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SUDAN ECONOMY RESEARCH GROUP

DISCUSSION PAPERS

PROMOTION OF RURAL HANDICRAFTS AS A MEANS OF
STRUCTURAL ADJUSTMENT IN SUDAN.
WITH SPECIAL REFERENCE TO DARFUR REGION

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DISCUSSION PAPER No. 7

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1. Introduction

The Sudan faces a deep economic crisis. Large gaps in the balance of payments, in the financing of investments and in the government budget express a fundamental crisis. The origins of this crisis can be traced to the middle of the 1970s, when the Sudanese government planned and - partly - implemented an ambitious concept to overcome the country's traditional economic structure as a supplier of a few agricultural raw materials to the world market. The massive investment programme of the "Breadbasket Strategy" intended to make Sudan the food supplier of the Arab region with the help of Arab capital. However, a combination of unfavourable world market trends, lack of political feasibility, lack of absorption capacity and other factors rendered this strategy unviable.

In 1978 the extent of the economic crisis forced the government to change its development policy in the direction of IMF/World Bank recommendations which were conditional for the disbursements of their credits. However, up to now, the economic stabilization policy did not succeed in reversing the trend of economic deterioration. It failed both in respect to its own targets and, more important, in respect to long-term development goals. This indicates, in our view, the need for more fundamental structural adjustment measures.

In an unpublished analysis of Sudan's economic policy since the 1970s for the World Bank (Wohlmuth/Hansohm 1984) we identified key components of a viable strategy of structural adjustment. We base this strategy on the concept of agricultural demand-led industrialization which emphasizes the domestic linkages between agriculture and industry as the engine of growth.

Key components are:

- 1) a longer time-horizon for economic recovery
- 2) an adjustment of the debt service to the country's capacity
- 3) a policy to select and coordinate the foreign aid and foreign investment transactions

- 4) reducing the capital and import intensity of new agricultural investments
- 5) promotion of small-scale agriculture
- 6) promotion of capital formation within the agricultural sector, rather than relying on capital injections from outside
- 7) support of cooperatives in order to counterbalance the impact of state bureaucracy and of the traders
- 8) restructuring of the industry's output and input structure (reduction of import intensity, reduction of luxury consumer goods production)
- 9) support of small-scale industries and local crafts, esp. in rural areas
- 10) releasing resources from the services sector
- 11) economic and political decentralisation

We think that the crucial variables of structural adjustment policies (e.g. the investment-savings gap, the imports-exports gap) can be affected by such a package of measures, and that especially point 9) has a considerable potential in this respect. The savings capacity of far greater parts of the population can be increased, the investments undertaken by the handicrafts sector may be considered as less risky, it can be expected that they will bear profits more quickly and the imports-exports gap will be positively affected, mainly from the imports side. However, empirical data seem not to be available, neither about the time horizon nor about the transmission of such effects.

Thus we think that it would be necessary to collect certain informations about the sector and its environment to be able to propose a concept for handicraft promotion. In Part 2 we discuss the relevant literature about the handicraft sector in general in order to find out the important research questions for such a task. The analyses in Parts 3, 4 and 5 are of a preliminary character; they are based on interviews and the literature available to us. Part 3 assesses the impacts of state policies on the handicrafts. Part 4 reviews existing promotion programmes for the sector and the final part deals with Darfur region. We refer to this

region because of informal contacts to the regional government which is interested in promoting rural handicrafts.

2. Economic potential of rural handicrafts for structural adjustment

In order to assess the potential of the sector and possible means of promotion we have reviewed relevant literature, mostly about the concepts of the "informal sector", "rural non-farm activities", "small-scale industry", and "rural small-scale industry". We have done this review to find out the important questions of research and to formulate tentative hypotheses in the Sudanese context. Of course we do not claim to provide an exhaustive discussion of the enormous amount of literature which has been written on these topics, especially during the last years. For our task this is neither possible nor necessary.

Unfortunately, in the literature there is no consensus how to define both the "informal" and the "small-scale industry" sector (or the "traditional sector"). However, we do not have to bother about the difficulties of definition too much because in the context of our region the delimitation of our target group is quite clear-cut.

We are concerned with all productive economic activities that are non-farm and non-factory in the province of South Darfur. We deal with activities rather than with persons, because most of the handicrafts are carried out on a part-time basis by people who rely on agriculture as well. Productive economic activities include manufacturing and repairing, but exclude most of the services. We concentrate

on productive activities because the developmental goals are not only creation of employment but also provision of cheap consumer goods and investment goods for the region. Also, the target of "employment creation" as such seems to be questionable, because there are arguments that the concept of "surplus labour" is not applicable to Africa (Weeks 1973, McLoughlin 1962/63). It seems to be more reasonable to focus on income creation, if employment is not seen as an end in itself.

Moreover, handicraft development in the region is believed to contribute to the region's main target of increasing agricultural productivity and output.

It is not a difficult task to delimitate the handicraft sector from other industrial activities in the region, because these are confined to very few government projects, mainly in the fields of textile, tannery and agro-processing. In the villages, they are confined to flour mills.

The handicraft sector is not identical with the informal sector. It includes enterprises which are formally registered; at the same time, the informal sector includes activities we do not deal with (most of the services). However, all of the 7 characteristics ("ease of entry, reliance on indigenous resources, family ownership of enterprises, small scale of operation, labour-intensive and adapted technology, skills acquired outside the formal school system, and unregulated and competitive markets") which the report of the ILO Kenya mission (1972,6), one of the basic documents of the discussion, ascribed to the informal sector, seem to hold true for the handicrafts. Thus, a discussion of this concept is relevant for us. In our review of the literature we tried to find answers to the following, inter-related questions:

- 1) What are the developmental advantages of this sector?
- 2) What is the nature of the constraints to an evolutionary growth of this sector?
- 3) If the constraints are surmountable, is it feasible/necessary to promote this sector?
- 4) If yes, with which measures?
- 5) What is the record of handicrafts promotion, especially in rural areas?

In our review we confirmed the judgement of Schmitz (1982a). In his assessment of the studies' theoretical bases and their empirical support he concludes that the definite view on the growth potential of small producers that most studies express explicitly or implicitly is rarely justified by their empirical basis but rather a result of the ideological commitment of the authors. In most studies a comprehensive examination of the context which determines their potential is lacking. The observation that most concepts to explain the potential of this sector or to promote it are based on a too narrow theoretical understanding and that a much more thorough and comprehensive research to evaluate the sector's potential and the effects of promotion measures is necessary will be confirmed in the assessment of handicraft promotion programmes (Part 4).

2.1 What are the developmental advantages of this sector?

The literature quotes the following advantages in regard to structural adjustment and especially regional development as a part of it, which we formulate as tentative hypotheses:

- a) It caters for local, especially low-income markets and is suited to the needs of the indigenous population.
- b) Its activities are more labour-intensive and thus create more wide-spread income than industry.
- c) Its products substitute for those of the industrial sector but they are cheaper.
- d) It does not only need little capital, but also the kind of capital used is not of the scarce type. Much is produced by the craftsmen themselves (including the "human capital") or second hand equipment.
- e) It diffuses skills. The indirect effects of diffusing and upgrading technical skills, e.g. metalworking, may be even more important than the direct benefits of the sector's activities.
- f) Its activities are more geographically dispersed.
- g) They are more accessible to indigenous entrepreneurs.

- h) The sector is able to innovate
- i) and to exploit discarded materials.
- j) It uses largely local inputs.
- k) It can be a source of indigenous capital goods.
- l) It can be a basis for a shift towards a more labour-using form of industrialization.
- m) It can help to smooth down the rural exodus.
- n) It has strong linkages to the agricultural sector.

These points are highly interrelated; their relevance will depend on the specific circumstances of a region. All these points have relevance for the basic aim of structural adjustment policies - to attain a viable balance of payments position and growth.

2.2 What is the nature of the constraints to an evolutionary growth of the rural handicrafts sector?

With "evolutionary growth" we mean an absorption of a larger labour force at higher income levels in contrast to an "involutionary growth" which implies that a larger labour force is absorbed at a stagnant or declining level of real income. The answer to the above question is the decisive difference between the various approaches to this sector. Opposite views are held on the questions whether internal or external constraints are crucial and whether these constraints can be overcome or will lead to a decline of the sector.

Among internal constraints lack of entrepreneurial or managerial skills are mentioned. The roots of "lack of entrepreneurship" are believed to be traditional socio-cultural factors. The approach which holds this variable as the decisive one was widely spread in the 1960s (e.g. McClelland 1967) but only few adhere to it today (e.g. Luytjes 1985) because it has become obvious that these explanations are often of a tautological nature (Schmitz 1982a), give no explanation why these should be the main factors, and empirical studies have shown that this constraint is rather a result of external factors. The image of a tradition bound producer has broken down. However, there are arguments against the view of Leff (1979), who

regards entrepreneurship as a "slack variable". Anderson (1982) holds that the entrepreneurship response has not been as full and as efficient as it could be.

Discussing managerial abilities, Schmitz (1982a) distinguishes between a) motivation, drive, adaptability, b) organisational skills and c) technical skills. Concerning a), most descriptions of this sector (urban) reveal a "great initiative, inventiveness, responsiveness and readiness to jump at opportunities" (Schmitz 1982a, 431). Concerning b), the apparent messiness of handicraft enterprises often masks an efficient system of organisation which is adapted to the high need of flexibility. Lipton (1980) corrected the one-sided view of internal characteristics as "constraints" by a more comprehensive analysis of the internal economy of family-based enterprises, which comprise many, if not most of the handicraft enterprises. He regards their main characteristics, especially the "fungibility" of resources ("the extent to which a rise or fall in the availability of a "resource" can be.... converted swiftly, conveniently and without loss into a change in whichever input, to whichever activity, maximises benefit", op.cit., 191), on the contrary as decisive advantages of these enterprises which made their survival in a hostile environment possible. Consequently, he regards measures as introduction of "supervised credits" and bookkeeping as detrimental to family enterprises. While Lipton's arguments to see the internal factors as sources of strength rather than weakness of the family-based enterprises are convincing, the integration of family and business will probably turn out as a disadvantage if the enterprise expands (by increasing use of outside labour).

Concerning c), various studies suggest that just the technical skills are the small producer's strong point (King 1975, Schmitz 1982b).

Schmitz concludes that external constraints seem to be more important than internal factors and assumes that the wide-spread emphasis on measures which apply to the internal factors (managerial training) serves partly an

ideological function: It puts the blame for a lack of development of these enterprises "on the people who run them rather than on the environment in which they operate" (Schmitz 1982a, 445). At the same time he warns that a "fascination" with the external factors "can easily lead to gloomy and deterministic predictions, to the denial of all accumulative prospects and to a general theory of marginalization". (Schmitz 1982a, 445). To this remark we must add that this view can also lead to an over-optimistic view, giving the impression that only some external constraints, mainly relating to government policy, must be relieved to set loose a huge potential (e.g. ILO 1972).

The studies emphasizing the external constraints can be divided into two groups (Schmitz 1982a): Those who hold that small producers are exploited by the large firms and those who maintain that their growth is prevented by difficulties in access to raw materials, product markets, technology and credit; these difficulties are seen to be reinforced by government policies. Of course there is much overlapping between these approaches.

The first approach, as exemplified in Leys' (1973) critique of the ILO report on Kenya (1972), maintains that the informal sector subsidizes the formal sector by providing goods and services at very low prices and in this way depresses the wage level and makes possible the latter's high profits. Several problems of empirical and theoretical nature occur with this approach, a discussion of which is beyond the scope of this paper. Schmitz (1982a) discusses the difficulties with the application of the "exploitation" model. Many studies reveal a considerable dependence of small producers on modern industry or even on imports for the supply of inputs. This phenomenon points to the fact that the perspectives of these enterprises cannot be judged about in isolation, but the "exploitation" approach seems not to apply.

A more direct relation between small producers and large firms is the subcontracting system. There is a controversial discussion between a dualist approach (e.g. ILO 1972, House 1984) which regards this relation as benign and a petty commodity approach regarding it as exploi-

tative (e.g. Moser 1978, LeBrun/Gerry 1975). Exponents of the latter position maintain that the small producer's position is subordinate and that there is a value transfer to the large firms. Middleton (1981) claims that both sides of the "benign-exploitative" debate misunderstand the extent and the nature of the linkages. As most products of the small producers would be for consumption, especially in less developed areas, the linkage would be weak. Backward-linked small producers would not transfer value. However, only forward-linked (through subcontracting) small producers would be able to expand (in numbers), but in a subordinate way. This would imply an extraction of surplus value and inhibit expansion into capitalist production units. In its rigid and generalized way ("The development of capitalism will not come from below") this model seems not to be adequate to a reality which includes processes of differentiation. In his survey Schmitz (1982a,437) concludes that "very little is known about the growth potential of small subcontractors", not even about the extent of their existence. More convincing is the argument of Lipton (1980), that the "exploitation" approach paints a wrong, deterministic picture because it is one-sided, not seeing the internal power of family production. He explains the continuance of family enterprises not as a result of an intention of large firms but rather by a lack of power to eliminate family enterprises which compete for labour and in product markets. It is beyond the scope of this paper to discuss this provocative argument, but the position which he attacks leaves, indeed, some points open to question. Some of its exponents claim that a (precarious) balance of dissolution and conservation of the informal sector would exist (e.g. LeBrun/Gerry 1975, Ho Gee 1978, Wellings/Sutcliffe 1984): The formal sector would take care that the informal sector is not as big as to become a competitor and not as small as to lose its subsidizing function. This vision obviously poses a number of logical problems. The mechanism of preserving such a balance is not clear

at all.

What we can learn from this discussion seems to be, at least, that it is important to look more closely at the internal dynamics of the small producer's sector in order to understand the dynamics of its development.

The second chain of arguments emphasizes that the expansion of small enterprises is blocked by the pre-existence of very advanced technologies and by insufficient access to raw materials, product markets and credit. This line of reasoning is exemplified by the "marginalization" approach (e.g. Quijano 1977, Bienefeld 1975, Gerry 1978).

Concerning the technology, again Schmitz (1982a) shows that there is no conclusive evidence to support the notion of an increasing technological gap on which this argument rests. Little research has been done on the actual impact of the introduction of new technologies on small producers. This is partly due to the fact that this must be seen in a historical perspective. The discussion of the technological aspect of development as a whole is of quite recent nature. In his study on traditional craftsmen in Tanzania Müller (1980) argues that their decline is due to government policy representing specific class interests and that from a technological point of view traditional handicrafts could be made the basis of an indigenous technological capability.

A related issue is technical efficiency. There seems to be no conclusive evidence if small or large enterprises are more efficient (Page 1979). It is possible that small producers use more labour and also more capital per unit of output because of outdated technologies, but the majority of evidence points to a higher productivity of small producers (Chuta/Liedholm 1979). When evaluating technical efficiency one has to bear in mind that a survival of the small producers does not necessarily imply that they are efficient; survival may be brought about by market distortions. However, probably the negative distortions are more important than those who affect the profitability in a positive way (e.g. a lower wage level).

The actual role of technical efficiency in displacing small producers is questioned by Langdon (1975), who argues in a case study on Kenya's soap industry that the transfer of tastes and desires may be a more important element. Concerning access to raw materials, Gerry (1978) holds that this bottleneck - which could be a result of lack of capital, bargaining difficulties, but mostly government policy - is a result of the subordinate position and makes accumulation impossible. Again Schmitz (1982a) argues that while this danger is apparent, Gerry's evidence is "far from conclusive". Advocates of the 'marginalization' approach predict that the demand for the informal sector's products will stagnate or decline. In a similar approach others predicted a decline with rising income (Hymer/Resnick 1969). None of the two positions substantiated these predictions with empirical evidence. They seem to be based on two related arguments: first, improved infrastructure, giving an advantage to standardized products of large firms and second, the economies of scale. Both arguments have to be acknowledged but must be qualified. King (1974), Lipton (1980) and Schmitz (1982a) mention regional and sectoral exceptions, in which informal, or family based enterprises maintain their position. On the question of economies of scale, Chuta and Liedholm (1979) argue that they are not significant in a number of lines. To our knowledge, there are hardly any studies on income elasticities of demand which are disaggregated by sector of origin. Liedholm and Chuta (1976) which distinguish product groups produced by small and large enterprises calculate high and positive expenditure elasticities for the first category in Sierra Leone. King and Byerlee's (1978) study, also in Sierra Leone, reveals that the rural expenditure elasticity for rurally-produced non-farm consumption items is 1.4. Related to the demand issue is the question, how strong the linkages of the small-scale industry sector to agriculture are. Hirschman (1959) believed that the linkages from agriculture to other sectors are weak, but others argue that they are or could be very strong (Mellor 1976, Johnston/Kilby 1975). Chuta/Liedholm (1979) present some evidence for that. Hazell/Röell (1983) argue that the conventional view of weak

linkages was partly due to a limitation on production linkages; the consumption linkages were ignored. In a case study on Malaysia and Nigeria they hold that the consumption linkage would even be more important than the backward and forward production linkages.

There is a consensus that the degree of linkages depends very much on the government policy regarding agriculture. Many studies emphasize that the fate of rural industries is closely connected to that of the agricultural sector. In a study on 6 eastern African countries (Kenya, Malawi, Sudan, Tanzania, Uganda, Zambia) Johnston (1984) for example contrasts the present capital-intensive, labour-saving, urban-biased agricultural strategy which makes a participation of the majority in productivity and income gains impossible with a more broadly based strategy which maximizes the positive interactions between agricultural and industrial development. It is not quite clear how the agricultural demand is related to income levels. Most studies hold that the expenditures for rurally produced consumer goods as well as agricultural equipment are higher for small farmers. For East Africa, however, Johnston (1984) maintains that there is a purchasing power constraint which prevents the spread of even simply improved technologies. Hazell and Röell (1983) suggest that richer households/larger farms may have more desirable expenditure patterns and that thus there may be a trade-off between growth and equity.

Besides agricultural demand (including consumption of the agricultural population) government and export demand might be potentials. These two areas are particularly influenced by government policies.

Concerning the importance of credit constraints there seems to be no consensus in the literature. The difficulties for small producers in access to credits and the higher interest rates they often have to pay are well known. For Schmitz (1982a) the main question is if these merely reflect unstable and risky conditions of production and greater unit costs of administering small loans or if they are due to distortions in views and practices. Schneider-Barthold (1984) maintains that

Other constraints are much more important and that the scarcity of capital is a myth.

A related issue is the rate of profit and the savings and reinvestment propensities of the sector. According to Chuta/Liedholm (1979), large capital intensive activities generate higher savings and reinvestments, but the relative rate of profit per unit of capital is markedly higher for rural non-farm activities; there are only few studies on the relative savings and reinvestments, but these show that the savings/reinvestments potential of the latter sector may not be markedly lower.

2.3 If the constraints are surmountable, is it feasible/necessary to promote this sector?

All of the external constraints involve some impact of government policy. Not only a lack of direct promotion for the handicrafts sector, but also agricultural, industrial, monetary, wage, foreign exchange, fiscal and tariff policy have influence. Thus there is also a room for positive interventions, if we do not assume a monolithic bloc of hostile interests which is free of contradictions.

At the same time, it is not possible to evaluate ways of improvement without discussing the interests which determine the government policy. Schmitz (1982a, 441) comes to this point when he criticizes the technocratic approach of the ILO Kenya report which is very explicit on the forms and the impact of government discrimination but stops short of "raising deeper questions about the power structure in the country". This discussion goes of course beyond the scope of this paper, but there are interests on the national, even on the international level to encourage the development of rural handicrafts.

Most studies agree that it is feasible and necessary to promote this sector: feasible, because its large potential is not fully exploited and necessary because of the increase in labour force which cannot be absorbed, neither in agriculture nor in urban industries.

2.4 If yes, with which measures?

There is also an agreement that both a direct promotion and indirect measures are necessary. This follows logically from the above analysis. The need for direct promotion measures is substantiated for Eastern Africa by Johnston (1984) referring to the rudimentary development of local manufacturing capabilities, which means that exclusive reliance on local innovation and adaptation would result in an unacceptably slow process of change.

The actual set of suitable measures depends on the local situation, of course. Above we mentioned the ideological function of the emphasis on managerial training. Several studies hold that measures related to marketing and raw material procurement would be more important than production and technology related measures (e.g. IBRD 1978, Michel/Ochel 1979).

As mentioned above, the importance of credit programmes is evaluated differently. In some cases, although entrepreneurs perceived the lack of credit to be the crucial bottleneck, other problems turned out to be the basic constraints. In this case, the simple provision of credits, without dealing with the other problems, would be, at a minimum, wasteful. This points to the advantages of a multi-purpose promotion approach. However, in an assessment of rural industry promotion Kilby and Bangasser (1978, 352) conclude that "the relatively successful projects ... have generally sought to provide a single missing ingredient ... or to remove a single bottleneck."

There is a consensus that a close research on the sector and its frame conditions is necessary before implementing a promotion project. The ILO (Allal/Chuta 1982, 89) warns that a promotion in an ad hoc manner ("on the basis of requests made by enterprises, problems identified in the course of field visits, suggestions by government planners etc.") could result in costly mistakes, e.g. the implementation of ineffective or harmful policies or the focus on groups of enterprises with little potential for growth.

The theoretically most far-reaching approach seems to be that of Lipton (1980, 231), who proposes to combine the "economic school" approach which asks how, by advising governments,

it can improve reality, and the "political economy" approach which asks how classes use power and how that power creates reality. As he claims, "each question, in isolation, is incompletely defined." For him, the task is to find out the promising sectors of the rural family-based enterprise: those "whose enterprises gain more from extended fungibility, low search costs, localisation and self-provisioning than from capital-intensity, aggregation with other sectors, scale and nearness to power" (238).

2.5 What is the record of handicraft promotion, especially in rural areas?

Up to now, there seems to be little research on the effects of promotion measures. In recent reviews of country programmes for rural industrialization and promotion of non-farm employment the ILO (1983 and Chuta/Sethuraman 1984) concludes that the results are quite disappointing. In a review of small business promotion Schneider-Barthold (1984) draws the conclusion that "the conventional promotion of small business has to be regarded as a failure." It would exclude most rural craftsmen, almost all female craftsmen and over-promote the others, which often implies a loss of autonomy. This would be due to a neglect both of external factors and existing structures of the sector. A lack of knowledge would result in a misunderstanding of the structure and the functions of the small business. The conclusion that a lack of knowledge about internal structures and the economywide integration of the handicrafts is seriously restricting the success of existing programmes - or even leading to negative effects - was corroborated for the German development aid on recent hearings of the parliament (Deutscher Bundestag 1985) and of a committee of the ruling party (Mittelstandsvereinigung der CDU/CSU 1984).

3. Impacts of state policies on the handicraft sector

In Part 2 it was pointed out that in order to understand the development perspectives of the handicraft sector it is necessary to analyse the external conditions and that these are more or less strongly determined by the government policy.

Besides the policies of the government and of international organizations concerning the sector directly (see Part 4), the character of industrial, agricultural, wage, trade, foreign exchange, monetary, fiscal and tariff policies have an impact on the sector.

The government has a massive influence on the industrial sector in two ways: through its own strong involvement in this sector and through a comprehensive set of regulations and incentives for private investments. One of the 10 targets of the Six-Year-Plan 1977/78 - 1982/83 was "Development of small industries based on local raw materials" and the political programme of 1983 even mentioned explicitly "Development of traditional and handicraft industries with a view to increasing incomes in rural areas" (Government of Sudan 1985). However, the actual policies had effects to the contrary. Large, capital intensive and highly import-dependent industries, concentrated in the central region, were promoted. These industries remained sectorally fragmented and have weak intersectoral linkages as well as weak linkages to other sectors, especially agriculture. Only 6.7 % of total agricultural output were absorbed by industry in 1968 (Oesterdiekhoff 1979). The industrial policy was neither sectorally integrated nor coordinated with the agricultural policy. This contributed to the weak character of linkages and resulted in paradoxes like raw material shortages for agroprocessing factories.

During the industrialization process the emphasis was shifted from processing raw materials to a production based on import substitution (Oesterdiekhoff 1979). This is especially true for the private sector. The overall capital intensity of production increased because of a rise in capital input in existing production processes as well as the establishment of new industries in luxury goods and semi-finished products which are characterized by higher capital intensity. The process of capital intensification and weak employment growth was accompanied by and interdependent with a process of deteriorating income distribution.

The capital intensity was favoured by a steady and increasing overvaluation of the currency and by the provision of subsidized credits. These had, due to high inflation rates, often real negative interest rates. Handicraft producers, however, have no access to these subsidized credits. In contrast they have to deal with traditional moneylenders which implies extremely high interest rates.

In order to facilitate the emergence of a domestic industry the tariff rates for capital goods and raw materials were held low while the domestic production, mostly of luxury goods, was highly protected. This policy constitutes a disincentive for an overall reduction of import dependence. It grants an artificial advantage to industry vis à vis handicrafts, if we assume that these are less dependent on imported capital goods and raw materials.

The second instrument to promote industrial growth is the allocation of the scarce foreign exchange. This allocation system discriminates heavily against small producers who hardly get access. Moreover, most of the government procedures are so complicated, that the formal procedure alone constitutes a barrier for small and handicraft producers (see Part 4). Another discrimination is the license system for imports, which promotes concentration among producers and deteriorates the already skewed income distribution (Umbadda 1984). Probably this is not directly relevant for the handicraft sector, especially in outlying areas. However, it attributes artificial advantages to competing industrial commodities.

Other subsidies to encourage investment in the "modern" sector include tax concessions like tax holidays, concessionary rates for the use of transport and power facilities and allotment of prime land in industrial areas. In some cases the government conceded more far-reaching subsidies and guarantees which sometimes even violated its own laws in order to attract foreign capital. Among these are exemptions from income taxes, import duties and restrictions, exemptions from rules of independence and competition of tenders, reduced (or no) costs for government services and guaranteed purchase quantities and prices.

All of the mentioned subsidies discriminate directly against small producers who do not enjoy them or for whom they are irrelevant. Moreover, they are part of a development model which is directed at foreign markets and, in the second instance, at domestic higher income markets. Under the present production conditions (low productivity, concentration on agricultural raw materials) low wages and low prices for agricultural commodities are a vital necessity to maintain a comparative advantage of the country. This restricts the market for handicraft products which is believed to be concentrated on the low-income groups.

The ever-present problem of low capacity utilization of industry has aggravated during the economic crisis: In 1983 the industrial sector was operating at 25 % of its capacity (IBRD 1983). This year 80 % of the factories are reported to be idle and of the remaining 20 % much functions at 30 % (Sudanow May 1985). A recent World Bank report (IBRD 1983) lists 7 major problems underlying the low capacity utilization of the industry: inadequate infrastructure; shortages of material inputs (both foreign and domestic); the limited size of the domestic market; past choices of product, product technique and location; management and labour shortages; competition from imports and price controls. The first five problems can be directly attributed to the chosen capital- and import-intensive industrialisation strategy.

Labour shortages are reported both for industrial and agricultural projects. This has enforced agricultural mechanisation and introduction of more capital-intensive machinery. However, various studies agree that the labour shortages are more apparent than real (IBRD 1983, ILO 1984a, Wohlmuth/Hansohm 1984). They are caused by the low wage level and the existence and emergence of more profitable alternatives (retreat to subsistence agriculture, engagement in the urban informal sector and services and emigration to the oil-rich Arab states).

The government influences the wage level by its own sector's wage structure (which had for a long time a leading role due to its high standard) and by the minimum wage legislation which applies for the formal sector. While these are higher than the incomes of most agricultural producers they have declined in the last years because the increases have not compensated for the inflation rates.

The deterioration of the income distribution is reinforced by the regressive tax structure which relies mostly on indirect taxes. In 1980/81 only 18.6 % of total revenues were direct taxes (Sudan Development Review 1982).

The agricultural policy is characterized by a similar pattern as the industrial policy. It concentrates heavily on the modern sectors of irrigation, mechanized farming and cattle-ranching. In the Six-Year-Plan 1977/78 - 82/83 projects directly aiming at traditional agriculture were expected to receive 5.1 % of public or 3.0 % of total investments in agriculture only (MNP 1977).

Even the benefit of this small amount is doubtful because the strategy of "modernizing the traditional sector" aimed at an expansion of modern cultivation practices instead of modernizing the existing farming systems. The emphasis on modern sectors is maintained in the current stabilization policy. This time the neglect of the traditional sector, which still gives a living to more than 2/3 of Sudan's population, is justified by the need to raise exports in a short time.

At the same time the traditional sector is heavily affected - in a negative way - by agricultural policy, especially in three ways:

- 1) low producer prices for agricultural commodities and an exploitive marketing system (often aggravated by practices of money-lenders);
- 2) low wages for seasonal labour which, nevertheless, more people will have to accept in the future due to the declining self-sufficiency of the traditional economies;
- 3) displacement of traditional producers, especially by mechanized farming schemes.

The mechanized farming sector is heavily subsidized by overvaluation, low land rates and credit extension. It is a profitable investment option for the trading capital and also, to a lesser degree, to foreign capital, but not accessible to small farmers who lack the capital. This sector is growing quickly, although various studies show that it is hardly feasible in terms of technical and economic efficiency and has severe negative social, employment and ecological effects. The price/cost distortions resulting from government laws and practices render it, however, financially feasible. The agricultural strategy excludes the majority of the population and relies on capital injections from outside. For the development of the rural handicraft sector this has negative results: its traditional market for agricultural inputs and consumer goods - the market of the rural agricultural population - stagnates because of declining incomes. In regard to agricultural inputs, it begins to be substituted by imports of modern farm equipment, petrol and spare parts. In more general terms the deterioration of income distribution accompanied by rising imports of "luxury goods" constitutes a constraint to the development of handicrafts.

4. Existing programmes and institutions for promoting handicrafts and small-scale industries

The neglect of the handicrafts sector in the planning process of the Sudan is quite obvious. Even the Six Year Plan Of Economic And Social Development only makes few statements on this topic. In the chapter on "Regional And Local Development" the objectives, the institutional constraints and the financial limitations of local development schemes are considered; regarding concrete projects the real allocations for the handicrafts sector are however extremely meagre. This contrasts with the general objectives of the Six Year Plan as regards regional and local development (MNP 1977, Vol. 1, 150). Already in the period of the Five Year Plan the necessity was emphasized to modernize and to promote the traditional industries and the handicrafts, to widen the productive employment opportunities for the local people and to encourage the tourist trade (MNP 1977, Vol. 1). However, the objectives of the Six Year Plan were formulated more explicitly: "The distribution of investment opportunities over the various parts of the country lay special emphasis on the backward areas, in order to achieve the highest possible level of social justice and balanced growth, ..." (MNP 1977, Vol. 1, 150). "Taking the necessary steps to reduce migration from rural areas and pastoral lands to the town and urban centres by introduction of rural and environmental industries which depend on the utilization of local raw materials; ..." (MNP 1977, Vol. 1, 151). However, if we look at the concrete allocations in the Six Year Plan we only find two concrete references (MNP 1977, Vol. 2, 191): First, the Northern Kordofan Carpets and Mats Co-operative Industry with poor allocations of LS 42,090, a project designed to utilize raw materials available locally for the manufacture of carpets and mats to meet the domestic demand. An objective of this project is the creation of job opportunities for both the men and the women, raising the income levels of the people of North Kordofan and raising the standard of living. Second, the Khartoum/North Kordofan/Blue Nile Co-operative Scheme for handicrafts and hand-made products with allocations of LS 208,000. Objectives of this project are: the making of ready-made and popular clothes at reasonable prices, supplying products

relevant to the clothing industry, utilization of locally available raw materials, creation of employment opportunities for the people of the region. These allocations may be compared with the estimated private investments of the craftsmen societies of LS 2,000,000 (MNP 1977, Vol. 2, 196).

These meagre public allocations have to be considered on the background of the following statement in the Six Year Plan: "The Co-operative sector is considered to be one of the leading sectors of the national economy. It has a guiding role to play in the achievement of rational economic behaviour in the areas of production and consumption ... Therefore, the government is keen to provide this sector with all the necessary resources required for its further economic and social development." (MNP 1977, Vol. 2, 183). In reality, the specific projects for handicrafts listed in the planning document under "The Co-operative Sector" do not show any priority for these activities.

The causes for the neglect are several: First of all, there are many responsibilities for the handicrafts sector: the Ministries of Cooperatives, Commerce and Supply, Industry, Labour, Finance and Planning, to mention only the most important in this context, have something to say, directly or indirectly affecting the sector. The competencies are very dispersed and there is no elaborate and consistent policy on handicrafts. A detailed programme based on such a policy would have to be elaborated jointly by these ministries under the guidance of the Ministry of Planning.

A second problem is the lack of a lobby supporting the interests of the craftsmen. Neither in the Sudanese Trade Unions nor in the Federation of Industrialists and Businessmen seems to be any strong group supporting the interests of the craftsmen, especially those in the remote areas. The Craftsmen Small Enterprises Union in Khartoum has such responsibilities and there are attempts to strengthen this institution (with development aid from the Federal Republic of Germany, executed by GTZ). But until recently (according to an interview with the managers of this Union in Khartoum in October 1984) most of the offices of the union are located in Khartoum, in the Gezira and the Eastern Provinces (24 out of 27). In the Northern and Western parts of the country are only three offices, in the South none. This distribution reflects quite well the concentration of representation in few provinces, and the

neglect of the others. Even in the regions where the Union is active, e. g. in Khartoum, surveys show that craftsmen use personal channels and the means of petitions rather than the Union and other craftsmen associations to make their problems known to public authorities (see Curtis 1980, 22 ff). Only 20 per cent of those craftsmen interviewed use the unions as the medium for informing the government about their problems. As the main persistent problems the Union managers have mentioned the following: access to real estate, access to raw materials and tools, access to business licences, access to import licences and foreign exchange and the production of instruments locally. The Union gets access to real estate at favourable conditions and can distribute the land at prices far below the market prices. According to the managers, the needs and the qualifications are the most important criteria for allocations. But, the problem associated with such an allocation is the prior issue of a licence for the business by the township; this is necessary to get access to real estate at subsidized prices. However, these licences are not given according to qualifications. Everybody can claim such a licence and if he has capital, he can use his financial power against the qualified craftsmen without capital. Imperfections as far as land and licences are concerned seem to weigh heavily against the craftsmen. Access to tools and raw materials is another important point. Outdated tools are considered as one problem; the difficulty to import appropriate tools is another problem. It had been mentioned that traders do not import according to the needs of the craftsmen, but only standard tools which have a broader market. Therefore the Union wants to be independent from the traders in the procurement of tools. The support of the craftsmen by government and banks is insignificant - from the side of the government because of the governmental concentration on large-scale projects and from the side of the banks because of reasons of financial caution; this leads in some cases to the necessity to go to the private sector for credit. However the small producers seem to avoid indebtedness (Curtis 1980, 24). This factor also may give the traders a strong position. The same is relevant for supply and imports of raw materials, where the traders have also strong positions. The Union therefore argues that the main bottleneck is the lack of bulk purchasing facilities, domestically as well as from abroad. The foreign exchange bottleneck is especially important, giving the traders an

advantage because they can dispose of large reserve funds which are required for getting import licences at all. There is however some initiative by Islamic banks in the Sudan to help to overcome this bottleneck and to weaken the dependence on traders. Another problem concerning finance is that funds for the production of local instruments are not available although a potential for such productions exists. Knowledge and skills for such a production could be made available rather quickly; one initiative from the side of local banks and funds may be helpful indeed. According to the Union, the question of craftsmen licences, of access to real estate and to foreign exchange are the most important problems to solve, so that immediate government action is needed. The strong position of traders in the Sudan prevents otherwise any fundamental change of the system discriminating against the craftsmen. It is therefore quite obvious that two factors are interrelated: better political representation of the craftsmen and the cooperative organisation of supplies. Political weight is necessary in order to build an organisation which is capable of buying in bulk and importing in its own right, on an equal basis with small factories (see Curtis 1979, 68). The lack of progress on this matter is obvious. Curtis reports on the Ministry of Cooperatives in Khartoum: "The demand, being clearly articulated through the union, for a cooperative in the bulk purchase business did not seem to have reached them". (Curtis 1979, 69).

The lack of a coherent government policy on handicrafts and the lack of political representation on the side of the craftsmen are only two of the most important problems affecting this sector. Other reasons are responsible for the failure of specific projects. A case in point is the abovementioned Northern Kordofan Carpets and Mats Co-operative Industry. In the village of Tinna, 155 km to the north of the provincial capital of El Obeid, this multilaterally assisted project "experimented with an idea not firmly rooted in the community, with goals defined by an urban elite who then administered this rural project from an urban perspective". (Sudanow, March 1985, 29 - 30). The project is a multi-purpose Cooperative for Carpets and Rugs. It was assumed that a cooperative for the production of carpets and rugs could involve women from the nomadic, the seminomadic and the sedentary populations, although the women from the last group produce traditionally

little craft items. This project was intended to create incomes for all these groups. Several donors provided the cooperative with lorries and other vehicles, mainly for wool collection, but the vehicles were used by local merchants for their own purposes (see Sudanow, July 1985, 28). Because of the complaints of the donors, the government decided to withdraw the vehicles, so that the project came to a standstill, well before the Tinna women had acquired the skills to produce carpets at a marketable quality. Beside of this, the management committee of the Cooperative consisted almost exclusively of men, and they were mainly interested in transport, not in training. Lack of women's participation was therefore the main bottleneck to the project's success. Socio-cultural factors had not been considered adequately: first, the fact that traditional objections to women working or participating outside the family structure persist, and second the fact that women perform many agricultural tasks so that their day-to-day participation in factory-like conditions is not possible.

External funds for this project came from various UN organisations e. g. UNDP and UN Voluntary Fund for the Decade for Women. Support came also from the ILO and the EEC. It seems to be quite clear that this project can not be a model for other cooperative handicrafts projects in the country as it was intended. The project for handicrafts promotion has to be embedded in a participatory learning process based on the prevalent social structure, otherwise projects will fail and lead to a waste of funds. There is also some involvement of international organisations in the promotion of handicrafts in the Southern Sudan (see Sudanow, February 1984, 24). ILO/UNDP assisted over 8 years the cooperative societies in the South of the Sudan, which consist of agricultural consumer, general purpose, flour mills and other cooperatives. The project contributed to the creation of an appropriate legal framework for the cooperatives, to the training of managers of cooperatives, and to the finding of external aid for concrete projects. External aid came from donors and non-governmental organisations, like the Norwegian Church Aid, the Sudan Council of Churches and others. Pilot schemes had been set up, as a scheme for the production of fishing boats in Malakal - where 50 boats had been produced - and a scheme for the production of leathercrafts in Wau.

The scheme in Wau has an annual turnover of LS 50000, and it has also been promoting woodcrafts and metal crafts since 1983 (Sudanow, February 1984, 25). Most important in the current phase of the project is the assistance of the regional governments and the cooperative movements in creating favourable conditions for achieving the objectives laid down by the Government of Sudan and the ILO for the cooperatives. Obviously these cooperatives are advantageous to craftsmen all over the South, so that the blacksmiths and artisans in Wau and the carpenters in Malakal have joined the cooperatives.

Important too is the mobilization of other donors and of non-governmental organizations. An example is the introduction of weaving by the Norwegian Church Aid (NCA) at Torit, Equatoria region, Southern Sudan (see Sudanow, June 1985, 30). Under the umbrella of this organisation's development programme for the Southern Sudan and the special programme on "new and improved handicrafts", a cotton spinning and weaving unit had been set up. Technical expertise, the equipment of locally-made hand looms and materials are provided by NCA. Spinning and weaving was unknown in this area before. The aim of the project is cotton spinning and weaving for income generation. The women can buy cotton and warp on a regular basis from the training center; marketing is done on an informal basis. International organizations also give weaving some prospects in the Sudan. A joint UNICEF/WHO project is investigating the possibilities of weaving among women of the Red Sea Province for income-generation (see Sudanow, June 1985, 31). However, the main question is how such projects can be integrated in a provincial plan so that the project is sustainable after the initial project support from the side of international organizations, national and non-governmental organisations has ended.

Another activity of Norwegian development aid is the Rejaf Educational Centre for the Blind, not far from Juba in the Southern Sudan. This is a training project for teaching skills in the areas of agriculture and handicrafts (see Sudanow, July 1982, 28). A main condition for the longer-run success of such projects is that the donor will continue financing until the government can take over financial responsibilities.

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Other international organisations are also becoming increasingly active in the handicrafts sector of the Sudan. UNIDO is initiating a project to survey the technical assistance requirements of the small industries in general as well as to design a project for the establishment of an industrial estate in the Khartoum area. This refers to UNIDO's Small Industries Development Programme. The ILO is developing ideas on the basis of its informal sector programmes, the refugees settlement programmes and others. IBRD is only interested insofar as traditional agricultural sector programmes have to be complemented by rural industry projects. Presently the ILO is implementing projects to promote non-agricultural activities as a means of income-generation for refugees in Eastern and Central Sudan (ILO 1984b). They relate to carpentry workshops, brick-making associations, electrical, mechanical and blacksmith's workshops, small-scale leatherwork factories, rubber sandals manufacture and specifically to female-headed households (bee-keeping, fodder-production, soap making and spinning and weaving). The projects durations are 12, 18 or 24 months (starting in 1984). Feasibility studies indicated that strong potential demand would exist and that the main problems were access to capital, raw materials and tools and equipment. Up to now, no evaluation of the projects success is available.

A basic weakness of all programmes is that there is no long-term policy of the government on handicrafts in general and on handicrafts within the cooperatives programme (see Sudanow, January 1980, 41 - 43, Sudanow, July 1979, 31 - 35). The lack of consistent policy intervention from the side of the Government seems to reflect the statistically spoken insignificant contribution of this sector to GDP (it is assumed that the cooperatives sector only contributes with 0.8 per cent to GDP); although the developmental potential and the linkages with many other sectors are ignored thereby. All the government programmes on handicrafts seem to be restricted to various measures in the fields of training and credit assistance. An example is the creation of the National Industries Institute in Omdurman in 1970 and of similar institutes in other towns for the teaching of handicrafts, although finance is extremely limited for such activities (see Sudanow, Januar 1980, 43). However, the crucial decisions, e. g. on import policy, to

allow handicraft industry survive are not taken (see Sudanow, January 1980, 43). The government "programmes" strongly reflect the view that handicrafts promotion is related to internal factors rather than factors external to the sector.

5. Handicrafts in Darfur Region

In the process of decentralization in 1980 6 regional governments (apart from the Southern region) were created with a certain degree of autonomy. Up to now their degree of independence vis à vis the central government has been quite limited but it is planned to delegate more functions to them. It is hoped that decentralization will facilitate the articulation of regional interests and a better utilization of domestic resources. This would make the implementation of programmes of handicraft promotion easier.

Darfur is the westernmost region, consisting of two provinces: North and South Darfur. Its people have a strong consciousness to be Darfurians which has historical reasons. Darfur had been an independent state from the beginning of the 17th century up to 1916, when it was integrated into the Anglo-Egyptian Sudan as the last region. This consciousness of a common history is a good basis for regional planning, which is a new experience for Sudan. The regional government is interested in promoting its handicrafts and this aim seems to fit well with its main target of agricultural development. Presently the area faces a severe drought and experts have proposed handicraft promotion as a means to create supplementary sources of income (Ibrahim 1984).

Factors internal and external to the handicraft sector seem to make this region suitable for a promotion programme. Its peripheral situation adds to the problems of industrialization as discussed above. This region is a victim of the growth pole strategy which led to a concentration of investment, income and consumption in the central region.

The region's minimal provision with infrastructure is an impediment to the centralisation which is bound up with industrialization. The energy supply is insufficient, expensive and fluctuating.

Furthermore, the limits of the regional market (lack of purchasing power) force most industries to direct their production primarily to markets in central Sudan or to the export market. However, the infrastructure to make this production competitive is lacking. Another bottleneck is an insufficient planning and implementation capacity at the regional and province level, which is a result of the high concentration of government administration.

All these conditions contribute to the low capacity utilization of the few industrial plants. This industrial policy and the neglect of agriculture compelled the people to migrate for work (mostly seasonally) to the regions of agricultural export production or abroad in order to satisfy a rising need for cash income. Darfur belongs to the most important recruitment areas for working migrants for Sudan's export enclaves. This process means a loss of labour power for the region which is not compensated for by the low incomes of the migrants.

Up to now development measures did not include - at least not directly - the indigenous handicrafts. This seems largely to be due to a modernization ideology and contrasts with an impressive history of the regional handicrafts. From approximately 1600 - 1916 Darfur was a comparatively high developed state whose wealth was mainly based on slave trade. However, the imports were restricted to those of luxury goods for the ruling classes based in the capital city. Thus the village and tribal communities remained almost completely self-sufficient. This degree of self-sufficiency is still reported for the 1950s. At the same time, this seclusion implied a relative high degree of material welfare. The handicrafts included metal work, pottery, tannery, leather work, spinning and weaving, plaiting, rug-making, tailoring and wood work. They were based completely on local raw materials and produced all of the necessary means of production, but also consumer goods. There was a strict sexual division of labour. While some of the handicrafts are reported to be "despised", there seems to be no clear ethnic classification.

However, today tannery is only practiced by immigrated West Africans (apart from home handicraft for the families' own needs, which is done by women). Historically, handicrafts were practiced as secondary employment besides subsistence agriculture.

From 1940/50 onwards a specialization started: The professional handicrafts expanded while the domestic handicrafts declined. Since the 1950s local products are beginning to be gradually displaced by imports.

For lack of data one can only presume how different factors contributed to this process. It is easy to identify one element: government policies which favoured capital intensive "prestige projects" and neglected the existing potential of handicraft capabilities, local raw materials and rural markets. In the field of tannery, for example, an industrial factory was erected in the region (which does not work due to lack of energy) and the majority of raw hides and skins goes to Khartoum or is exported, leaving only second-class products for the local handicraft.

Even projects aiming at the development of traditional agriculture do not include the handicrafts based on agriculture or supplying agriculture. An exemption is the Jebel Marra Rural Development Project, which substituted its mechanization programme by provision of locally produced camel ploughs for small peasants. In this way a greater number of poorer peasants were included in the target group, equipment better adapted ecologically was promoted and local employment was maintained. The existence of the projects directed at traditional agriculture in this region is believed to be a potential basis of a linked development of agriculture and handicrafts as described above. This potential is exploited to a very low degree yet.

A second obstacle to handicraft expansion is the limited regional market. The incomes of the majority have declined and the consumption profile of the upper income groups is rather directed to imported luxury goods. The export of handicrafts beyond the region is insignificant.

The neglect of handicrafts in development policy is paralleled by a pronounced research deficit. The most recent documentations of handicraft techniques and products seem to be those in ethnographic studies written during the colonial time (before 1956).

In the face of these adverse conditions some branches - especially metal work, tannery, leather work and tailoring - managed to survive. The conventional conception of a stagnant and non-innovative sector - widely held in the government service and elsewhere - is belied by the handicraft's high degree of innovation

and adaptation capability. External influences such as the supply of industrial products lead to substitution for raw materials (e.g. iron ore) and to an expansion in new areas (mainly in metal work). Moreover, the incomes in some crafts are obviously higher than in agriculture.

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