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A Model of Micro, & Small Enterprises in Sudan

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Abstract:

The role of Micro Small & Medium Enterprises (MSEs) in providing productive employment and earning opportunities has emerged as an important concern among policy makers, donor agencies and researchers. Since the 1970s there has been growing recognition that emphasis on large-scale industrialization in developing countries had only moderate success in generating employment growth and alleviating poverty. Nowadays, no country is excluded from this phenomenon as it cuts across countries in Western Europe, Eastern Europe, Russia, China, even the Third World Countries, (Least Developed Countries). There is an incredible focus towards newly created independent enterprises.

Thus enhancing the development of MSEs may be crucial to fostering growth and equity which makes it very necessary to propose a Sudanese Development Policy for this sector by selecting and adopting a variety of methods which have been effective in other countries. That's why this study recommends a step by step intervention model for MSEs Promotion in Sudan.

Keywords

Sudan, MSEs, Development Polices, MSEs, Promotion Model.

Introduction

The Micro, Small and Medium Enterprises (MSME) sector has been recognized as engine of growth all over the world(Holtz ,1996) .Many countries of the world have established a MSME Development institution to coordinate and oversee all Government interventions in respect of the development of this sector (Sinha,2004; Thapa,2004;Kyum, 2007; Lee, 2007)

It was observed that most of the models especially in Korea and India consisted of an organizational set up and Collective Support Systems responsible of promoting MSMEs in three major scopes: finance, technology transfer & marketing. In each country there existed hierarchal system or setup to promote MSMEs. (Park, 2007; James, 1996; Fan, 2003; Gregory, Harvie & Lee, 2002)

Main Objective

1. Suggesting of a proposed model for MSEs promotion in Sudan based on the Asian experience in a way that suits Sudan's conditions and needs.

2. Study Methodology

In order to achieve the above goals, an applied comparative, descriptive and analytical method were adopted using data available in Sudan and selected countries in order to understand and analyze MSEs policies and experiences to design a promotion policy that suits Sudan conditions in order to achieve remarkable economic growth.

Suggested Model

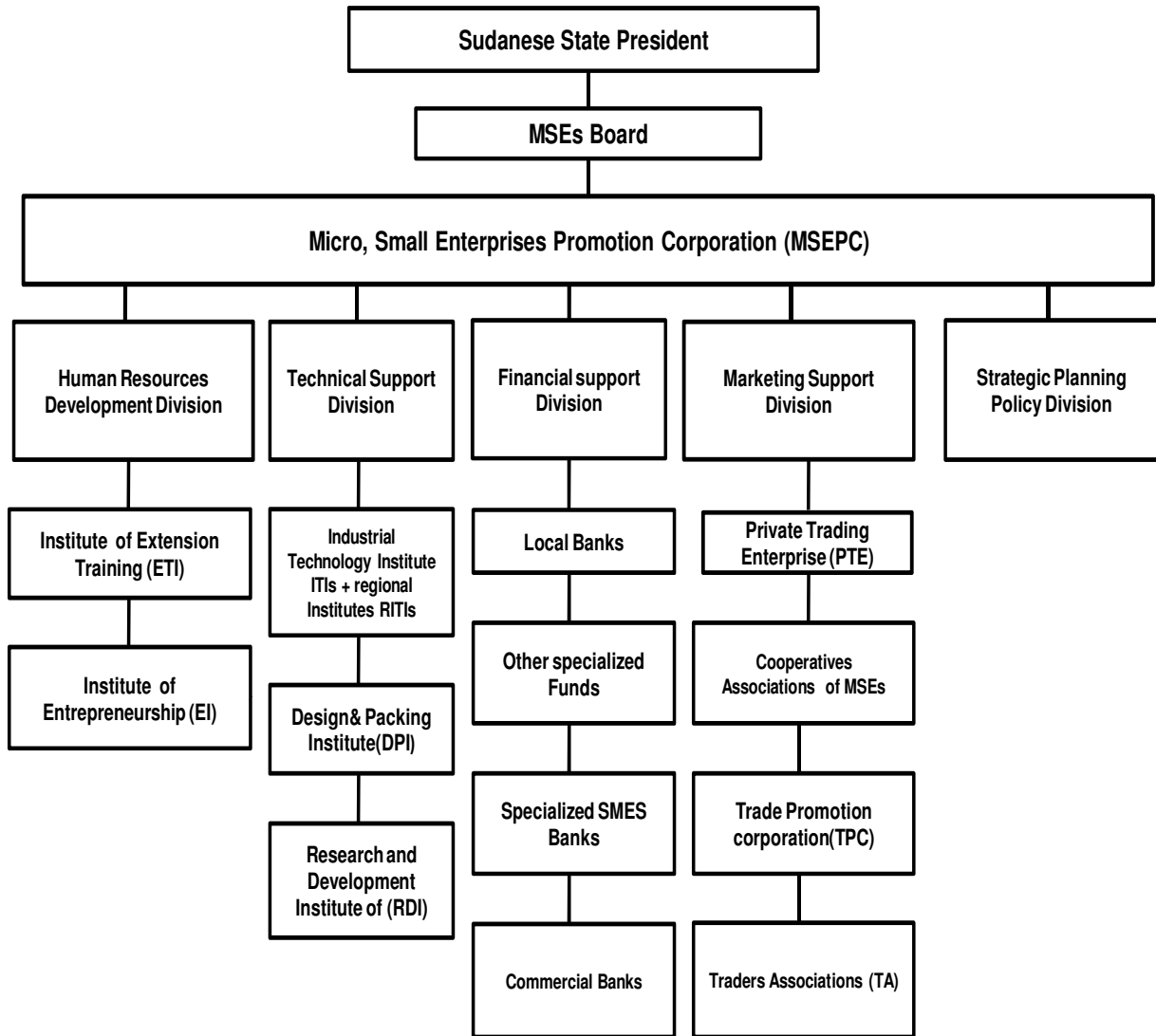
From analysis it was obvious that there is no clear policy or body responsible of promoting MSEs in Sudan. There are scattered bodies without a regulatory body. Most of the legislations are approved without coordination between the scattered bodies. Most of the financial support is provided through Microfinance unit – Bank of Sudan, promotion policies for MSEs are provided by Small & Medium Enterprises Promotion Administration – Ministry of Industry. Most of these bodies are working individually without close links between them. (Farah, et al, 2007; Ministry of Industry Report, 2008; Abuokasoui, et al, 2008)

There are many efforts done on formulating an organizational framework for promoting MSEs. The trials made by the government were usually supported by foreign bodies such as UNIDO which made it difficult to design a policy that matches Sudanese conditions. Most of the Policies and Strategies developed by experts from outside the country mightn't be applicable in the present circumstances. (Ministry of Investment Report, 2003; Vinanchiarachi, 2007)

The paper will suggest a model for promoting MSEs in Sudan taking into account the internal conditions & problems facing MSEs in Sudan. The main concern is to create efficient MSEs set up, to protect and foster these MSEs and to pursue structural improvement to MSE sector.

The suggested Sudanese model is based on the concept that the Sudanese government started adopting MSEs promotional strategies among its governmental developing strategy as one of the effective recommended tools of eradicating poverty and achieving one of the eight millennium goals. It was not only a national strategy but an international strategy as international organizations praised the initiatives and strove to put in place measures considered helpful and capable of sustaining MSEs Promotion all over the world as it is considered as a self employment tool. Thus the model is expected to get help and support from international and national authorities as it meets the global movement towards MSEs promotion.

Figure 1 Sudanese Suggested Model Organizational Set up



Suggested Model Organizational set up:

The Proposed Sudanese Model as shown in figure 1 suggests the formulation of a MSEs Board to be the chief body responsible for promoting MSEs in Sudan. The MSE Board is supposed to be linked directly with the President to get its power and authority. Members of the MSEs Board will include Ministers & representatives from related ministries and institutions as well as experts from the SME sector. Suggested Ministries in the MSEs Board are:

1. Ministry of Finance
2. Bank of Sudan (MFU)
3. Ministry of Industry
4. Ministry of Agricultural
5. Labour s' Union
6. Handicraft Union

7. Industrial association or Chambers
8. Ministry of Investments
9. Ministry of Education
10. Ministry of Higher Education & Scientific Research
11. Ministry of Justice
12. The suggested Micro, Small Promotion Corporation (MSPC)
13. Any other related bodies
14. MSEs Representatives.
15. Ministry of Technology & Scientific Research.
16. National Council of Strategic Management.
17. Business Men Association
18. Ministry of Foreign Trade
19. Sudanese Agricultural Council

Related ministries have to cooperate & coordinate supporting functions for MSEs. The Chairman of the MSEs Board attends Presidential meetings and presents opinions concerning MSE matters to the President. The Board supports the National Government to conceive national solutions For MSEs problems that will be submitted to the President. It is through this avenue the MSEs Board supports the MSE sector.

The suggested Micro, Small Enterprises Promotion Corporation (MSEPC) is to work under the Umbrella of the MSEs Board becoming the most important public agency providing financial, political, technical & marketing support exclusively for MSEs. Among its many activities, MSEPC will run a wide program to help MSEs improve production, a business conversion program to help MSEs upgrade Agro-industry production, and a collectivization program to promote sharing of facilities such as water treatment plants among MSEs. This could be achieved by designing and preparing future plans and policies of promoting MSEs and implementing such policies.

MSEPC provides not only technical assistance, but also managerial and technical training, technical information services, and financial support. When an MSE receives approval for plant upgrading, for example, MSEPC provides preferential finance to undertake plant modernization, offers training programs, and extends technical and information assistance to implement the new project. MSEPC also acts as an intermediary for MSEs that want access to foreign technology and expertise. It has to maintain branches and offices throughout Sudan and overseas in the future.

MSEPC will also launch a large institute for technical and managerial training, and will maintain contacts with foreign technical agencies in order to recruit foreign

technical experts. To perform such tasks MSEPC is suggested to consist of five major divisions:

1. MSE Policy Division:

It aims to assist the MSEs Board in strengthening MSEs policy making and ensures a smooth implementation of its policies. The division contributes notably in:

- a) Formulating MSEs Promotion policy: The main objective is to help formulate and implement a comprehensive and sustainable MSEs Policy for the development of MSEs sector in Sudan.
- b) Drafting legislation related to industry: The division collaboratively advises on MSEs policy issues and helps in drafting economic legislation.
- c) Strengthening and supporting MSEs institutions framework: The main objective is to help enhance and strengthen the capacity of the intermediary institutions framework for MSEs policy implementation.
- d) Conducting research: one of the main objectives of this division is to run out researches which will guide decision and policy makers in public and private sectors in promoting MSEs.

2. Human Resources Development Division:

Capacity Building of MSEs staff is of utmost importance for MSEs development. Thus the division aims at:

- a) Enhancing the human resources performance through specialized training Programs to raise their efficiency in implementation and follow up.
- b) Providing exposure to outside experience is one of the pillars to add to the capabilities of service providers through training in local & foreign institutes
- c) Formulating a network for raising awareness among public on MSEs role and importance
- d) Creating leaders to foster establishment of new Projects.

3. Finance Division:

The objectives of the division are:

- a) Increasing the availability of capital to MSEs, particularly micro and small loans at reasonable costs.
- b) Providing policy advice in the areas of MSEs financial policy;
- c) Playing an important role in creation of financial institutions and strengthening of private sector financial institutions for MSEs funding.

4. Technical Support Division:

The Division takes a number of actions to reinforce technical capabilities and sustainability of MSEs. The main objectives of this division are:

- a) Empowering the transfer of technology to MSEs
- b) Development and implementation of technical training Programs for the creation of micro enterprises
- c) Carrying out feasibility studies for new & existing MSEs projects

5. Marketing Support Division:

This Division is supposed to cater for:

- a) Providing means of outlets for MSEs products either locally or internationally.
- b) Promotion of MSEs products through local & foreign exhibitions
- c) Creation of overseas markets to MSEs products

Besides these five divisions, MSPC will have regional offices and branches named as "Regional Offices of MSEPC. This suggested Model will try to make use of the existing institutions and units with relevant functions in Sudan in order to be integrated or affiliated to suit the new suggested units. Thus the Micro, Small Promotion Unit in the Ministry of Industry could be restructured and affiliated to MSEPC to suit the new role and functions of the new Corporation. Hence, other scattered departments and units in other related bodies could be affiliated to the MSEPC in the initial phase of the model till the whole model is fully functional; by which time these affiliated bodies could act as coordinating units for the MSEPC in their institutions if applicable.

In order to implement the above functions the MSEPC is to establish a number of Collective Organizational Network Systems

- i. Technical Support Network
- ii. Marketing Assistance Network
- iii. Financial Network
- iv. Human Resources Development Network

Technical Support Network

The model suggests the establishment of an extensive network of agencies providing collective technical support. This support is generally in the form of technical assistance, technical training programs, information services, or joint research opportunities. Most technical support agencies offer a combination of services, which will be often supported by financial and tax incentives. Sudan's suggested network of collective technical support agencies will be headed by the Technical support Division – MSEPC. The network should consist of:

1. An Industrial Technology Institute (ITI):

An Industrial Technology Institute (ITI) and Regional Industrial Technology Institutes (RITIs) are to be distributed among different Sudanese states. ITI and its

branches will provide technical extension services directly to enterprises, under MSEPC control.

2. Research and Development Institute (RDI):

RDI will be established as an integrated manufacturing technology research institute assisting MSEs working under the Umbrella of (MSEPC). It will offer its own R&D and polytechnic education programs and will have development centers to transfer technologies developed within RDI for the Enterprises. Those development centers could be established in the existing universities and R&D institutes in the different states. In addition, RDI will promote joint research within both LEs and MSEs. The government should finance or subsidize the R&D expenses of the participating enterprises, R&D institutes and universities.

3. Design and Packaging Institute (DPI):

DPI is another suggested public institution with a specific mission. It will be established by the (MSEPC), to help Enterprises, particularly MSEs, to raise awareness of MSEs on the importance of designing and packaging for their products promotion as well as improve their project design and packaging strategy. This helps MSEs to upgrade from original basic local designs to exports designs under their own brand name. DPI could also train MSEs designing and packaging personnel on the modern techniques of the art and better ways of getting low cost packaging materials.

All these suggested institutes will be working under the authority of the (MSEPC). (Figure 2 Sudanese Suggested MSEs Promotion Model)

Similarly, the existing departments and divisions that have similar functions (such as MSEs Promotional Department – Ministry of Industry & Vocational Training Centers – Ministry of labour) could either be incorporated in this network setup or left in their Ministries and work as affiliated institutes to the MSEPC.

Marketing Support Network

The Sudanese government must recognize the importance of exports support for domestic industries, by developing a variety of institutions to assist firms with export marketing facilities. The study also suggests the formulation of a collective marketing support Network working under the umbrella of the MSEPC. The marketing network (Figure 2) will include:

1. Trade Promotion Corporation (TPC):

This is a suggested government agency which will be established under the Umbrella of (MSEPC) to offer a wide variety of services including information about foreign market opportunities, market research, assistance with trade fairs and overseas marketing trips, and identification of other sources of services, such as export insurance. TPC will mainly support MSEs to become more self-sufficient.

Sudanese enterprises will pay membership fees based on firm size. The existing trade point in the Ministry of Trade will continue its present job besides helping in regulating and monitoring the marketing system affiliated to TPC or could be incorporated in the marketing network setup.

2. Private Trading Enterprise (PTE):

PTE will operate on a commercial basis, since not all the important sources of collective marketing support must be of government origin.

3. Traders Association (TA):

It represents the interests of Sudanese trading firms from all sectors of the economy. TA will focus on public relations and lobbying, but also encourages information-sharing among its members.

4. Cooperative Association of MSEs:

It is to be founded with government support to traders Associations. The Cooperative will have a network of traders and industrial associations, some of which will operate independently and will provide a variety of marketing services. The activities of active associations are parallel to those of TPC such as information-sharing, introduction of foreign buyers, and training, although the associations have the advantage of being industry-specific. The existing departments and divisions that have similar functions could either be incorporated or left in their Ministries and works as an affiliated institute to this network setup.

Financial Support Network

Main Agencies providing financial support in the suggested Model are:

1. MSEs Specialized banks:

They will finance its activities through low cost finance from the Bank of Sudan, deposits, and government-guaranteed finance certificates. The objective of these Banks is to lead the balanced development of the national economy by extending Credit Guarantee services for the liabilities of promising enterprises which lack tangible collateral & stimulating sound credit transactions through the efficient management and use of the credit information. Thus, the special MSEs funds should account for all of the MSME Bank's activities. Loans directly from the MSEs Bank are suggested to account for more than 30 % of the total loans received by MSEs. The suggested % is near to the average % present in the two studied models (Korea & India)

2. Commercial and Non-Bank Financial Institutions:

They can form an important source, for financing MSEs. These banks must meet their responsibility of satisfying the financial needs of small enterprises in order to increase employment and achieve sound and quick economic development.

Commercial Banks will form a suggested network across the country as they enjoy advantages in capital, so their support for MSEs is expected to play an important role.

3. Local banks:

They may account for a considerable number of MSEs Financial Support. New banks will be established mainly in small towns, and will be privately-owned from the beginning, although they are highly regulated by Central Bank regulations (Micro credit Finance Unit). Local banks as supposed will contribute significantly to the MSME allocations under Sudan's highly regulated regime. The commercial banks and local banks are suggested to allocate 30 % and 70 %, respectively, of their new credit to MSEs. Again the suggested %ages are near to the average %ages in the two studied models. Approved lending rates by Central bank of Sudan for both commercial and local banks in Sudan in 2008 were 12% and, 60% respectively of their new credits to MSEs , but the actual lending by both parties did not exceed 3% in 2008. (Abukasoui etal, 2008),

4. Other Financial Institutions and available Specialized Funds:

There are other financial institutions in Sudan that have allocated funds to support certain projects such as ZAKAT Fund, Pension Fund & Productive Graduates' Project Fund. These funds could be allocated to support MSEs. The other existing specialized, commercial and local banks (such as Social & Saving Development Bank, Ossra Bank, Pension Fund, and Sudan Microfinance Development Facility SMDF) that have similar functions will continue their present responsibilities in the financial support of the Network. On the other hand, the Micro Finance Unit at the Central Bank of Sudan could either be incorporated in the network setup or left in its place and work as an affiliated institute to this network setup.

HRD Assistance & Socio – Cultural Barriers Eradication support Network

This network will be working under the umbrella of MSESPC. (Figure 1).The controlling responsible unit will be the HRD Division – MSEPC. In the initial phase of the model the Poverty Eradication Unit – Ministry of Social care will continue its present functions besides coordinating with HRD Division-MSEPC. In future such units should be incorporated in MSEs networks for better use of resources and avoiding duplication.

The suggested model of the Network should be:

1. Institute of Extension Training (IET):

It is proposed to be established to assist in promotion, development, and modernization of Micro Small and Medium Enterprises (MSEs) concepts in the country for both beneficiaries and service providers. The main activities of IET will include public awareness on the role & functions of MSEs, removing social fears and

barriers related to entering the banking system, penetrating the private investment sector instead of waiting for the governmental jobs, encouraging business start-up among new graduates, massive out reach for the active poor to change their investment concepts, promoting entrepreneurship development related training Programs, providing research and consultancy including the concepts of cluster development.

2. Institute for Entrepreneurship (IE):

The major activities of the IE will include development of model syllabi for training of various target groups, designing effective training strategies, methodology, manuals and tools, facilitating and supporting Central/State Governments and other agencies in executing Programs of entrepreneurship and small business development, sensitization of environment for promotion of entrepreneurship, enterprise creation and self-employment in the Country. The IE should work in cooperation with universities to form incubators in the different states.

Conclusion

From the results of the study, it seemed that government support for MSEs is important to yield ample benefits. The study suggests several specific measures that might be taken to improve MSME support in Sudan.

The Establishment of MSEs Sudanese organizational set up is very important taking in consideration the experiences of Korea and India. From the comparison done within the study it was obvious that both models consisted of an organizational setup to promote MSEs in each country. The main core of both models was the presence of a high level body responsible for promoting MSEs in each country. In Sudan most of the units and departments concerned with promoting MSEs are scattered in different ministries without coordination which makes their effects almost negligible.

Recommendations

1. A Board should be created directly linked to the President that incorporates as members, all the related bodies encountered in MSME sector
2. This Board should be responsible for defining laws, policies and strategies for MSME Promotion, coordinating efforts, follow up and monitoring Progress
3. The proposed MSME Corporation should be the implementing tool of the Board. The five division of the MSEPC should work as a team for MSME promotion and the implementation of the projects policies, strategies etc as per the direction of the Board.

4. The units under the divisions should work also as a team in the practical implementation of all the assigned tasks from the divisions. Such work should be fulfilled in harmony.
5. The gradual “phase wise” promotion program of the organization
6. HRD is also important due to the lack of skill and know how in Sudan thus HRD and Public awareness on MSEs concepts should receive priority during the implementation.
7. Incentives such as tax reduction and benefits related to start up and innovation should receive priorities among suggested policies.
8. Policy & legislation reforms should be targeted in the MSME Promotion Process.
9. Technology Transfer is another target to receive attention using the expertise know how and the adoption of the new technologies applicable to Sudan.

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