



Review of the Contribution and Role of the manufacturing Sector in the Sudanese Economy

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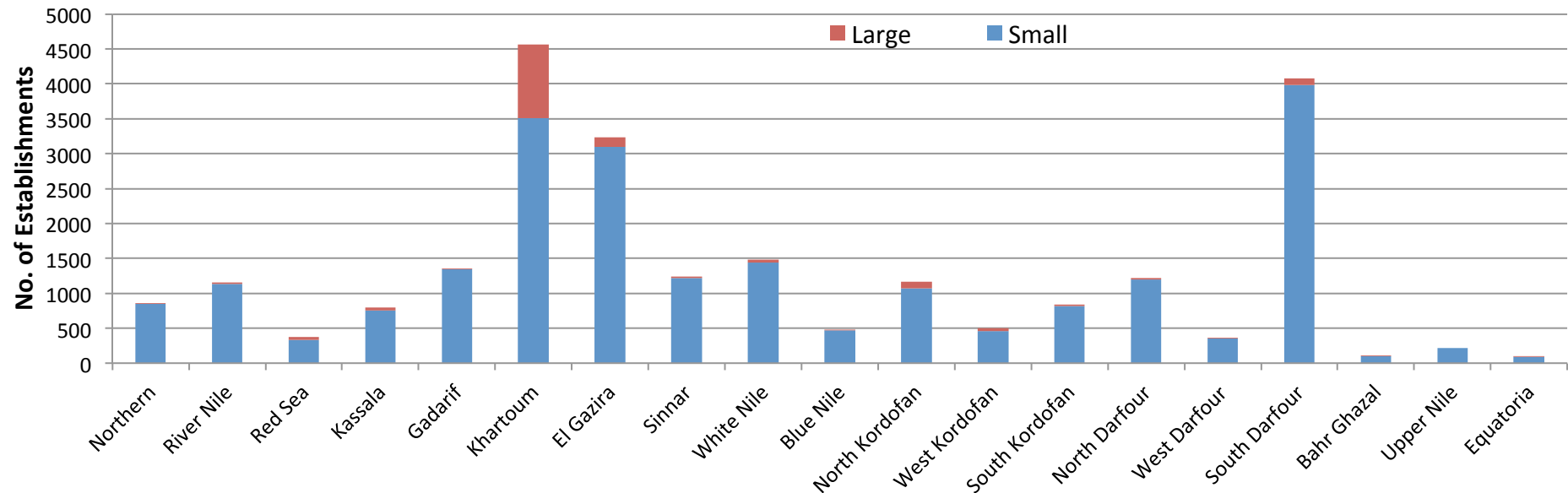
Introduction (1)

- The Sudanese economy is in a state of crisis
 - According to prof Issam Mohamed (2011): “The performance of the Sudanese economy is an enigma of failures even with all the potentials of country’s resources”.
- The Sudanese economy is “Agriculturally–Based”
 - Industrial sector contributes only 8.5% of GDP & 1.7% to employment.
 - C.f. Dubai 14% in 2014 & launching industrial strategy to raise it significantly by 2030 injecting Dh18bn & creating 27,000 jobs to economy.
- The Sudan Ranked by NationMaster as “country with low industrial production”
- Developing countries managed to get out of poverty trap adopted a clear industrialisation path as part of their “Development Model”
 - Sudan will not be the exception.

Introduction (2)

- The Sudan needs to adopt an “Integrated Sustainable Development” plan where industry represents the “pivotal point”.
- Industry:
 - “Industry” often used to refer to all sectors of economy, e.g. Financial, entertainment, services, etc
 - We only refer to those categories of the production industry with “measurable” physical output,
 - such as manufacturing, mining and quarrying, ICT, energy generation and water supply and waste management
- Reviewing contribution & role of manufacturing sector is huge. We will cover only 3 aspects here:
 - Sudanese Manufacturing Landscape; Contribution to the Sudanese economy and Employment & Labour satisfaction.

Sudanese Manufacturing Landscape (1)



- Sudanese Manufacturing Sector is small in size and dominated by small-scale industries (of less than 10 employees)
 - *Over 24,000 establishments, employing around 163,000, covering 16 states (19 before secession)*
- The largest three states in terms of small & large scale establishments are
 - *Khartoum, South Darfour & El-Gazira – More than double any other state*

Sudanese Manufacturing Landscape (2)

- Historically large scale industries limited to Agro-food,
 - Still represents 55% of gross manufacturing output and 56% of manufacturing employment
 - Sugar production & grain mills are main activities
- Introduction of large-scale Textile industry in the 1960s/70s
- 1990's: manufacturing of heavy military & civil machinery, motor vehicle & expansion of petroleum industry
 - Petroleum industry adversely affected by the secession of South Sudan
- More recently: Aerospace industry (Safat in 2009)

Sudanese Manufacturing Landscape (3)

- All recent additions, apart from petroleum industry, made under the auspices of the military establishment
 - Assumption: the only qualified institution to lead & manage such large projects!
 - However, the success of the petroleum industry falsifies this.
- Their impact on economy is yet to be felt:
 - Contributed only 1% to GDP and 3% to manufacturing employment, but
 - Ranked among best in terms of compensation for employees (wages, supplements, social benefits, etc)

Manufacturing Contribution to Economy (1)

Item	Contribution	Comment
Total Manufacturing share of GDP	9.5%	1% from South Sudan. Low contribution
Value added per capita (total per annum per citizen)	\$90	c.f. > \$5,000 for G7 – extremely low
Largest establishments (over 100 employees)	68%	Largest contributor to value added
Small scale (less than 10 employees)	16%	Relatively small contribution, but useful for Rural Development
Biggest contributors: Sugar + Grain Mills	6.1%	Of GDP (c.f. 8.5% for all manufacturing)
Petroleum	1.1%	Largely assigned to South Sudan
Motor vehicle	-1.4%	Due to imports of intermediate inputs
Medical appliances & Supplies	-38.3 mSDD	Negative value as Cost > 4 times output!
Contribution to employment market	1.7%	Out of 9.7 million employees
Small scale industry share	40%	Represents 93.14% of all establishments
Export share in total merchandise	12.8%	Mostly raw materials. No higher value chain. Sugar & petroleum = 87.4%
Direct imports share in total merchandise	21.1%	High dependency. Food (47%); Motor vehicle (17%); Chemicals (10%)

As per comprehensive industrial survey of 2001 (before secession of South, hence figures adjusted)

Manufacturing Contribution to Economy (2)

- Low importance of Manufacturing in GDP
 - 8.5% contribution to GDP & 1.7% to labour market
- Most Value added comes from Largest establishments
 - Small scale industry represents 93% of establishments, employs 40%, but contributes 18% to total manufacturing output
 - Useful for rural development & halting rural to urban immigration (2.6% annually).
- Not exposed to exports & much dependent on imports
 - Weak industry
 - Negative trade balance
 - The only positive trade balance comes from leather(0.62%) & petroleum (3.2%)
 - Motor vehicle the largest negative contributor, though partly satisfying demand & contributing to employment

Employment & Labour Satisfaction (1)

Item	Contribution	Comment
Labour compensation/employee/year (2001) (wages, supplements, benefits, etc)	\$1,400	Taking petroleum & tobacco, = \$1,200, or \$0.5/hr (c.f. \$23.14 for civil USA in 2002)
Manufacturing share of compensation in value adding	14.1%	Low – Not rewarding
Material Intensity of total manufacturing	56.2%	Very high – Material intensive production
Total manufacturing labour cost relative to output	6.2%	Low – Cheap labour
Average return on investment	8.5	Almost 9 times the done investment (Up-bias due to tobacco)
Tobacco industry	1,500	Attractive to private sector (in lack of strategic direction)
Average share of supplement to wages	5.5%	Low - Not rewarding

As per comprehensive industrial survey of 2001

Employment & Labour Satisfaction (2)

- Manufacturing Labour Compensation is low
 - Taking out bias due to petroleum & tobacco, it is only \$0.5/hr in 2001
 - Compare to \$23.14/hr of the USA civil employees in 2002.
- Manufacturing characterised by cheap labour and material intensity
 - Total manufacturing cost is very low
 - Good for investors or not rewarding for employees?!
- Rate of return on investment is rewarding
 - Private sector attracted to high return due to lack of strategic direction
- Largest compensation/employee:
 - Public sector followed by mixed public & foreign, mixed Sudanese private & foreign, Sudanese private only, last comes foreign private
 - Public oversight required to safeguard employees' interests.

General Observations

- Sudan is far away from having effective manufacturing sector
 - **Lacks strategic direction**
 - No industrial strategy, policy or even planning
 - **Effective manufacturing sector is a "must have" to get out of poverty**
 - Big dose of heavy industrialisation, developing infrastructure & improving other sectors are required
- For Sudan to benefit from opportunities created by globalisation of industrial sector, it needs to
 - **Develop capability & improve quality**
 - Quality education, self reliance, invest in heavy industrialisation & good governance.

Recommendations (1)

- Injection of heavy industrialisation to economy
 - IS, IP, Industrial plan as part of NDP
- Good governance with anti-corruption drive, political stability
 - Create investment-attractive environment
- Overhaul existing facilities & invest in new ones
 - Build capacity, develop capability, develop infrastructure

Recommendations (2)

- Invest in education, training & technology transfer
 - Quality before quantity
 - Technical education and training at all levels
 - Encourage internationally recognised professional qualifications
 - Requirement for verification of product quality & supplier's credentials
 - Should have priority before developing own brand
- Regular appearance at international stages
 - Raises Sudanese industrial profile, highlights capability, improves networking
 - Facilitates technology transfer & attracts foreign investment

Conclusions

- Sudanese economy is “Agriculturally-Based”
 - Manufacturing contribution of 8.5% GDP & 1.7% employment is low
 - Injection of heavy industrialisation is required
- Competitive Manufacturing sector requires investment in
 - Infrastructure, technology transfer, education & training
- Flourishing industrial sector requires
 - Clear development path, good governance, IS, IP & clean source of energy
- Regular attendance at international stages
 - raises Sudanese industrial profile, facilitate technology transfer, improve networking & attract investors
- External training & internationally recognised professional qualifications
 - Satisfy customer requirements of product quality verification & supplier’s credentials.
- Recommendations to improve the contribution of the Sudanese manufacturing sector were made.