actively considering their establishment. It was therefore decided to proceed with the mission and to combine the study, which would be of the pre-conditions to launching on a programme of industrial estate construction, with an survey mission in which discussions could be engaged with the Minister primarily concerned and other authorities. In this way the Final Report on the evaluation study would be able to offer a range of conditions encountered in different countries starting with a country preparing for the launching of a programme through to countries where programmes were long established and functioning on a large scale. The contribution of this report and the personal contribution of the consultant to the UNIDO Meeting on Evaluation of the Effectiveness of Industrial Estates in Developing Countries to be held in Vienna from 13 through 16 December, 1976, will be primarily to examine the conditions necessary and establishing guidelines for future projects.

The programme originally laid down for the consultant could not be completed because he was unable to travel into the regions outside Khartoum. Road conditions proved insurmountably difficult in trying to reach towns in the El Gezira triangle - Sennar and Rabak-Kosti, while the airports in the south of the country were closed because of quarantine imposed there. The data available are therefore limited to the Khartoum region.

The consultant wishes to acknowledge the time and trouble taken to provide him with information and assistance, in particular by His Excellency, Sayed Badr El Din Suliman, Minister of Industry and his staff. He would also like to thank the UNDP Resident Representative, Mr. C. La Munière and Mr. Jean Wahlberg, Assistant Resident Representative for their help and encouragement.

CONCLUSIONS

1. The Sudan has no industrial estates although the question has been discussed over a number of years and studies have been made by experts from UNIDO and other international organizations.
2. The establishment of a certain number of industrial estates, both in the urban areas and in the more remote agricultural regions would offer considerable benefits and would constitute a decisive step towards the industrial development of the country.
3. An integrated programme should be worked out between the Ministries of Industry and Planning. Before any attempt is made to implement a programme, most careful studies of all the factors, economic, technical and financial should be made and complete plans prepared based on the best and most realistic data available.
4. The country does not yet have the people qualified to undertake such a programme which demands not only good physical conditions but also good administrative and managerial resources at all levels and especially at the level of the estates themselves.
5. The incentives necessary to induce firms to enter the estates must be very carefully worked out to ensure that they are effective but also to avoid over-protection, which could in the long run be counter-productive. This being said, most of the firms which will move on to the estates, when they are established, are at a fairly low level managerially and technically. If they are to progress satisfactorily and justify the money spent and other resources involved in settling them in, they will need technical aid for some time, probably years, after they have moved. For this reason the selection of firms whose owners have the characters and abilities most likely to succeed as industrialists is critically important.
6. The programme will need bilateral or international technical assistance in most aspects of the programme, including training at home and abroad, of those officials and technical personnel having key responsibilities for its development.

1. THE NATIONAL BACKGROUND

1. Basic Statistics¹

Area	Km ²	2,505,813
Population (1973) ²		14,171,732
GDP (1971-72 est.) ²	US \$	1,750,000,000
GDP per Capita (1971-72)	\$	125
Growth Rate (1961-71 at current prices) Per Cent		4
Imports c.i.f. (1973)	\$	60,720,000
Exports f.o.b. (1973)	\$	60,480,000
of which Cotton	\$	32,033,000
Imports c.i.f. (1974)	\$	89,440,000
Exports f.o.b. (1974)	\$	48,800,000
of which cotton	\$	21,280,000
Economically active population (1970) ³		5,065,000
of which in agriculture		4,046,000

Since March, 1972 the exchange rate has been maintained at Sudanese £ 1 = US \$ 2.50. This rate has been used in converting the figures above and other financial statistics.

2. General Information

The Democratic Republic of the Sudan is the largest country in Africa, larger than the whole of Western Europe. It stretches through 18 degrees of latitude from dry desert areas in the north to sub-equatorial forests in the south. The unifying factor throughout the length of the country is the River Nile, which at Khartoum divides into the blue and White Niles.

The Sudan is primarily an agricultural and pastoral country. Agriculture, including livestock and forestry products, contributed more than 30 per cent to the GDP in 1971-72. The last definitive figures for manpower, (1955-56) indicated that 85 per cent were employed in the primary sector. The figures given in the Basic Statistics above, which are estimates, suggest, as might be expected, that this proportion is now somewhat lower - about 60 per cent. In 1973 industry contributed 7 per cent of the GDP.

The country is heavily dependent on the cotton crop for its exports. Wide fluctuations in prices and in quantities produced and exported have caused political as well as economic instability. As may be seen above, 1974 was a year of poor crops combined with low market prices due to the world-wide recession. It led to a severe deterioration of the balance of trade and foreign indebtedness.

There are large unproductive areas in the country. Unfortunately, these are the areas nearest to the Red Sea and Port Sudan, the productive areas being at distances from 800 to 2,400 kilometres from the coast.

¹ Unless otherwise stated, the statistical and general information in this Section has been taken from Africa South of the Sahara, London, Europa Publications Ltd. 1976.

² It has not been possible to find figures for the GDP. This figure has been calculated by multiplying the GDP per capita by the estimated population. It must therefore be considered as indicative only.

³ ILO and FAO estimates.

Their remoteness has been a factor in retarding development. It continues to be exacerbated by serious transport bottlenecks.

The average density of population is low and there is no population pressure on available resources at present. Open unemployment is insignificant, in fact, in the cotton picking season, Sudan suffers a shortage of labour which is sometimes made good by immigrant workers from neighbouring countries.

The public sector plays a dominant role in all important economic activities. It is not only the chief investor in public utilities, but is the main promoter of industries such as sugar, cotton ginning, food processing, tanning and printing. All large hotels are now managed by the Government. All commercial banks and several leading commercial firms were nationalised in 1970. In 1962 the Government formed the Industrial Development Corporation to look after large factories. The private sector of industry has mainly been developed through the investment of savings of foreigners from profits made in importing and exporting. Private sector industries are mainly textiles, soap, oil pressing, footwear, soft drinks, printing, packing, flour and knitwear.

50 per cent of the population is concentrated in 15 per cent of the territory, main densities being round Khartoum and along the Niles, in Kordofan and in the south west. The principal states are (1973):

Khartoum	968,000
Blue Nile	3,483,000
Kordofan	3,103,000

Populations of the principal cities and towns are (1973):

Khartoum	321,666.
Omdurman	305,308
Khartoum N.	161,278
Port Sudan	123,000.

A trial sample of the ethnic make-up of the population was taken in 1956. This gave

Arab	39 per cent
Southerners	30 " "
Western	13 " "
Others	18 " "

3. The industrial Background¹

Statistics on industry in the Sudan are rather difficult to obtain. Those given were the best available to the consultant and offer a background to observations and findings.

Table 1 gives the breakdown of manufacturing industries by size, (November, 1973):

¹ Figures obtained locally.

TABLE 1

Breakdown of manufacturing Industries by Size

Numbers engaged per Establishment	Units	Total engaged	%	Investment \$ Million	%	Value added \$ Million	%
Less than 30	317	3,522	10.5	51,248	11.0	17,337	10.6
30 - 100	59	5,599	16.5	18,197	3.9	33,211	20.6
100 - 500	1	10,214	30.5	235,549	49.8	59,578	36.9
More than 500	9	14,637	43.0	167,068	35.3	51,130	31.7
	500	34,041	100.0	472,062	100.0	161,256	100.0

It can be seen that emphasis on industrial development has been placed on medium and large scale industries of more than 100 workers. Small-medium industries of between 30 and 100 workers are fairly well represented and seem to perform normally, whereas there are few small industries. The figures clearly exclude purely artisan shops, of which there must be a large number.

The overall picture of industrial development appears somewhat as follows:

(a) Large Industries - Manufacturing industries in this category are either publicly owned, controlled and managed through Government bodies, (cement, breweries, sugar refineries, etc.), or in private hands, (textiles, domestic appliances, batteries, etc.). Some of the industries nationalised in 1970 have been returned to their former owners. It is estimated that about 25 per cent of large firms are in the public sector, the balance being either wholly privately owned or with private majority holdings.

It has already been said that the size of the country and the inadequacy of the transport system pose enormous problems. The Sudan Railway, with a network of 4,000 kilometres, is practically the only link between Port Sudan, the principal harbour on the Red Sea, Khartoum, the capital, and the rest of the country. The railway is wholly inadequate to present day needs and goods may wait for months at the port before they are shipped to the interior.

The road system is almost wholly undeveloped. There are only 1,800 kilometres of roads and tracks of which only 400 are paved. About 2,000 are gravel and the rest dry weather tracks. A large number of the potentially productive areas can only be reached on foot or with animals.

River transport is only possible on two stretches of the Nile; 1,400 between the Central Region and the South, (Kosti to Juba), and 490 kilometres in the North, (Khartoum to Berberia). This means that there is no river connection between Khartoum and the towns in the Nile valleys. If there were, it would considerably relieve the railways.

The effect of this is that a major part of the population has little or no access to the normal distribution of industrial products and has to rely on its local productive facilities. Under these con-

ditions and at least for the time being, the capacity of most of the larger firms in the Sudan is too great. With outputs of between 30 and 50 percent of capacity the cost of production is too high and profits, if any, are very low in relation to investments. The opening up of potential markets is one of the main goals of industrialisation and is to proceed effectively. This study is not concerned with the problems of the large scale industry sector, but the situation has a negative influence on the small scale sector. Operating at a loss, the larger firms cannot contribute to the development of small industries or provide sub-contracts and orders for spares, repairs, maintenance and so on, as they normally should.

(b) Medium scale industries for the purpose of this discussion are firms employing between 30 and 100 workers. They seem to be better balanced. They are practically all privately owned, the main fields of activity being food processing, beverages, textiles, particularly ready made suits, shirts and knitwear, plastics, edible oils, soap and perfumes.

Representing only about four per cent of the capital investment, their financial burden is comparatively low and this gives them greater flexibility. They are better able to face the problem of working below capacity.

(c) Small industries - the definition of small industry in the Sudan is a firm employing less than 30 workers and having a maximum capital of S £ 50,000. The figures given in Table 1, which indicate that only about 7% per cent of the establishments have less than 30 workers are very much less than those to be found in almost all other countries. These figures only comprise the registered companies and do not include the very large handicraft sector. There are estimated to be about 20,000 units employing less than 30 workers, equally spread over the three cities of the Khartoum region, Kassala and the Blue Nile provinces.

4. The Contribution of small Industries

As already explained, two very different kinds of small industries have to be considered.

(a) Workshops of less than 30 workers duly registered. These companies have generally obtained licenses from the Ministry of Industry. They have received their land at very low prices, built their factories and are usually well equipped. The management seems to be adequate. However, this group is in a small minority and the Government should do everything possible to increase their numbers.

(b) The workshops in the cities. - The artisans, small entrepreneurs and individual workers are generally settled in small shops in what, in each town, is called "The Market". It is doubtful whether these small establishments can properly be called "small industry" but, as they represent the overwhelming majority of producers in the field of low cost consumer goods and provide virtually all the services, (repair and maintenance and spare parts), they are the reservoir for future small factories. For that reason the consultant would like special attention to them. They are poten-

tial candidate for future industrial estates.

The Market at Omdurman is the largest of its kind in the Sudan. A certain number of the artisan shops were visited and the owners interviewed. They included shoemakers, shirt makers, tailors of ready made suits, engineering shops, manufacturers of spare parts, plastic bags and so on.

In general, the owner is his own first and best worker. One or two journeymen workers are employed, generally on piece rates, and the workforce is completed by apprentices aged from 14 to 17 years.

The technical skill of these workers varies from very low to very high, some producing work of a very good quality and showing themselves to be competent technicians. Most modern and sophisticated machine tools can be found associated with poor craftsmen. Common to all these small shops is the poor location of their premises. They are all concentrated in a few narrow streets next to one another, the buildings are in very bad condition and do not seem to be maintained in any way and they are, above all, much too small, around 20 square metres to a maximum of 30 square metres.

Many of them are eager to move out and find better locations if they could get the land. It may be assumed that up to 20 per cent have sufficient skills and could improve their managerial qualities and become small industrialists. These would benefit from an industrial estate.

This is recognised by the Ministry of Industry. The Minister himself said: "All that they need is land." If it is decided to go ahead and establish a pilot industrial estate - present thinking suggests an even possibility of this - then the main problem will be the selection of those best able to profit from the opportunity from among many candidates.

The financial performance of these artisans seem to be fairly good, but it must be borne in mind that, if they do make a living and a profit from their activities, it is mainly because they do not pay the excise tax, which is between 40 and 50 per cent.

Other factors in their ability to survive are:

- payment of low wages to their workers for work weeks in excess of 48 hours;
- the ability to lay workers off immediately if there is not enough work -- the men simply stay home;
- there is little or no participation in social security.

5. Trade Unions

The history of trade unions in the Sudan is closely bound up with political developments. At the beginning of the 70s, the 1971 Trade Unions Act established a fundamentally new system of industrial relations. It brought about a restructuring of the trade union movement into 38 blue collar and 48 white collar unions. Both sets of unions are organised according to sectoral, industrial or occupational classifications.

At the same time the organisations of employers were also restructured by the Employers Organisation Act of 1973, providing one employers' organisation for each branch of industry, agriculture, transport, service and crafts. These sectoral associations are affiliated to a national employers' federation.

There are currently about 600 registered trade unions in the Sudan with a total membership of some 250,000. Most of them are too weak, numerically and financially, to function effectively. 75 per cent of them have a membership of less than 200 and only about 10 per cent have more than 600 members. The membership is drawn almost exclusively from the public sector, where the percentage unionisation is very high, and from the larger firms in the private sector.

In small enterprises and particularly in the handicrafts sector, the workers' organisations have no influence at all. On this account the working conditions of the workers and apprentices in these workshops remain very bad. There is practically no control on the hours worked daily - they depend on the amount of work to be done - employment is irregular and there is considerable underemployment. When sales are bad, production stops and workers are sent home. There is little or no social security, few chances to upgrade their skills or to improve the quality of the production.

5. Wage Structure

In the small industry and handicrafts sector the wages paid are generally on the low side. An apprentice starting work is paid a monthly wage between S £ 16 and S £ 19 as compared with the legal minimum of S £ 18 and the S £ 22 to 25 paid in large factories. The journeymen are generally paid on a piecework basis and make from S £ 40 to S £ 50 per month. The starting salaries do not in general conform with the official wages structure which is regulated by periodic pay commissions.

In the public sector the wages are higher than in the private sector for unskilled and semi-skilled workers. The difference is not very great for skilled workers and the salaries paid to professional and highly qualified people are higher in the private sector than in the public.

Presidential Order No. 21, issued in late 1974, provides a safety net for workers in low paid jobs and lays down that minimum wages in the private sector will gradually be raised to the de facto minimum in the public sector, that is S £ 16.50 per month. This law does not cover seasonal agricultural workers nor workers outside stipulated urban areas nor workers in establishments employing less than 10 workers nor those below the age of 18. This means that about 75 per cent of the wage earning labour force in the Sudan do not enjoy the protection of this Presidential Order.

7. The Sudanese Worker

(a) Qualifications and Skill - All the people with whom the consultant discussed the question confirmed his personal impressions, namely, that the labour force in the Sudan is willing and of good quality. There is

still a lack of skilled workers, technicians and specialists but, if well trained, the workers can reach in a relatively short time sufficiently high standards of skill to do competently the jobs for which they have been hired.

In the small industry and handicraft sector most of the workers are trained on the job. Industrialists and production managers with whom the consultant discussed the matter all spoke highly of this system and its advantages. They said that the Sudanese "learns with his eyes", so that it is essential for him to have a teacher who can show him clearly how a job should be done.

In a meeting with the General Manager, Production Manager and Finance Manager of the Khartoum Central Foundry, a Government owned firm, the training of their workers was thoroughly discussed. Training is done in two ways:

- (i) On the Job Training - An unskilled youth at 16-17 years of age with a normal primary school education starts at S £ 17 per month. If he is intelligent, willing and in good health, he will within 4 or 5 years become a highly skilled worker capable of earning S £ 60 to 70.
- (ii) Secondary and technical Graduates - Those who have completed their secondary education and those having additional technical training start at about S £ 30 per month. They will build on their theoretical knowledge with on the job training and will reach the same level of skill in two to three years, attaining the same wages level as those in the first group.

In the Karam Biscuit Factory the Manager explained that more than 4,000 workers, mostly female, were employed in packing biscuits. A young girl normally reaches full working capacity in two to three months, which means amazing dexterity and speed.

It appears that the Sudanese worker is, generally speaking, quality conscious, and once he has mastered his job, he is reliable and gives satisfaction.

(b) Employment, Unemployment and Underemployment - Government, ministries and large firms dominate the employment patterns and levels of remuneration in the industrial scene of the Sudan.

The recruitment of new labour is generally done within the existing personnel or their relatives. A "permanent" worker in these enterprises is almost certain to retain his job and to be promoted with age and seniority. Almost all the workers with higher education are employed in the public sector; their employment an even that of workers who have completed their secondary education has been virtually guaranteed by the Government in recent years. This no doubt helps to explain the relatively low rate of open unemployment, estimated at three per cent or a maximum of five per cent, to be observed in urban areas.

It also explains why unemployment is not a primary source of motivation to the authorities to promote industrial development. More serious seems to be the problem of underemployment. For a group of enterprises in the public sector, data available from 1973 suggest that as much as 40 per cent of the workforce was "temporary". Similarly,

in the construction industry, contractors provide employment on a non-permanent basis.

This pattern of relying heavily on casual and temporary staff appears to be influenced by considerations of flexibility to meet variations in production and in demand, so that the picture in the Sudan is more complicated than those in some other developing countries.

(c) Employment Exchanges - Sudan is poorly equipped with employment exchanges. There are 25 Labour Offices in centres throughout the country. Their primary function is labour inspection. They are understaffed, their documentation, (establishment cards), is not up to date, is incomplete and even inconsistent.

Under the Manpower Act of 1974, no establishment with more than 10 workers, which falls within the jurisdiction of an exchange area, is permitted to employ any person who has not first registered with the appropriate Labour Office. Furthermore, no notice may be published in respect of an employment vacancy unless the Labour Office has given permission. In practice it is usual for employers and prospective employees to reach agreement and only then does the employee proceed to register with the Labour Office.

During the last quarter of 1973, 12,000 workers registered at Labour Offices in the Sudan. Of these, only about 1,000 could be placed. The performance was no better in the Khartoum Province; the Labour Office only succeeded in placing 485 workers out of 6,395 registrations.

II. INDUSTRIAL ESTATES

1. The Place of Industrial Estates in the overall Scene

It has already been stated that no industrial estates as such exist in Sudan. In 1969 an UNIDO expert, Mr. Malhotra, studied the possibilities of setting up estates there and in April, 1970, he submitted a report with a request to the UNDP for aid in the implementation of an integrated programme, including the establishment of estates at Omdurman and New Halfa.

(i) Omdurman - A survey made in 1970 showed that 117 small firms in the Market needed improved premises and were interested in being helped to relocate on an industrial estate. The requirements for factory space were estimated at 70,000 square metres with a covered area in the first phase of 12,500 square metres for 50 buildings. Suitable land being available, it was foreseen that an area of 150,000 square metres should be allocated to the future estate, which would, it seems probable, have satisfied needs for the next 15 years. A building of 1,000 square metres for administration and common services was part of the scheme.

(ii) New Halfa - New Halfa is the administrative centre of the Kasham-el-Girba settlement, which was developed to resettle 50,000 people displaced from Wadi Halfa. In 1970 it was a rapidly growing and active commercial centre in which a number of small service workshops and factories making consumer goods were operating. These were in improvised premises in very poor conditions and urgently needed relocation. The industrial estate was planned as part of a scheme whereby 144,000 square metres were allocated for factory plots and 60,000 square metres were reserved for an industrial estate. A building of 1,000 square metres was planned for common facilities. A first phase with 40 factories covering 8,000 square metres was foreseen.

The programme was never implemented, since the Government did not pursue the idea and it was not submitted to UNDP. In 1973 a new attempt was made by the Planning Division and a programme for five estates produced.

<u>Location</u>	<u>Total Area</u> m	<u>Covered Area</u> m	<u>No. of Sheds</u>
Omdurman	150,000	41,000	100
Kosti	40,000	8,250	30
Kasala	40,000	8,250	30
Alfa-el-Girba	60,000	17,000	70
New Medani	50,000	12,500	30

No further action was taken.

The Minister of Industry at this time had not decided in favour of industrial estates. In the Sudan the responsibilities of the Ministry of Industry are very wide. The Ministry controls the licensing of industrial enterprises and can thus determine who will be entitled to the benefits of the various incentives provided for in the laws, described below. It is therefore clear that no further progress in this field would be possible until the basic decisions are taken officially and promulgated.

In a meeting with the Minister of Industry, a report on which has been submitted separately to UNIDO, the consultant discussed this point and indicated the kind of assistance which could be given in both the following fields.

- Urban industrial estates at Omdurman - Entrust a consulting company with the master plan.
- Agro-industrial estates in the regions of Sennar and Rabak-Kosti - Assistance of two experts to determine feasibility, location and size.

It is to be hoped that some progress can now be made. At the beginning of 1976 the International Finance Corporation, (IFC), in cooperation with the Sudan Development Corporation, (SDC), undertook to arrange for and finance a team of experts to visit the Sudan to investigate the feasibility of establishing industrial estates in the country.

Two German experts, Dr. Karlheinz Zahn and Dr. Joachim Klein, visited the country in April, 1976 in order to find out if and where industrial estates could be established with reasonable chances of success. On 8 May, 1976, they submitted their findings. They believe that a pilot estate should first be started in the Khartoum area at Omdurman and that later, based on the experience gained there, other estates could be envisaged in distant rural regions such as Sennar, Rabak-Kosti and in the South at Juba, Wau and Malakal.

These views were fully accepted by the SDC but the Minister of Industry was not in agreement. He feels that an industrial estate at Omdurman is not necessary but is strongly in favour of first concentrating efforts and finance elsewhere, primarily in the remote rural regions. As things stand at the time of writing, the authorities are awaiting the written report of the German experts.

2. Government Policies and Criteria for Support of small Industries and Industrial Estates - Up till now small industries have been somewhat neglected in the Sudan and do not enjoy any preferential treatment. The comments made below on Government policies, incentives, credit and financing therefore apply to the whole of industry, large and medium sized, it being understood that small industries, including the handicrafts sector, are subject to the Ministry of Industry on their individual merits. A given firm is or is not licensed on the decision of the Minister and does or does not enjoy, wholly or in part, the benefits of the Development and Encouragement of Industrial Investment Act, 1974.

(a) Development and Encouragement of Industrial Investment Act, 1974.- This Act is the most important instrument for the implementation of industrial policy. It gives the Minister of Industry power to grant the licence for the creation or operation of any industry. Once this licence has been granted, the Act provides for the following benefits:

- exemption from payment of business profit tax for five years after the start of production;
- exemption from the same tax for a further five years if profits are less than 10 per cent;

- exemption from business profits tax for an additional five years if profits have been invested in the first 10 years, with the provisions that:

- (i) depreciation is calculated at normal rates for one shift working, double rates for two shifts and triple rates for three shifts;
- (ii) losses are deducted from profits.

- exemption from customs duties on machines, equipment, raw materials, etc., which are imported;
- exemption from excise duties on local raw materials;
- allocation of the land needed for setting up the establishment.

This last point is important. Once an establishment has been licensed, the company can obtain land for the construction of factory and office buildings at concessionary prices, one tenth or one fifteenth the cost of land purchased in direct sale or through auctions. The consultant has further details of these concessions in a note produced by the Revenue Section of the Customs Department.

Additional benefits include:

- protection from competing imports;
- concessionary rates for electric power and railway transport.

Summing up, it can be said that the major tool of industrial policy applied by the Ministry of Industry is centred on the following factors:

- the discretionary powers of the Minister to approve projects, thus bringing into force a range of concessions - or not to approve them;
- the setting up of the ex-factory prices;
- allocation of scarce foreign currency.

(i) Finance and Credit Facilities - The Sudan is well equipped with financial and banking institutions and interviews with representatives of some of the principal banks and credit institutions give a feeling of confidence that, once an industrial establishment is approved and licensed by the Ministry of Industry, financing, even for small firms, is possible and credits can be obtained at reasonable rates.

(c) Industrial Bank of Sudan - An interview was held with Mr. Abdul Malik El-Fadan, Head of Research and Promotion.

Established in 1961 as a statutory corporation to provide long term

finance to industrial enterprises, the role of this bank remained modest due to lack of foreign exchange. It concentrated its activities on financing small and medium sized enterprises, which did not have easy access to suppliers' credits or commercial bank credits.

During the discussion it became clear that the IBS is very interested in the establishment of industrial estates. It has already made contact with some consulting companies with a view to possible cooperation in planning estates and, provided the Minister of Industry so decides, is willing to offer financial help to prospective industrialists establishing themselves on the estates.

(d) Sudan Development Corporation - Two meetings took place with Mr. El-Nayed, Deputy Chairman and Deputy Managing Director and Mr. Harry de Waal, Project Director.

The SDC was established in 1974 as an autonomous public corporation wholly owned by the Government. The authorized capital is US \$ 500 million; subscribed capital, \$ 200 million; paid-up capital, \$ 100 million.

The Corporation is empowered to make loans and equity investments in any revenue earning enterprises, public or private. It plans to operate mainly in the public sector, making investments in large projects of national importance such as large textile and sugar mills in the public sector. The field of operations is unlikely to overlap with that of the IBS.

The consultant discussed the opportunity, feasibility and profitability of industrial estates in both urban and more remote rural areas. SDC would be interested in financing such projects, provided that the IFC concurs and that the findings of the German experts noted above are positive and are accepted by the Minister of Industry.

(e) Sudanese Investment Bank - This bank was created after the nationalization of the privately owned Sudan Commercial Bank. The shareholders were awarded compensation on condition that the amounts would be re-invested in the share capital of a development financing institution. SIB is designed to be a multi-sectoral finance body embracing agriculture, industry, transport, foreign trade and share dealings. It plans to concentrate on financing foreign trade and making equity investments in potentially profitable commercial enterprises. Some industrial financing is envisaged, but it would be complementary to IBS activities.

(f) Sudanese-Kuwaiti Investment Co. Ltd. - Created in 1973, SKIC is a joint venture between a private Kuwaiti company - Kuwaiti Foreign Trade and Contracting Company - and the Sudanese Government. The paid-up capital of S.F. 1 million is shared equally by the two partners. SKIC has formed four subsidiary companies to operate respectively in road transportation, livestock, building and construction and fisheries. A chain of cold storage plants is also planned. Although the Company

intends to concentrate primarily in these sectors, it may involve itself in financing selected industrial projects.

(g) Sudanese Savings Bank - This bank has its seat in Khartoum, 186 kilometres south of Khartoum. It was established as part of the institutional machinery for tapping the funds of small savers for investment as would, among other things, promote development in rural areas and reduce the migration of the rural population into the towns. In this connection the bank is interested in the development of industrial activities in rural areas which would provide employment locally.

It is evident that at this stage the industrial activities which can be envisaged for rural areas are those based on the development of handicrafts and small industries. Mr. Mansour El-Sheik, Chairman of the Board and General Manager, and Mr. Mohammed Ahmed Khanward, a Member of the Board, are interested in technical assistance for the bank. An expert to assist in the development of small scale agricultural industries and rural development in the El-Gezira region, where the bank is established, would be welcome.

The bank has succeeded in mobilising savings. Its major problem is the identification of investment opportunities in rural areas where the funds mobilised can be put to work. Apart from problems of identification, formulation, evaluation and implementation of projects, the bank is faced with organisational, managerial and other operational problems.

3. Social Aspects

Social services to the small industry and handicraft sector are almost inexistent at present. Workers in small industries do not enjoy medical care, social security or any noticeable social protection. Industrial estates would certainly offer the means gradually to overcome this lack.

In the larger, and in some instances, the medium sized enterprises, a start has been made in medical and social care, such as:

- medical inspections in the factories and infirmaries for treatment on the spot;
- canteens with meals free or at very low cost;
- work clothing;
- transport to and from work.

For Government-owned factories, a special fund provides financial help in cases of death, marriages, etc., and gives loans at low rates of interest, (5 per cent), reimbursable across three to five years by monthly deductions from wages and salaries, for private purchases such as a car or other family expenses.

Workers in all the publicly owned enterprises receive a yearly bonus which is determined centrally and generally equals one months wages.

Some privately owned factories also sponsor sports clubs or associations.

III. PRESENT CAPACITY OF SUDAN TO BENEFIT FROM INDUSTRIAL ESTATES

In the foregoing chapters some indications have been given of the economic and industrial conditions currently obtaining in Sudan, including the relevant legislative and financial infrastructure. There are at present no industrial estates operating there, but the matter is under active consideration. There appear to be two questions to be answered:

- If industrial estates were to be established in the near future, would they contribute significantly to the country's economic and social development?
- Do the conditions exist in which industrial estates could be successfully established and operated effectively?

The answer to the first question was not one of the items specifically sought in the study and these would certainly have to be further, in-depth study before a definitive answer could be given. The element of doubt lies not so much in whether they could contribute - they almost certainly could - but on the limitations of size and scope which might be imposed by limitations of markets and relative isolation one from the other.

The second question may be answered, at least partially, from the information gathered in the present study.

In the interim report issued after the first phase of the present study, a chapter was devoted to the factors influencing the success of industrial estates.² Among the key factors identified were:

- (1) the extent to which the objectives which each estate is set up to achieve are correctly formulated and consistently pursued;
- (2) the volume and nature of national and local economic activities and markets;
- (3) national characteristics, cultural and social patterns;
- (4) the extent to which the supposed advantages of moving on to an estate meet the perceived needs of the potential members;
- (5) the location...in relation to nearest centres of population, etc.;
- (6) the nature of the support offered by the government and other authorities concerned.

² This short chapter has been added by the Editor. The Consultant who prepared the Report has agreed to amplify the matter raised in it during the Expert Group Meeting.

Within item (6) may be included the institutional, legislative and financial infrastructure necessary to enable estates to be launched and to survive in their early years.

It was said in the Introduction that, due to circumstances beyond the control of the consultant, it was not possible to travel outside the Khartoum Region and that sample of industrial operating conditions on which the report is based had to be confined to this region. It is therefore impossible at this stage to provide answers to the above questions as concerns the remote rural regions.

As regards the first question, there is not yet a clear indication that the Government has yet made up its mind on the question of industrial estates nor that there are any definite ideas on what they might be expected to achieve, either in Khartoum or in the rural areas. Before any action is taken to develop a programme, these objectives must be clarified and a realistic forecast, quantified as far as possible, of achievement over a stated period of years must be made.

This is necessarily tied to the second and fifth factors, namely, the volume and nature of national and local markets and the location and accessibility of centres of population. It is clear from the report that one of the key problems in Sudan at present is that of physical communication and that the various regions are quite isolated one from the other. This inevitably means that for some time to come markets will be localised. One of the major purposes of an industrial estate is to accelerate the development and growth of the firms on it, but this, in turn, is a function of the size of markets available. In making any programme for setting up industrial estates, a very realistic view will have to be taken of market limitations, taking into account that the markets will, for some time to come, be limited geographically as well as by the purchasing power of local populations. On this basis, and judging only from the data available from the report, the Khartoum Region and, perhaps, the Gezira Region, seem the most promising for initial ventures. Further study of the other populated regions is needed.

As regards item (3), the consultant has stressed that the Sudanese small entrepreneur and worker are naturally skillful and conscientious. Given appropriate technical assistance both in management and technology, they would be capable of high quality work and of meeting many needs in the consumer field as well as in services. In order to ensure that the investment in firms moving on to industrial estates in terms of incentives and other benefits, is used to the best advantage, some selection process may be desirable and it seems likely that a "nursing" process of small firms and artisan industries may have to be continued for quite a long time.

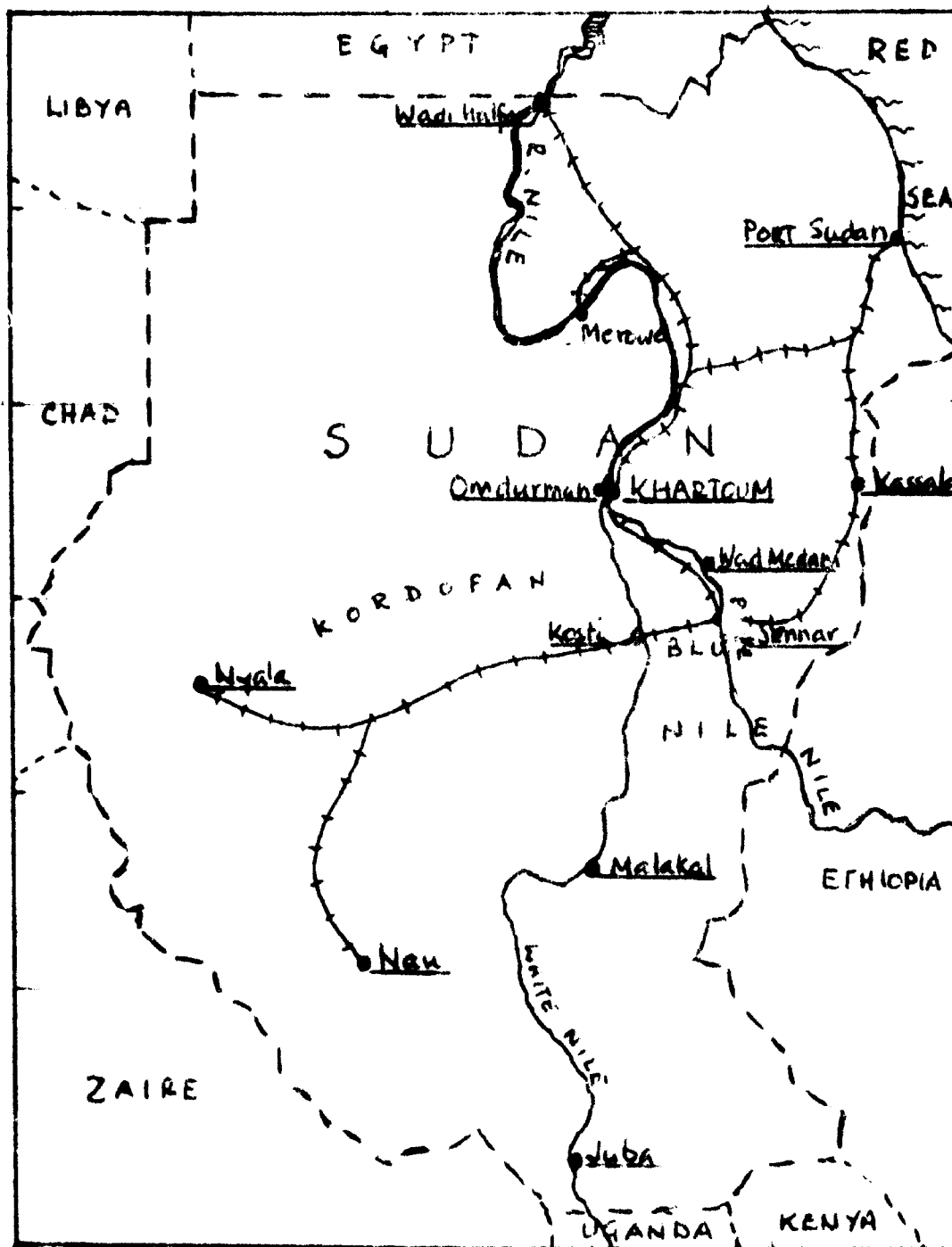
The conditions prerequisite for successful establishment mentioned in items (4) and (6) seem to be largely already in existence. As long ago as 1969 the UNIDO consultant reported that more than 100 small industrialists in the Khartoum Market were interested in leaving their cramped premises and moving on to an estate. This interest has been confirmed in the course of the present study. An awareness of possible advantages exists.

Government support for industry is already very substantial, although to date it appears to have been confined largely to those firms which have obtained licences, comparatively few of which are in the "under 30 employees" size group. However, the legislative machinery is available in the form of the Development and Encouragement of Industrial Investment Act, 1974, which can easily be made to embrace very small firms moving on to officially sponsored industrial estates. Finance at reasonable rates is available for extension. The Sudanese Savings Bank has an especial interest in promoting small industries, including agro-industries, in the rural regions, more specifically in the Gezira Region.

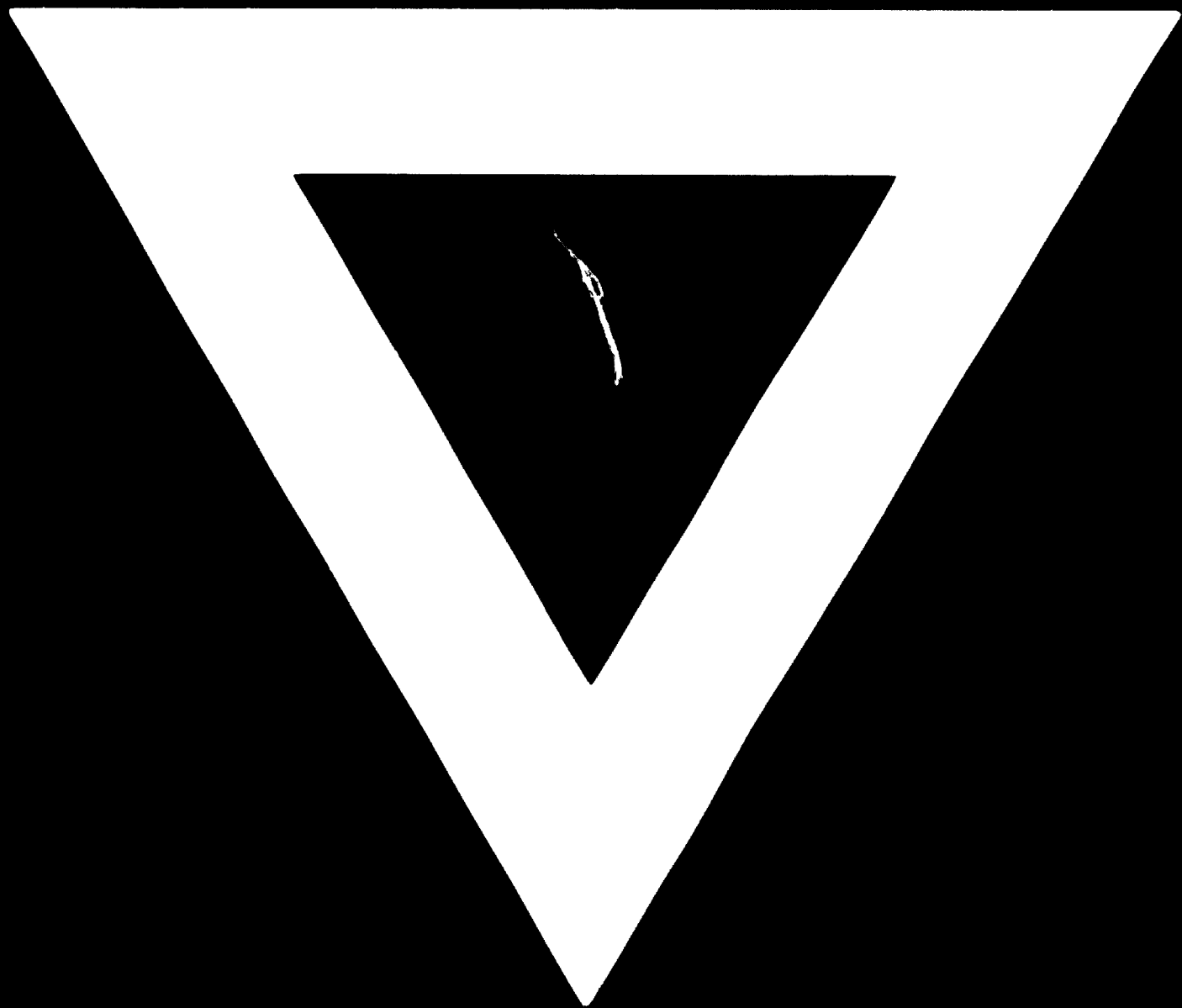
Summing up, it would seem that the conditions in Sudan today are ripe for initiating a programme of industrial estates. This may have to be limited at first and subject to close supervision and with extensive technical assistance. Not the least important element in this would be the training of officers in Government and in selected financial institutions to undertake promotional and supervisory duties in this field.

FIGURE 1

Sketch map of Sudan



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