

ISLAMIC DEVELOPMENT BANK (IDB)

Expert Group Meeting on Addressing Unemployment in IDB Member Countries in the Post-Crisis World



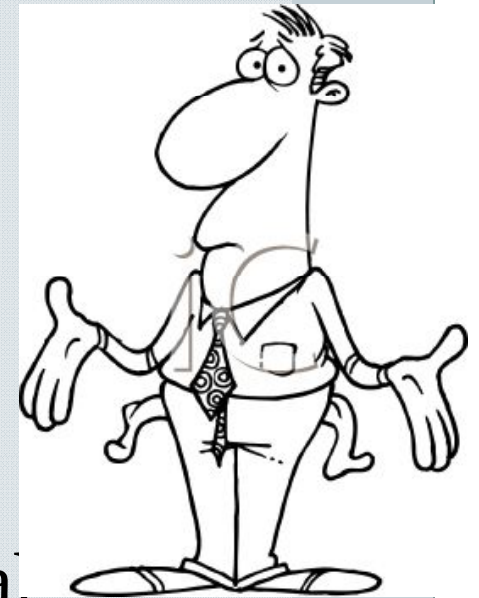
National Policies for Generating Employment with Special Focus on SMSEs and Microfinance: Sudan Experience

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Introduction

- ❖ Unemployment problem is on the top of the international agenda;
- ❖ Most serious in developing countries;
- ❖ Unemployment = food insecurity + poverty.
- ❖ This paper illustrates the root causes of unemployment in Sudan, presents the national policies for Generating employment, with emphasis on SMSEs and microfinance, end by highlighting the Sudan Experience.



Unemployment in the Sudan

item	Economically active (million)	Employed (million)	Unemployed (%)
1990	6.3	5.4	14.2
1996	9.6	8.3	14.3
2003	11.3	8.6	16.3
2006	11.5	9.6	17.3
2008	13.0	10.3	20.7
2010	Na	Na	21.6

Employment Opportunities Aailed by the labor Market 2005-2009

Item/year	2005	2006	2007	2008	2009	total	%
Graduates in civil service	10090	15216	16048	4564	1639	47557	28.8
Private sector Organizations	13000	2342	11909	9231	3047	39529	24.0
Employed Foreigners	160	320	0	1693	0	2173	1.3
Total	11037	15663	15149	17509	16350	75708	45.9
Employed abroad	34287	33541	43106	32997	21036	164967	100
	10871	30338	13854	27154	39023	121240	-

Agriculture & Unemployment

1. Owing to the its resources and its foreword and backwards linkages, agriculture was and will continue to be the main employer of the active labor force in Sudan.
2. Its share in the labor force has gradually declined over time (86% in 1955/56 to only about 50% 2010). The main reasons for this decline are:
 - ❖ severe and frequent drought spells.
 - ❖ Negligence of traditional agriculture (the major employer).
 - ❖ The irrational expansion of semi-mechanized agriculture.
 - ❖ the civil war which has claimed substantial resources which could have been utilized in the development of agriculture.

Reorientation of agricultural development strategies to address these causes of unemployment in a sustained manner is seriously needed

Government institutions related to employment

- ❖ Federal Ministry of Finance and National Economy;
- ❖ Ministry of Agriculture; Ministry of Animal Resources and Fisheries; Ministry of Social welfare;
- ❖ Ministry of Education; Ministry of Health;
- ❖ Ministry of Labour,
- ❖ **Ministry of Human Resources Development (The National Fund for Employing Graduates)**
- ❖ Ministry of Transport & Bridges.
- ❖ Agricultural and industrial corporations including sugar companies.
- ❖ General Authority for Sudanese Working Abroad.
- ❖ Specialized councils which include agricultural Council, Veterinary Council and Engineering Council.
- ❖ Zakat Chamber.
- ❖ Safety Net Funds

Potential Employment Opportunities:

❖ **The MHRD: Doctors' Programme:** full finance to 1000 clinic units, a total of 8000 job opportunities; **Agriculturists and Veterinarian' programmes:** (50000 graduates) 10000 feddan per states, of good agricultural land for the graduates projects. The program will start this year in Gezira will start by 5000 feddan to support 1500 graduates from Gezira).

❖ **Establishment of Network** of Agriculturalist and veterinarians for the purpose of planning and monitoring, policy analysis.

❖ Technology transfer in semi-mechanized sector agriculturist and a veterinarian per each 500 feddan= 26000 posts + 52000 of technicians.

❖ **For Forestry and pasture** (a forester/agriculturalist per 5000 feddan= 25000 posts.

❖ **Federal Government and States** (52000 posts, their existing organizational structure can accommodate only 5000.

❖ The Comprehensive Agriculture Census (temporary jobs (up to one year and building capacities of about 5700 graduates.

❖ **The industrial Sector** is likely to avail about 134600 posts mainly in textile industry, production tools and inputs, oil and soap industry, leather and shoes, printing and backing, chemical and petro-chemical industry

ROLE OF PRIVATE SECTOR IN EMPLOYMENT CREATION

- ❖ The declared national policy is to **withdraw government from all functions that the private sector can deliver more efficiently**
- ❖ **invest** and interfere in those activities which are **not attractive to private sector** like infrastructure.
- ❖ The main contributor to employment in the country is **agriculture** which is dominated by the **private sector**
- ❖ **The manufacturing** sector comprises around **24,000** firms, **57% of which in food and beverage sector**.
- ❖ The manufacturing provides employment for only **1.7% (162,000 employees)** of total employment in the country (Industrial survey 2001); **40% of the industrial labour force is employed in small scale industries**

Problems facing the industrial sector

- ❖ **Continuous decline of traditional industries** (edible oil, textile, leather) and growth of new industries (construction, food and beverage).
- ❖ Concentration of investment growth in few sectors: energy, banking, telecommunications, construction, services.
- ❖ **Geographic concentration in Khartoum** state where infrastructure and services are comparatively better.
- ❖ FDI has improved urban services, with little backward linkage to rural areas or to small producers, if any.
- ❖ Lending practices remain risk averse, primarily short-term and secured with real property.

GRADUATES, SKILLS AND THE LABOUR MARKET

- ❖ The **growing unemployment rate among graduates** in Sudan is worrying (high number with few job opportunities).
- ❖ Although graduate unemployment remains small relative to the size of overall unemployment, **its rate of growth has increased drastically between 1992 and 2010**.
- ❖ the graduate programs in the Sudanese universities are not in a harmony with labor market trends.
- ❖ rapidly rising unemployment among labor force participants with secondary and tertiary qualifications, the bulk of whom being those with diplomas or certificates.
- ❖ Firms, policymakers and government agree that skills shortages are probably the most important obstacle to accelerated growth in Sudan.

GRADUATES, SKILLS AND THE LABOUR MARKET

- Lack of practical skills and experiences.
- ❖Universities seem to focus on how many students they can enroll, not on how well they will do.
- ❖poor command of English language
- ❖Labor Market Need more technicians than university graduates.
- ❖Lack of industrial training.
- ❖. low problem-solving skills, job-hopping and lack of self-confidence
- ❖At the start of their careers many graduates lack what is called soft skills, workplace readiness and experience such as time management, creative thinking and general communication.

The Microfinance legal framework

The Strategy to combat unemployment particularly among graduates was based on the following pillars:

- ❖ Availing finance for the graduates' small and medium scale projects.
- ❖ Enhancing awareness to increase the number of beneficiaries
- ❖ **CBS established Microfinance Unit (MFU)** for promoting the growth of the microfinance sector in Sudan.
- ❖ **Followed by** establishment of microfinance units within commercial banks
- ❖ Then formulation of microfinance regulatory framework.
- ❖ CBS directs Commercial Banks to allocate 12% of their portfolio to microfinance
- ❖ Conduct awareness generation campaigns and training and capacity building activities.
- ❖ Encouraging the use of unconventional methods of lending and collaterals.
- ❖ Facilitating friendly investment environment

Limitations of the micro finance programs

- ❖ the owners of the MSME'S lack the required experience,
- ❖ No bankable feasibility studies for the projects,
- ❖ the weak marketing experience of the owners and the long term of finance with high risk
- ❖ Lack of well planned and strategic framework for microfinance.
- ❖ Limited learning from external global experiences
- ❖ Built on traditional models that fail to accommodate the rapidly changing dynamics of the market
- ❖ The need for collateral which the small producers lack
- ❖ Market rate without government subsidies.
- ❖ Weak follow up, monitoring and evaluation
- ❖ Misuse/mismanagement of resources

Employment Creation in National Policies, Strategies, and Challenges

- ❖ **Historically**, the successive country strategies, policies and plans **had not included specific targets of employment creation**;
- ❖ recently, the first Five Year Plan (2007-2011) of the Quarter Century Strategy (2007-2032) pointed out the importance of employment creation as a cross cutting issue for enhancing human welfare and national security;
- ❖ The strategy targeted reduction of unemployment to one digit.
- ❖ As high levels of unemployment in the country could be a major factor of political instability and social insecurity in the country, issues of employment and entrepreneurship have currently become top government agenda.

Employment Creation in National Policies, Strategies, & Challenges cont...

- ❖ The year 2009 witnesses some preparatory work for formulation of employment policies. Labor laws as well as some of the international agreements were studied and reviewed;
- ❖ Regulations for employment of foreigners were established and contract rights for Sudanese working abroad were adopted;
- ❖ arrangements were made to start labor market survey with the objective of availing necessary information required for preparation of realistic employment policy.

Employment & the domestic, regional and international economic changes

- ❖ **Internal factors** related to high unemployment rates include **rapid population growth** and progressively **increasing number of graduates**;
- ❖ **The international changes** include **economic and financial crises** and **souring food prices**;
- ❖ The external challenges: (**COMESA**, Accession to (**WTO**));
- ❖ **The high rate of globalization** of production of commodities and services and the increase in the free movement of labor, technology and capital.
- ❖ **Rapid and significant** shift in the **regional, international** and **bilateral finance policies** from government and infrastructure to social development projects;
- ❖ **Economic grouping** between neighboring countries with joint interest to defend their mutual benefits.) call for a clear employment policy in Sudan as a high priority agenda.

Limitations of National Policies for Employment Creation:

- ❖ Lack of explicit targets for Employment Creation in the national strategies and policies;
- ❖ Lack of harmony and coordination between education policies and development strategies and plans i.e the education output doesn't reflect the needs of the development plans of the productive and service sectors;
- ❖ Recent governments policies favor capital intensive techniques
- ❖ Concentration of most of the investment in Khartoum particularly the basic services tends to stimulate immigration to Khartoum which adds to unemployment.
 - ❖ The majority of actors in the agriculture sector (the major employer) need micro and medium size finance;

Therefore, there is a need of introduction and adoption of unconventional modes of finance in rural economy.

Sudan's Experience: NKRDP 2001-2007

- ❖ The IFAD (NKRDP) supported 173 village level Sanduqs in two localities in the State,
- ❖ Village based Development Committees (VDCs) which were registered and legislated.
- ❖ The project supplied approximately USD 1.4 million as grants to individual sanduqs
- ❖ Loans to poor households (USD 50-100) for livestock rearing, petty trading and crop production activities.
- ❖ each sandug participate by paying 20% of the grant as matching fund.
- ❖ The coverage was approximately 12,000 households.

NKRDP

- ❖ The loan terms and conditions, set internally by the sanduqs.
- ❖ the repayment rate ranging from 79%-83% across 5 years,
- ❖ The sanduqs' annual operational and financial expenses ranged between 10%-15% which much lower than the yield and contributed to the profitability of the model;
- ❖ The sanduqs served as one of the examples which inspired the formalization of the microfinance sector in Sudan;
- ❖ After the NKRDP closure in December 2008, the lack of ground level supervision and oversight diluted the accountability of the sanduqs, weakened control systems and increased elite capture.

SKRDP

- ❖ Building on the lessons learnt from NKRDP, the NKRDP, decided to **adopt the Central Sanduq model** (federate 45 communities in the Al Rashad Locality into **central sanduq** called **Bara'ah** and injected the revolving fund grants directly into it).
- ❖ Bara'ah has disbursed a total of approximately **SDG 350,000** to reach approximately **4,000 family** members from around **700** households represented through 53 groups.
- ❖ **The project has a repayment rate of 100% and a Portfolio at Risk (PAR) of zero percent.**
- ❖ In year 2010 Bara'ah's governance was restructured with the formation of a 90-member general body represented by one man and one woman from each of the 45 villages.

SKRDP

- ❖ The general body selected a 15 member board which meets on a bi-monthly basis to discuss progress and to endorse future growth plans;
- ❖ The Central Bank of Sudan (CBS) has provided Bara'ah with a provisional license as a non-deposit taking rural microfinance institution. ;
- ❖ Technical assistance linkage was established with the Sudanese Microfinance Development Facility for management and operation systems development and training and capacity building of the staff members.
- ❖ Bara'ah has also established technical linkage with the FAO for conducting a baseline survey and impact assessment of the microfinance services over a period of three years;
- ❖ SKRDP deputed a full-time Bara'ah manager to be fully integrated in the Bara'ah structure sine January 2011.

أبسمي ABSUMI



- ❖ Agricultural Bank of Sudan Microfinance Initiative (ABSUMI) to avail sustainable micro finance to poor rural families (mainly women).
- ❖ Quantitative objective: one million families (6 million person), in ten states (2000 SDG per family) in ten years.
- ❖ The total fund for the first three years (15.3 million US\$).
- ❖ Three partners: MFU-CBS , ABS and IFAD- (WSNRMP).
- ❖ The first phase (two years) :piloting in three localities in North Kordofan state.
- ❖ The second phase (year three and after): geographical expansion in the other targeted states

Concluding Remarks (Sudan)

- ❖ Any strategy to solving unemployment should look at agriculture as the engine of economic growth and livelihood and prosperity of Sudanese population.
- ❖ A labor intensive agriculture and rural development strategy is needed to seriously address the unemployment problem of the country in a sustained manner.
- ❖ There is an argent need for strengthening the capacities of public and private institutions involved in agricultural, agro processing, handicrafts and rural productive services, building capacity in M&E and related activities.
- ❖ Fortunately, the sole agriculture lending institution (ABS) is now subjected to reform with the objective of availing micro-finance to medium and small scale enterprises using unconventional modes of finance in rural economy for job opportunities.
- ❖ Technical and financial support to qualify retail microfinance institutions to provide efficient funding mechanism that meets rational demand is required.

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Recommendations

1. Implement the basic surveys (Labor Force + Labor Market +Comprehensive agricultural census) to develop Employment Strategy.
2. Conduct training and capacity building programs.
3. Establishment vocational centers to absorb the education drop off and to reach the international standard of 6 technicians per graduate.
4. Adoption of land reform programs and policies with the objective of ensuring equity access to land
5. Improvement of rural infrastructure which will in turn improve investment climate and mobilization of productive capacities.
6. Encourage private investments in labor intensive service trade.

Challenges/Constraints in Addressing Unemployment in IDB Member Countries in the Post-Crisis World

- ❖ **Recurrent drought in many of IDB** member countries forces to divert resources to emergency as opposed to development.
- ❖ Negligence of traditional agriculture (the major employer) has caused massive migration from rural areas to urban centers;
- ❖ **Over-reliance on a single commodity (oil)** as its main source of growth, the neglect of growth in non-oil sectors (a manifestation of Dutch disease).
- ❖ **Lack of incentives for small scale industries** – Lack of capital, technology and marketing are major problems of Small Scale Industries.
- ❖ Employment is not stated in the national development plans in quantities and qualitative terms.
- ❖ **Lack of practical skills and experiences** associated with the low quality of graduates produced;
- ❖ Weak coordination between the graduate education and the labor market demand (private sector needs)

Recommendations

- ❖ Support information systems in IDB countries
- ❖ Support improving the investment climate and targeting private sector-led growth in IDB member states;
- ❖ support restructuring of some of financial institutions to avail microfinance for SMSEs using unconventional modes of finance in rural areas for job opportunities, poverty reduction and stimulation of economic growth and development.
- ❖ Encourage private investments in labor intensive productive and service sectors as opposed to capital intensive sectors;
- ❖ IDB should support the implementation of unemployment surveys on the basis of which strategies to combat unemployment should be prepared. This include: (a) implementation of labor force survey and labor market to ensure better planning for employment creation and (b) Preparation and implementation of training and capacity building programs required to balance supply and demand for labor to overcome the problem of unemployment.

Thanks