

REPUBLIC OF THE SUDSN  
MINISTRY OF FINANCE AND ECONOMIC PLANNING

IMPLEMENTATION OF ISTANBOUL PLAN OF ACTION FOR LEAST DEVELOPED  
COUNTRIES (IPoA) 2011-2020

SUDAN NATIONAL REPORT

Khartoum October 2019

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## Abbreviations and Acronyms

|        |   |           |   |
|--------|---|-----------|---|
| AfDB   | African Development Bank                              | ODA       | Official Development Assistance   |
| AICD   | Africa Infrastructure Country Diagnostic              | OIC       | Organization of Islamic Cooperation   |
| AU     | African Union   | PHC       | Primary Health Care   |
| CAADP  | Comprehensive Africa Agriculture Development Program  | PPD       | Public Private Dialogue   |
| CBoS   | Central Bureau of Statistics                          | PPP       | Public Private Partnership  |
| CD     | Constitutional Document                               | REDD      | Reducing Emission from Deforestation and forest Degradation   |
| CFTA   | Continental Free Trade Area                           | SDG       | Sudanese Pound  |
| COMESA | Common Market of East and Southern Africa             | SDGs      | Sustainable Development Goals   |
| COR    | Commission of Refugees                                | SEZ       | Special Economic Zones  |
| ESCOWA | Economic and Social Commission for Western Asia       | SMEs      | Small and Medium Enterprises  |
| FC     | Freedom and Change                                    | SMPs      | Staff-Monitored Programs  |
| FDI    | Foreign Direct Investment                             | SMPF      | Sudan Multi partner Trust Fund  |
| FGMC   | Female Genital Mutation/Cutting                       | SNAIP     | National Agriculture Investment Plan  |
| FNC    | Forests National Corporation                          | SNBHPs    | Sudan National Baseline Household and Poverty Survey  |
| GDP    | Gross Domestic Product                                | SNSHPS    | Sudan National Sanitation and Hygiene Strategic Framework   |
| GEF    | Global Environmental Facility                         | SPLM/N    | Sudanese Peoples Liberation Movements /North  |
| GER    | Gross Enrollment Rate                                 | SSTL      | State Sponsors of Terrorism list  |
| GNI    | Gross National Income                                 | SRC       | Sudan Railways Corporation  |
| GPE    | Global Program for Education                          | TB        | Tuberculosis  |
| HIPCs  | Highly Indebted Poor Counties                         | TSA       | Treasury Single Account   |
| HLPF   | High-level Political Forum on Sustainable Development | TVET      | Technical and Vocational Education and Training   |
| HSSP   | Health Sector Strategic Plan                          | UNCTAD    | United Nations Conference on Trade and Development  |
| ICT    | Information and Communication Technology              | UNHCR     | United Nations Refugee Agency   |
| IDPs   | Internally Displaced Persons                          | UNISCO    | United Nations Scientific and Culture Organization  |
| IESSP  | Interim Education Sector Strategic Plan               | UNFCCC    | United Nations Framework Convention on Climate Change   |
| INDC   | Intended Nationally Determined contribution           | UNGA      | United Nations General Assembly   |
| IPoA   | Istanbul Plan of Action                               | UNICEF    | United Nations Children Fund  |
| IPRSP  | Interim Poverty Reduction Strategy Paper              | UNOCHA    | United Nations Office of the Coordination of Humanitarian Affairs   |
| LDCs   | Least Developed Countries                             | UN-OHRLLS | United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Islands Developing States |
| LLMICs | low- and lower-middle income countries                | VNR       | Voluntary National Review   |
| MFI    | Microfinance Institutions                             | WCO       | World Custom organization   |
| NAP    | National Adaptation Plan                              | WTO       | World Trade organization  |
| NBHS   | National Baseline Household Survey                    | WASH      | Water and Sanitation and Hygiene  |
| NEPAD  | New Partnership for Africa's Development              |           |   |
| NMSF   | National Medical Supplies Fund                        |           |   |
| NHIF   | National Health Insurance Fund                        |           |   |
| NRBC   | National Roads and Bridges Corporation                |           |   |

## I. Executive Summary

Sudan political, economic and social conditions were difficult during 2011-2019. Sudan lost 40 percent of its revenues and 90 percent of its exports due South Sudan's secession in 2011 resulting in severe macroeconomic imbalances, high unemployment rates and low economic growth. The conflicts in Sudan resulted in protracted displacement, with some 2.3 million IDPs. Sudan is still in the US States Sponsors of Terrorism List (SSTL). It has also a huge external public debt amounting to about US\$ 50 billion judged to be unsustainable by the IMF, but due to economic and political reasons (including Sudan being in SSTL), it could not access the HIPC. Sudan has a new regime in 2019. The intense anti-government public protests by the Sudanese people toppled the 30 years' rule of the previous government on the 10th of April 2019. The popular uprising eventually resulted in a regime change. A new civil transitional government, recognized by the international community was created to rule for 3 years' transitional period after which fair democratic elections will take place.

During 2011-2018 several achievements were made in attaining targets of the IPoA, but there were also several drawbacks. Infrastructure was enhanced. Around 3,477 km of roads or 33 percent of the road network in 2011 was added bringing the total paved roads network in 2018 to 10,595 km with due consideration to the regional balance. Sudan has completed the road linking its neighbors: Chad, Egypt, Eritrean, South Sudan and Ethiopia. Between 2013 and 2016, Sudan started to rehabilitate its railway network, once was the major transport mode. The ports in Sudan, along the 750 km coast on the Red Sea; were rehabilitated and modernized after years of deterioration, including; the construction of a new container terminal at South Quays in 2011 with an annual capacity of 700,000 tons. The handling capacity increased to reach throughput of 12 million tons. Port Sudan has significantly reduced the dwell time from 28 days recorded in the Africa Infrastructure Country Diagnostic (AICD), which was based on a survey in May 2007, to 15 days in March 2014, exceeded only by Douala in Cameroon. However, due to the vast area of Sudan, considerable investments are still needed in infrastructure. Roads maintenance is neglected, railway is still inefficient and operating far below its potential, and the ports require considerable management reforms and improvement.

The government during 2011-2018, using its own resources and Arab Funds financing, doubled power generation capacity, from 8,455 GWH in 2011 to 17,064 GWH in 2018. Yet, electricity supply is still below the demand leading to continuous shedding especially in summer, and is also far from being equitable among states. Traditional biomass still provides most of the energy needs of the local population with negative environmental implications. Although Sudan is rich in wind, with mean wind speeds of 4.5m/s across 50% of the country, but wind energy is not yet developed. Sudan has been considered as one of the best countries for exploiting solar energy since its average sunshine duration ranges from 8.5 to 11 hours a day (average daily solar irradiation is 5.8-7.2 kwh/m<sup>2</sup>), however, Sudan's solar energy achievements so far appear to be very poor.

Sudan has made impressive strides in liberalizing its ICT markets as one of the most liberalized markets in Africa. The number of mobile phone subscribers increased from 18.3 million in 2010 to 28.7 million in 2017 and mobile phone coverage reached between 70 percent and 80 percent of the country. Sudan is slightly higher in terms of mobile subscription per 100 person compared

to LDCs. The number of Internet users reached 10.2 million in 2016, with 31 percent of the population are internet users putting Sudan at a much higher rate compared to all its neighbors (except Egypt). However, this technology has not yet been utilized in financial inclusion through microfinance or in the agriculture extension.

Several efforts were exerted to revitalize agriculture. Total expenditures on agriculture including related infrastructure increased as percent of total public expenditure from 6.4 percent in 2012 to reach over 10 percent on average during 2015-2017 in line with the IPoA and the CAADP. Investment in livestock sector included the successful health program of vaccination and inspection for livestock exports of sheep and investments in quarantines during 2012-2018 that resulted in remarkable recovery of live animal's exports. Total flows of financing to agriculture in percent of total bank's financing increased from 6.4 percent in 2011 to 26 percent in 2018. Suitable policies in the area of liberalizing and investments in the Gum Arabic, led to increased gum exports. Investments in technological improvement in cotton—genetically modified cotton—resulted in its recovery; yield increased from 449.5 kg/fedan 2009/2010 season to 1141 kg/fadan in 2018/2018 season; more than two folds' increase. These efforts had positive impacts on agriculture production cereals. Output and yields of cereal crops started to recover for some crops but still agriculture production is far from potential. Several challenges facing agriculture remain to be addressed. Agriculture is not contributing to a higher growth in the economy. Therefore, GDP growth remained modest, of around 3.3 percent per year over on average during 2011-2018. Macroeconomic instability with high inflation and multiple exchange rates is creating unpredictable environment for private investment and to production including agriculture. Investment in agriculture and the policies facing the agro processing sector do not create a conducive environment for economic transformation. The share of Sudan's export in world trade is still low ranging from 0.02-0.03 percent. The government policies did not materialize in shifting exports from agriculture raw material and natural resource to agro processing and industrial goods; the latter is stagnant at 1-4 percent. Agriculture is therefore still facing problems of low inputs (research, extension, improved seeds, better livestock breeds, etc.), poor markets (including poor livestock infrastructure), weak credit institutions, and inefficient farmer's organizations.

Sudan made some progress to meet IPoA targets in human and social development. Gross Enrollment Rate (GER) for basic education increased from 69 percent in 2010/11 to 73 percent in 2016/17 and in secondary education, it increased by 10 percentage points from 30 percent in 2010/11 to 40 percent in 2016/17. GER in tertiary education increased from 8.7 to 17.0 between 2004 and 2017. From a regional perspective, GER in tertiary education in Sudan is much higher than in other Sub-Saharan African countries (9 percent). in the health sector, infant and under-five mortality rates have declined from, 68, and 104 deaths per 1,000 live births in 2000 respectively to 68, and 52 deaths per 1000 live births in 2014. Maternal mortality dropped from 544 per 100,000 in 2010 to 216 in 2014. HIV prevalence is low, at 0.24 percent in 2013, malaria incidence consistently declined and the incidence of tuberculosis (TB) is declining. The WHO declared Sudan polio-free in 2015, where no polio infection case has been recorded since March 15, 2009. Households with access to improved source of drinking water in 2014 represented 63 percent of the total households, an improvement from the rate of 2009 of 59 percent and those with access to sanitation facility were 73 percent during the same period; an increase from 63 percent in 2009. The government has increased budgetary resources allocated to social protection

(excluding subsidies) from 2.5 percent in 2012 to 6.7 percent in 2018. Subsidy for fuel, bread and electricity as share of the current budget increased from about 16.5 percent in 2012 to 41.3 percent in 2018. Despite progress in education, health and water supply, the situation in many of these services is still below far from SDGs targets and below Sudan's peers, requiring more public investments to increase access to these services, improve quality, and eliminate regional and gender disparities. Universal education target is far from being achieved, education is suffering from large numbers of drop outs, the quality of education is still poor, and there are marked geographical and gender disparities. These disparities also exist in the health sector along with shortages in the service delivery particularly in rural areas. Considerable work is also needed to increase access to water supply and improve its regulatory and institutional set up

The government managed to partially compensate for the loss of oil revenues by increasing tax revenues from around 6 percent of GDP in 2011 to 7.4 percent of GDP in 2018. ODA, though mostly humanitarian as a result of conflicts and displacement; has covered most of the needs of the displace and conflict affected population, though declined from US\$ 2.3 billion in 2011 to about US\$ 1.1 billion in 2018 in line with the stability and subsiding of the conflicts in Sudan. Sudan however, is facing a severe resource constraint. Sudan's tax revenue is still among the lowest in low- and lower-middle income countries (LLMICs). Tax revenues represented only 6-7 percent of GDP on average compared to 12 percent in fragile LLMICs in 1995–2015. FDI inflows which reached US\$ 2.8 in 2008, started to decline by half from US\$ 2.3 billion in 2011 to 1.1 billion in 2018. Despite large number of Sudanese working abroad, Sudan did not fully utilize their remittances through the official channels due to bad economic policies. The aid to Sudan by the development partners is low, declining and dominated by humanitarian assistance rather than development assistance.

Sudan being in the arid zone is operating under difficult environment, but has given due attention to the environmental issues. Sudan has ratified the Paris Agreement in August 2017. In July 2016 Sudan has finalized the National Adaptation Plan (NAP) under the UNFCCC. Sudan submitted its Intended Nationally Determined Contribution (INDC) as required by the UNFCCC in 2015. Also, in 2015, the National Biodiversity Strategy and Action Plan 2015-2020 was prepared. In August 2015 the National Action Plan for Sudan's Great Green Wall for the Sahara and Sahel Initiative finalized. The Forests National Corporation (FNC) is implementing part of the REDD+ program. The government implemented several programs in the area of environment in collaboration with the development partners.

Youth unemployment remained high during 2009- 2014 and increasing; it has increased from 20 percent in 2009 to 22 percent in 2014 according to the NBHS (2009) and NBHPS (2014), much higher than adult unemployment rate of 11 percent.

Removal of Sudan from the STLL by USA, enabling Sudan to benefit from the HIPC's to resolve its unsustainable, and providing the country with significant development assistance, particularly after the regime change, will enable Sudan to remain in the path of meeting IPoA targets.

## II. Introduction

The overarching goal of the Istanbul Plan of Action (IPoA) 2011-2020 is to overcome the structural challenges faced by the Least Developed Countries (LDCs) in order to eradicate poverty, achieve internationally agreed development goals and enable them for graduation from the LDC category. The United Nations General Assembly, (UNGA) decided to convene the Fifth United Nations Conference on the LDCs at the highest possible level in 2021, to undertake a comprehensive appraisal of the implementation of the IPoA so as to share best practices and lessons learned, identify obstacles and constraints encountered; identify effective policies in the light of the outcome of the appraisal, and mobilize additional international support within a renewed partnership between the development partners and the LDCs. The UNGA emphasized the importance of country-level preparations as a critical input to the preparatory process for the Conference. It is within this background that the report was written. The report followed the annotated outline for the national reports in conducting country-level preparations as presented by the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Islands Developing States (UN-OHRLLS).

The assessment of Sudan's performance in implementing the IPoA was generally influenced by the context in which the country operated during 2011-2019. Prior to the IPoA period (2000-2010), oil discovery and export fueled unprecedented growth, (averaging 7 percent per annum), and Gross Domestic Product (GDP) grew more than six-fold from US\$10 billion to US\$65 billion in 2011<sup>1</sup>. The decade of this high economic growth ended abruptly in 2011, following South Sudan's secession when Sudan lost three quarter of its oil resources and with it 40 percent of its revenues and 90 of its exports, resulting in severe macroeconomic imbalances (high inflation, widening current account balance, exchange rate depreciation and slow economic growth).

Sudan has been under American sanctions since 1997. Although the sanction started as a unilateral decision, however it turned into a de facto universal sanction as the sanction regime intensified by the year. With time it formed a political magnet that pulled allies to it to form a wide shock to the economy harming the country and its citizens. Sudan lost its relation with most corresponding banks as a result of the sanctions<sup>2</sup>. By the second quarter of 2014, most foreign banks stopped transacting with Sudanese banks. Sanctions had pervasive impacts on the Sudanese economy. Since tightening of the sanctions there was a slowdown of trade, difficulties in repatriating export proceeds which reportedly weakened exports; transfer payments, including remittances were adversely affected, and poverty worsened<sup>3</sup>. Sanctions and the persistent breakdown of corresponding banks weighs heavily on economic and social outcomes. The impact of sanctions as observed by the IMF<sup>4</sup> leads to the following: "financing imports and repatriating export proceeds may reduce trade and foreign investment. Shortage of imported

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<sup>1</sup> World Bank. 2013. Interim Strategy Note (FY2014-2015) for the Republic of Sudan. Washington, D.C.: World Bank Group, World Bank.

<sup>2</sup> USA imposed a US\$8.9 billion penalty levied in June 2014 on BNP-Paribas for violating the USA sanctions on doing business with Sudan and other countries. This has scared banks.

<sup>3</sup> IMF: Sudan Article IV consultations for 2016- October 2017

<sup>4</sup> Sudan—Staff Report for the 2016 Article IV Consultation

goods, including foodstuffs and energy, would increase inflation and depress consumption. Difficulties in processing international transactions will lead to continued shortages of foreign exchange, which will put pressure on the exchange rate. Constraints on transferring remittances may impact the most vulnerable. These adverse developments would contribute to further dampening economic growth, and ultimately worsen social outcomes and poverty”. Although USA lifted the sanctions in January 2017, however, Sudan remains on the USA States Sponsors of Terrorism List (SSTL), blocking progress towards badly needed debt relief.

Sudan witnessed a major political change in 2019. An intense public protests that started in December 2018 succeeded in toppling the 30 years’ rule of the previous “Alingaz” regime on the 10<sup>th</sup> of April 2019. A new civil Transitional Government was formed based on a Constitutional Document (CD) signed on the 17 August 2019, between the Transitional Military Council and the main opposition groups Freedom and Change alliance (FC). The Transitional Government will rule the country for 39 months after which general elections will be held. The new transitional government has opened a new opportunity for Sudan to resume its normal relations with the international community, and the support of the population for any reforms, however it will be facing immense challenges including accumulated economic problems from the previous regime and the challenge of ending the conflicts in Sudan and the protracted displacement.

Considerable efforts were exerted in compiling the needed data with valuable assistance from the concerned line agencies. Data in Sudan is generally weak and in many cases outdated. Efforts are needed from relevant international and regional institutions to help in building strong and credible information base in Sudan. The report was based on 16 background sectoral and thematic papers from the different government agencies and the private sector detailing the plans, policies, and actions taken in their respective mandates and the results of these interventions during the period 2011-2019, constraints encountered and remedial actions required. The report was first subjected to a thorough review from a team of senior staff of the Ministry of Finance and Economic Planning, at the level of the General Directors of the Ministry’s Directorates. Then it was followed by a one-day workshop attended by representatives of the Ministries of Finance, Health, Education, Federal Government, Animal Wealth, Infrastructure and Transport, Energy and Minerals, Trade and Industry, Social Welfare, and Sudanese Businessmen Federation, who made valuable comments on the draft report, and the final report has incorporated their comments and changes.

### **III. The National Development Planning Process**

Due to the loss of oil revenues in 2011, growth slowed, inflation rose to high double digits, and the fiscal and current account balances deteriorated. The government responded to this challenge by formulating The Three-Year Economic Salvation Program (2012-2014) aimed at absorbing the economic shock created by the loss of the oil. On the budgetary side the program aimed at increasing tax collection effort and rationalizing current and development spending. The program was accompanied by strong social safety nets interventions to reduce the burden of the increased prices on the poor. On the external sector the aim was to mobilize and tap productive sectors capacities targeting four commodities to achieve self-sufficiency so as to improve balance of



trade; they include wheat, edible oil, medicines and sugar. It has also targeted four commodities to boost exports namely: cotton, livestock, gum Arabic, and gold.

During the same period, Sudan adopted an Interim Poverty Reduction Strategy Paper (IPRSP) to be implemented during the period 2012-2014 based on the 2009 National Baseline Household Survey (NBHS), which showed that 46.5 percent of the population is below the poverty line. The IPRSP was clustered under four broad pillars: (i) strengthen governance and institutional capacity of the public sector; (ii) reintegrate IDPs and other displaced populations; (iii) develop human resources; and (iv) promote economic growth and employment creation. The IPRSP was built on a medium-term macro-economic framework that encapsulates reasonable growth target (4 percent), and bringing inflation to 10 percent. The pro poor sectors and thematic areas which were identified as priority were: peace, security, national unity and conflict resolution with detailed actions to reform the regulatory and institutional framework to enhance human rights, justice, promote women and child rights and combat corruption. The IPRSP also advocated the strengthening of decentralization in order to bring political decisions and services closer to the people. A major pillar also was the provision of basic education, health care, safe drinking water and social safety nets on equitable basis. Agriculture and agro processing and infrastructure were pivotal in achieving growth and employment targets in the IPRSP.

The government then formulated the Five Years Program for Economic Reform (2015-2019). Boosting growth, maintaining economic stability, reducing unemployment (to less than 15%) and encouraging private sector development were major overarching objectives of the Program. Agriculture is expected to play a pivotal role both food crops and cash crops for exports. The policy actions included modernization of the irrigated sector, supporting traditional rain fed with research, improved seeds, using zero tillage techniques, storage, markets, water harvesting, credit, and rural infrastructure as well as providing price incentives (minimum floor prices) and introducing crop insurance. Also, the program targeted improvement of livestock breed and providing the animal wealth with veterinary services vaccinations, quarantines, extension, artificial insemination, and modern slaughter houses, while providing fodder in irrigated area and improving range and pasture in rain fed areas. Diversification of production by promoting gold mining and industrial production was also a main goal. This was expected to be achieved by encouraging the private sector and the Small and Medium Enterprises (SMEs).

Infrastructure program included: adding 4,190 MW of electricity to the national grid, diversify energy by expanding solar and wind energy, rehabilitating 1,213 km of rail, 2980 km of roads, improve port management and increase its capacity by 50% by 2019, and continue to expand Information and Communication Technology (ICT) to remote areas. The plan encouraged the private sector and Public Private Partnership (PPP) in infrastructure development. In the service delivery the objectives were to: achieve universal education, and improve schools' environment (seating, textbooks, etc.), enhancing technical education and vocational training. increase supply of safe drinking water to all citizens, provide primary health care to all by investing in health infrastructure and increase health insurance coverage from 37 percent to 75 percent of the population by 2019, and combat malaria and TB. Expanding the social protection interventions was also a major goal for the Program.

To finance the program, a basic objective was resource mobilization –revenue enhancement, increasing national savings, attracting remittances of Sudanese working abroad, and encouraging rural savings institutions. Revenues were targeted to increase from 9.4 percent of GDP in 2010 to 12.5 percent of GDP in 2015.

On the external sector, the Program advocated the promotion of exports of natural resources and industrial goods, converting trade deficit from 3.7 US\$ billion in 2012 to a surplus of US\$ 2 billion in 2015 by liberalizing trade and increasing production and productivity of agriculture and agro industrial goods, utilizing Sudanese ports to link it with the neighboring land locked countries (Ethiopia, Chad, Central Africa and South Sudan), and expedite the process of accession to the World Trade Organization (WTO).

A set of cross cutting policies were adopted related to a comprehensive program to address environmental degradation including reforestation combating desertification, ensuring tree cover of 10 percent of the area under mechanized farms, and rehabilitating the gum Arabic belt. Addressing gender disparities was also a main focus of the Program

A major drawback of the aforementioned plans is the failure of putting th industrial sector (including agro industries) as an engine for growth for export oriented direction to achieve the needed economic transformation.

#### **IV. Assessment of Progress and Challenges in the Implementation of the Istanbul Program of Action for the Decade 2011-2020**

##### ***a) Productive Capacity***

##### ***i) Production***

Agriculture, including livestock, is the hub of economic activity and rural people’s livelihood in the country. Sudan’s agriculture sector contributes around 30 percent to the GDP, provides livelihood to approximately two-thirds of the population, employs about 60 percent of the labor force and supplies raw material needed by the agro-based industries and generates demand for industrial consumer goods<sup>5</sup>. Prior to the oil period for example during 1986-1990 agriculture contribution to GDP was about 40 percent on average. During the oil boom period (2000-2011), agriculture was neglected, dropping to 29 percent of GDP in 2011. Sudan has failed to utilize the oil resources during 2000-2011 in boosting the development of agriculture sector, which could have created strong sustained base for economic transformation.

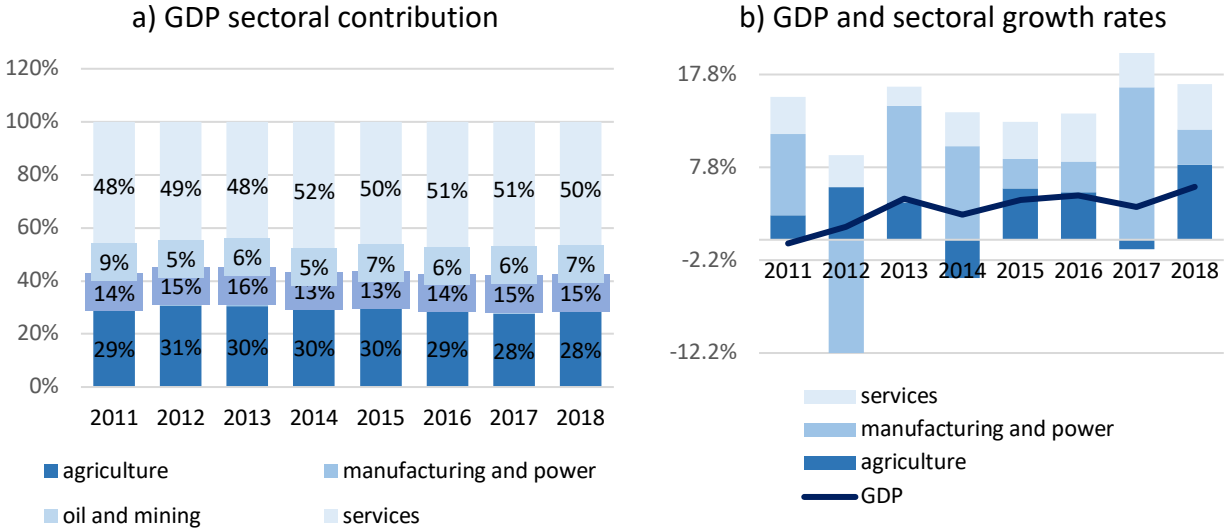
Transformation of the economy is one of the core principles for achieving sustainable development by being able to generate new dynamic activities characterized by higher productivity and increasing value added in the economy. The average share of manufacturing to GDP, a dynamic sector with high value added did not witness an upward trend but rather it was

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<sup>5</sup> FAO Sudan: National Investment profile Dec. 2015

almost stagnant at 14 percent. Agriculture's share in GDP declined from 31 percent in 2012, to reach 28 percent in 2017-2018. The share of services in GDP increased from 48 percent in 2011 to 50 percent in 2018, indicating transformation between agriculture and services. About half of the economic value added is generated from the services sector, with the leading sub sectors being finance and real estate (28 percent), government services (29 percent), transport and storage (22 percent) and commerce and hotels (18 percent) see (figure 1.a). In terms of growth, GDP growth remained modest, of around 3.3 percent per year on average during 2011-2018. The services sector was the only sector that recorded consistent positive growth rates (figure 1.b)

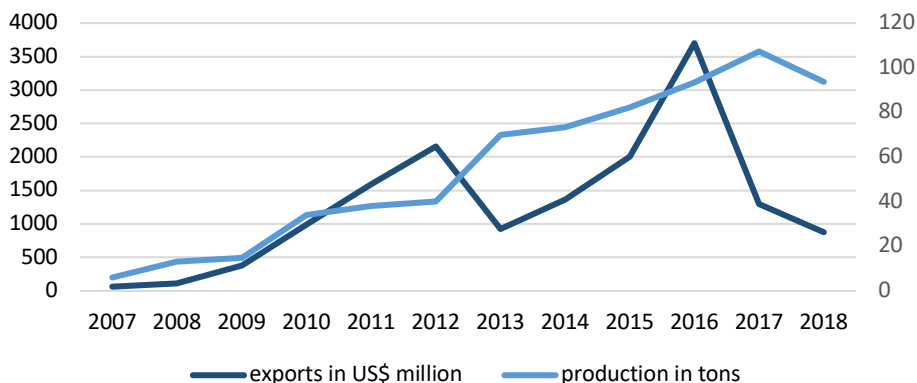
Figure 1 : GDP growth and sectoral contribution



Source: Central Bureau of Statistics and Bank of Sudan Annual Reports

From as little as 6 tons in 2007 Sudan managed to increase its gold production to 40 tons in 2012 after the secession of South Sudan to compensate for the loss of the oil exports, and further to 107 tons in 2017 thereby increasing its export to US\$ 2.2 billion in 2012 and further to US\$ 3.7 billion in 2017 compared to only US\$ 63 million in 2007 (figure 2). The sector provides considerable job opportunities; The Ministry of Minerals estimated the number of traditional miners at 500,000 across 14 states out of the 18 state of Sudan. Gold is becoming an important sector in the economy, however it is facing considerable challenges. A major challenge is the transformation from artisanal mining into formal gold mining produced by large companies, and treatment of the environmental impacts (use of mercury in the artisanal mining operations). Regarding the first issue, the number of companies granted concessions is increasing reaching 460 companies in 2018 of which 68 are foreign companies. While in the second issue alternative technologies are being considered by the Ministry of Minerals to eliminate the use of the mercury.

Figure 2: Production and exports of gold 2007-2018



Source: Ministry of Minerals: features and figure about the performance of the Ministry of Minerals (in Arabic)

## ii) Infrastructure

Infrastructure has received considerable attention from the government, and most of the federal development resources were directed to infrastructure (roads, rail, electricity etc.)

**Roads:** Sudan is the third largest country in Africa and with an area of 1,861,484 sq. km, sizable parts of its economically productive areas are isolated from the markets. Development of roads is a necessary precondition to exploiting the agricultural potential of Sudan and unitizing its strategic location for linking four landlocked neighbors (South Sudan, Chad, Central Africa, Ethiopia) to Port Sudan on the Red Sea.

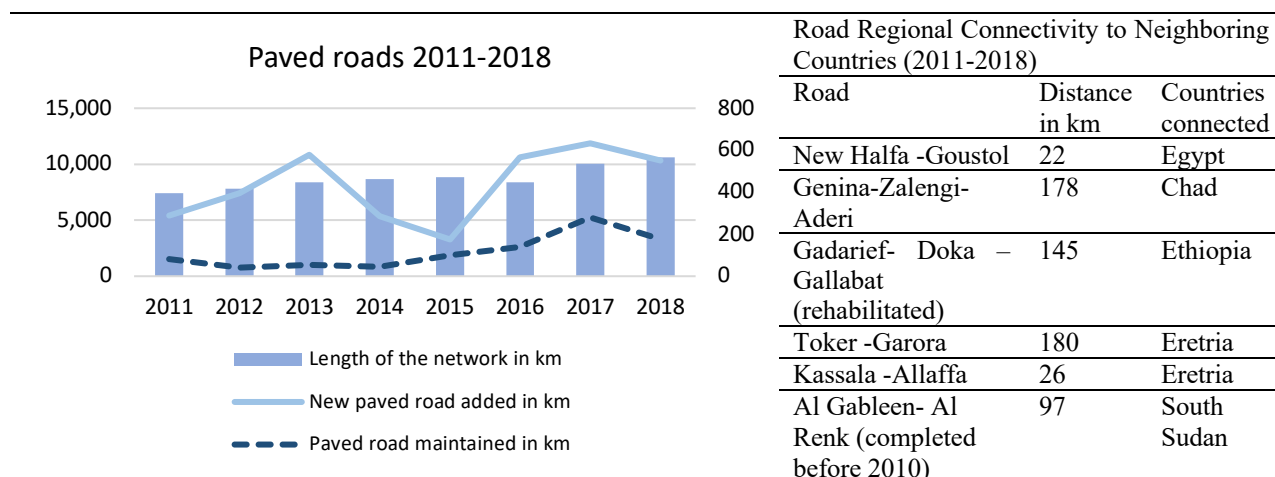
Although, Sudan’s road network’s expansion started since the advent of the oil industry in 2000, however Sudan continued to invested heavily in roads during 2010-2018 with some notable achievements. During this period 3,477 km of roads or 33 percent of the network in 2011 was added to the road network bringing the total paved roads network in 2018 to 10,595 km (figure 3). The distribution of the new roads constructed gave due consideration to the regional balance where several roads were completed or near completion in Darfur, the most disadvantaged region in terms of transport linkages to the rest of the country, amounting to 1,125 representing 32 percent of the total roads completed in the country during this period<sup>6</sup>. The road connecting El Fashir town in Darfur region to Khartoum, reduced the time of the journey by bus to 10 hours rather than three days, and trucks complete the journey in 20 hours compared with five to six days previously. This development is key to Darfur, a region devastated by war, resulting in its commodity markets becoming better integrated into the national market. and has obviously reduced transportation costs<sup>7</sup>.

<sup>6</sup> Roads in Darfur according to the Sudan Roads and Bridges Corporation were Zaling/ Algeniena (178 km) and Nyala/ Idd Al Firsan (158 km) and Nyala –Kass- Zalingi (212 km),Nyala-Buram (136 km), El Nuhud-El Fashir (441 km)

<sup>7</sup> Against the Grain: The Cereal Trade in Darfur; Feinstein International Center, Tufts University December 2014

Regional road connectivity of neighboring landlocked countries to Khartoum and with the coastal gateway of Port Sudan received considerable attention during 2011-2018. Sudan has completed the road linking Chad to the national highway in Sudan (178 km) connecting Addari town on the Chadian border to Al Geniena in Sudan. A second artery connects Sudan with Egypt and North Africa, a third connects with Eritrean border, and a fourth connects Sudan with Ethiopia (figure 3). Because of the road access, the Egyptian Company for Land, Dry Ports and Logistical Areas, of the Ministry for Transport established a trading area with a veterinary quarry and slaughterhouse to receive Sudanese livestock exports in Port Qustal, bordering Sudan, thereby revitalizing border trade.

Figure 3: Paved roads implemented in km



Source: Ministry of Transport and Bank of Sudan annual reports 2011-2018

The National Roads and Bridges Corporation (NRBC), bought new scales and the positioning weighbridges in strategic locations ensures that vehicles comply with axle distribution. New regulations in 2017 were issued regarding axle load<sup>8</sup>. Road safety auditing was completed for the main corridor of Khartoum Port Sudan and its recommendations will be implemented. A large training and research center of the NRBC is currently under construction.

Despite the considerable increase in road network length during the last 10 years, several challenges are facing the road sector in Sudan. A sizable share of the country lacks roads. Sudan given its vast area still requires considerable investment in roads particularly connecting remote states. The Ministry has completed the studies and designs of 5 major roads totaling 1,000 km (about one tenth of the current road network) and another 12 roads are being studied totaling 2,230 km (20 percent of the current network); these will require considerable financing. The poor maintenance and need for overlay in Sudan are due to inadequate funding and the lack of cost recovery. In addition, there is a backlog of preventive maintenance, to the extent that between 400 and 500 km of rehabilitation and overlay per year would now be required.

<sup>8</sup> The law stipulates that the maximum load limit is 54 MT. Loading dimensions should not exceed 3 meters in height and 2.5 meters in width; any loading exceeding these parameters may be considered as “abnormal loading”.

Inadequate enforcement of restrictions on axle loads is further accelerating road deterioration. Road accidents are also a problem that needs to be addressed. Installing electronic gates for road toll collection will increase efficiency of collection and enable more maintenance activities. Federal and local authorities have numerous checking stations along the roads for a variety of reasons leading to excessive stoppages and time losses.

**Railways:** Sudan Railways Corporation (SRC) operates one of the longest railways in Africa. It operates a 4,180 km long, single line of 1067 mm (3'6") Gauge, out of which 1,280 km is out of service. The railways in Sudan have historically had a near monopoly on inland transportation; until the 1970s, with both the seaports and river transport organized around the railways, being part of the same entity as the railways. However, in the mid-seventies railways started to deteriorate. For decades Sudan's railway network capacity and operational levels are affected by numerous problems. These include lack of finance, poor availability of locomotives and rolling stock (75% of the fleet exceeded the age of thirty years, of which 50% needs complete overhauling), ageing equipment, poor maintenance, poor tracks conditions and an outdated communications and tracking system. Sudan railways is one of the sectors that was seriously affected by the US sanctions; two decades of US sanctions have crippled the railway system, where most of the trains and other equipment were American made. Unable to import spare parts to repair eroding tracks and a long-outdated fleet of locomotives, Sudan has been forced to ground most of its trains. Railway therefore has lost traffic due to declining performance.

Between 2013 – 2016, SRC started a rehabilitation program based on a long term Plan 2016-2029 to rehabilitate and modernize the railways. SRC has rehabilitated 1,239 km of rail. it has imported 29 train-heads and 755 wagons of various capacities., and 25 locomotives out of 80 were rehabilitated. A modern communication system is in place and the trains / stations are now connected with a GPS system. However, these efforts are far from being adequate. The difficulties facing the railways are clearly manifested in the transported tonnage which deteriorated from 11 percent of total tonnage transported by all modes of transport in 2010 to about 6.6 percent in 2018, while the roads transported 95 percent of total tonnage in 2018 compared to 87 percent in 2010<sup>9</sup>. SRC requires massive investments in the infrastructure and rolling stock together with better commercial oriented or private sector management to implement its strategic plan 2016-2029 of reaching 22 million tons annually and construct new rail reaching 8,051 km linking production areas with the markets and Sudan with neighboring counties

**Ports:** The Sudan Sea Ports Corporation (SPC), a public company, is operating the ports in Sudan along the 750 km coast on the Red Sea; these ports are Port Sudan (South quay for containers handling 1.3 million containers and North Port quay (bulk), handling 9 million tons per year), Osman Digna (specialized in passengers, livestock and general cargo), Osief (specialized in metal exports), and Al Kheir which is specialized in oil products with a capacity of 2.5 million tons.

After years of deterioration, the ports are undergoing a major modernization program which started in 2006 but the major development started in 2011 with the construction of a new

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<sup>9</sup> Central Bank of Sudan Annual Reports 2011 and 2018

container terminal at South Quays with an annual capacity of 700,000 tons. The handling capacity increased to reach throughput of 12 million tons. Major rehabilitation in the ports brought about a new floating modular dock that entered the service, and new generation tugs to handle the large modern vessels. As a result, Port Sudan has significantly reduced the dwell time from 28 days recorded in the Africa Infrastructure Country Diagnostic (AICD), which was based on a survey in May 2007, to 15 days in March 2014, exceeded only by Douala in Cameroon. Port Sudan has significantly improved crane and discharge productivity to improve overall terminal management practices<sup>10</sup>. To enhance transactions in the port, a single window system was introduced in the ports. The international ship and port facility security code is fully implemented in the ports supported by a modern vessel traffic management system. SPC during the end of 2018 has completed its preparations with the World Maritime Organization for the maritime audit work in order to establish the safety and security of ports facilities and the development of communication systems in Sudanese ports.

Despite these efforts, the ports require considerable improvements. These include, strengthening of the management, improving coordination, in the single window and better use of information technology and continue modernizing the Automatic Identification System, further reviewing of the rules and regulations against international best practice and strengthening professional capacities.

**River Transport:** The Nile River, traversing Sudan from south to north, provides an important inland transportation route along the White Nile areas and with South Sudan as the barge route stretches along the White Nile from Kosti through Renk to Juba the capital of Southern Sudan. It also provides linkages with Egypt through the route from New Halfa to Aswan. However, in the rest of the routes, mainly from Khartoum to northern parts of the country overall usefulness has been limited by natural features, including a number of cataracts on the main Nile. The transport activities are provided by private and joint venture companies operating between Sudan and South Sudan and Egypt. The River Transport Department is currently rehabilitating the river port of New Halfa, and Kosti, improving the navigational signs along the river, preparing a plan to upgrade its staff to assume the regulatory role of the department, and undertaking studies to utilize the river transport potential more economically. Activities between Sudan and South Sudan were interrupted by the tense political situation over the past few years, however with improved relations it is expected that the river transport will play a pivotal role in trade between the two countries through this cheap regional connectivity.

**Energy:** The government during 2011-2018, using its own resources and Arab Funds financing, invested considerably in thermal and hydro power generation and distribution. Investments included Merwe Dam in 2011 (1250 MW), Heightening of Rosiers Dam in 2013 (90 MW), Umdabaker Thermal station -Kosti- in 2016 (500 MW), Upper Atbara and Setiet 2017 (320 MW). Power generation capacity doubled in just a few years, rising from around 8,455 GWh in 2011 to 17,064 GWh in 2018 (figure 4). Sudan also utilized excess of supply of electricity in the region by importing electricity from Ethiopia. Despite this development, the ever growing

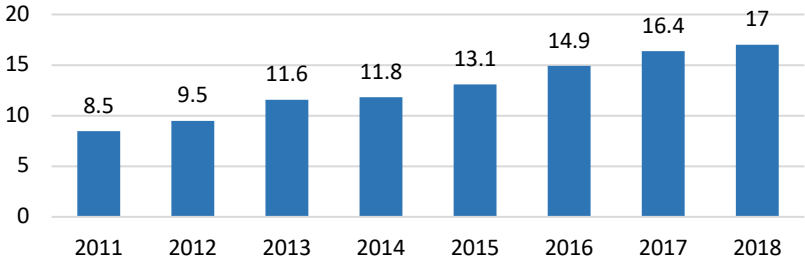
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<sup>10</sup> Republic of the Sudan (Diagnostic Trade Integration Study Update –World bank Group-October 31. 2014



demand for power regularly exceed supply available resulting in frequent power outage and prolonged voltage brownouts

Figure 4: Electricity generation in KWH 2011-2018



Source: Ministry of Water Resources and Electricity

Traditional biomass still provides most of the energy needs of the local population. Electricity as a major source of lighting has increased in 2014 where 51 percent of population received their lighting source from electricity compared to 39 percent in 2009. However, about a quarter of the households are still using other sources for lighting like paraffin lamps and firewood; the remaining quarter of the population are without lighting. Both paraffin and firewood declined as a source of lighting in 2014 compared to 2009, being replaced with electricity (Figure 5.a)

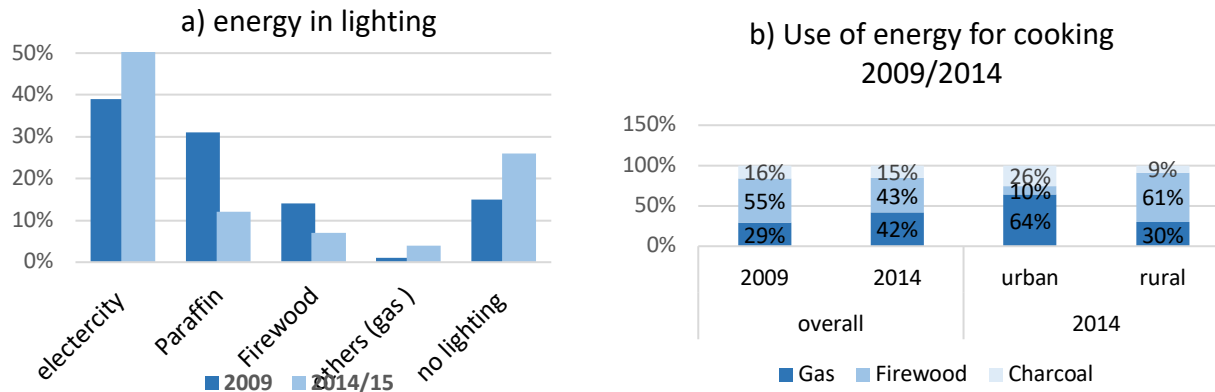
There are strong linkages between energy and climate and environment in Sudan. Deforestation, which is estimated to be occurring at a rate 0.84 percent per annum, is driven principally by cutting trees for energy needs<sup>11</sup>. More than half of the population (58 percent) in 2014 depended on firewood and charcoal for cooking, with the associated environmental and health problems. Use of gas dominated energy use in the urban areas (64 percent) followed by use of charcoal (26 percent) while firewood is still by far the domination source of energy for cooking in the rural areas (61 percent). A significant percentage of population; 30 percent, in rural areas used gas for cooking. However, there was a major decline in the population using the biomass (charcoal and firewood) for cooking from 70 percent in 2009 to 58 percent in 2014, while the population using LPG increased from 29 percent in 2009 to 42 percent in 2014, an increase of 44 percent (figure 5.b)

Although Sudan is rich in wind, with mean wind speeds of 4.5m/s across 50% of the country, but wind energy is not yet developed. Sudan has published a wind atlas in March 2012. Based on this atlas, three areas were identified with a potential to host wind power projects: (1) Jabel Marra mountains, North of Nyala in Western Sudan, (2) Northern Sudan (Dongola), and (3) the Red Sea area. UNDP, Global Environment Fund (GEF) and Ministry of Water Resources in Sudan are conducting initial steps in use of wind energy in Sudan based on the Atlas; they started a wind project in 2015.

<sup>11</sup> UNEP, Sudan: Post Conflict Environmental Assessment June 2007



Figure 5: Energy for lighting and cooking 2009/2014



Source: CBoS; NBHS 2009 and SWNBHPS 2014/2015

The project approach is to integrate energy policy analysis within the broader developmental objectives and establish policy and regulatory frameworks for encouraging private investments in grid-connected wind energy. Sudan currently has plans to develop utility-scale wind farms in three regions, Dongola (100MW) in the North, Nyala (20MW) in the West and the Red Sea coastal region (180MW).

Sudan has been considered as one of the best countries for exploiting solar energy since its average sunshine duration ranges from 8.5 to 11 hours a day (average daily solar irradiation is 5.8-7.2 kwh/m<sup>2</sup>) However, Sudan's solar energy achievements so far appear to be very poor. It has no grid-connected solar capacity. Most of the solar technology installations in the country are Photovoltaic (PV) with a total installed capacity of about 2 MW. Approximately half of the installed capacity is associated with the telecommunication industry (e.g. remote off-grid antennas and satellites). UNDP is currently funding a Solar for Agriculture Project in the Northern state of Sudan (2019). The project aims to replace the diesel-powered water pumps currently used in agricultural schemes with solar energy- powered ones (installation of 28 solar energy pumps to be used as illustrative fields for introducing farmers). The project will help the transformational scaling up of solar power for agricultural in Sudan, which will drastically reduce the cost of production and improves the environment.

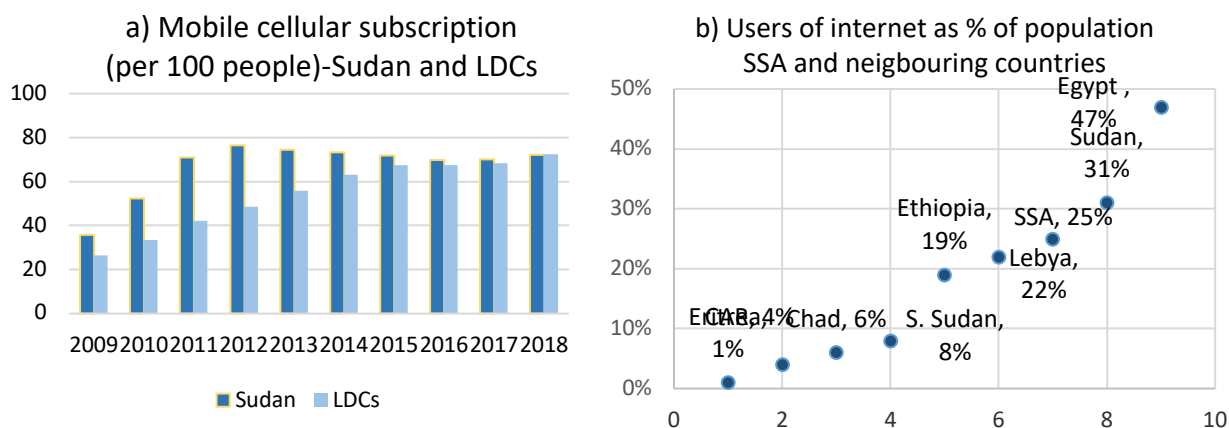
With the national grid only covering small portion of the country, the parts not connected to the grid depend on off-grid expensive and inefficient diesel –fired generators to generate power. Interruption of power supply during the rainy season when the dam's gates are opened to pass the water is also a major challenge facing the supply of electricity.

Considerable investment is still required to improve the energy sector which is vital for increasing production. Developing solar and wind energy sources will receive due attention. The government would also give priority to natural gas, where discoveries in the Red Sea gave good indications of the resource availability, taking cognizance of exploiting this resource within sound environmental practices

**ICT:** Sudan has made impressive strides in liberalizing its ICT markets as one of the most liberalized markets in Africa. There are four licensed telecommunications operators in Sudan: Zain, MTN, Sudatel, and Canar. All are fully owned by foreign companies with the exception of Sudatel, in which the government owns a 22 percent share. Recent connectivity to an undersea fiber-optic cable has led to expansions in access, improvements in quality, and reduction in prices of telecommunications. The sector was supported by adequate regulatory framework during 2011-2018 including: Combating Cybercrimes 2018; Company's Unified Number Act of 2015; Electronic Transactions Act of 2015; and Press and Printed Press Materials Law 2015 (revision of 2004 law) with the aim of regulating online media and providing a legal framework to prosecute online journalists. Online news outlets, social media, and communications platforms did not face restrictions

Sudan has witnessed significant ICT sector development during 2011-2018, with the number of mobile phone subscribers increasing from 18.3 million in 2010 to 28.7 million in 2017 and mobile phone coverage reaching between 70 percent and 80 percent of the country. Sudan is slightly higher in terms of mobile subscription per 100 person compared to LDCs, though stagnant in recent years (figure 6.a). The number of Internet users reached 10.2 million in 2016<sup>12</sup>, with 31 percent of the population internet users putting Sudan at a much higher rate compared to all its neighbors (except Egypt) and to average Sub Saharan Countries (figure 6.b)

Figure 6: Mobile subscribers and Internet users



Source: World bank data

ICT has the potential to transform agriculture because it can be used to provide information, knowledge, and skills needed to increase agricultural productivity and rural incomes. However, ICT services are not fully integrated in agribusiness. One the areas in which mobile phones could be utilized in Sudan is in the financial inclusion. The gap in the financial services market is creating a unique niche for the use of the mobile phones technology in banking, thus enabling a growing number of poor people access to financial services (banking the unbanked). Commercial banks in Sudan have weak coverage representing 3.5 branches per 100,000 adults; and with limited concertation where 40 percent of the banks are in Khartoum, and 20 percent are in the

<sup>12</sup> Bank of Sudan Annual reports

central states. Proper regulatory environment, organizing the relations between Bank of Sudan, mobile network operators, intermediaries (NGOs, agents etc.), commercial banks and Microfinance Institutions (MFIs) is required to achieve this objective

### *b) Agriculture, Food Security and Rural Development*

The discoveries in the oil sector in early 2000 have led to the negligence of agriculture. Following the loss of the oil, the main government policy was to restore growth in agriculture as a leading sector. Agriculture is also predominately rain-fed in Sudan, where the majority of the population live, thereby impacting the food security in the country. Several strategic plans were developed to revitalize agriculture. Agriculture with the significant resources it has, was considered as major pro-poor sector in the IPRSP to achieve source and diversification of growth, exports employment, poverty reduction and food security. Policies including assistance to small producers, improve productivity by improving agriculture support services and markets, increase investment in infrastructure development and reform land tenure were advocated. FAO has also prepared a Plan of Action (2015-2019) with the objective of addressing the key challenges of food insecurity, malnutrition and rural poverty in hazard-prone areas of Sudan. This is to be achieved by strengthening the resilience of vulnerable smallholders through a cohesive programme supporting relevant household livelihood-protection and recovery, equitable and sustainable management of natural resources and agriculture development initiatives. Sudan has prepared the National Agriculture Investment Plan (SNAIP) 2016-2020, which maps the investments needed to achieve the Sudan Comprehensive Africa Agriculture Development Program (CAADP) target of six percent annual growth in agricultural sector and an allocation of at least 10% of public expenditures to the agricultural sector in accordance with the African Union (AU) Summit in Maputo, Mozambique, in 2003 as an integral part of the New Partnership for Africa's Development (NEPAD). The main themes/investment areas of the SNAIP are: enabling environment for sustainable agricultural development, institutional reform and capacity building, increasing agricultural production and productivity, development of agricultural support services, agricultural industrialization, development of value chains and market access, land tenure, natural resources management, including and realization of food security and nutrition.

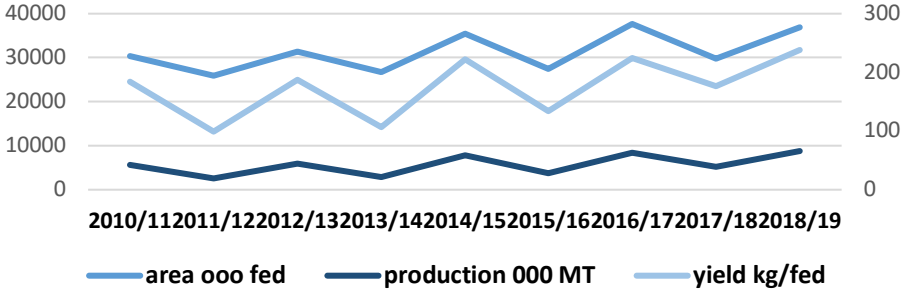
To achieve the objectives of these plans, total expenditures on agriculture including infrastructure related to agriculture increased as percent of total public expenditure from 6.4 percent in 2012 to reach over 10 percent on average during 2015-2017. Considerable efforts were made in the livestock sector. Investment in this sector included the successful health program of vaccination and inspection for livestock exports of sheep and investments in quarantines during 2012-2018 that resulted in remarkable recovery of live animal's exports. The Central Bank of Sudan directed commercial banks to give priority to agriculture financing during this period. Total flows of financing to agriculture in percent of total bank's financing increased from 6.4 percent in 2011, to 12 percent in 2012 and further to 20 percent in 2015 to reach 26 percent in 2018<sup>13</sup>. Suitable policies in the area of liberalizing and investments in the Gum Arabic, supported by the World Bank, led to increased production and exports of this commodity. Investments in technological improvement –genetically modified cotton- resulted in

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<sup>13</sup> Central Bank of Sudan Annual Reports

the recovery for cotton whose yield increased from 449.5 kg/fedan 2009/2010 season to 1141 kg/fedan in 2018/2018 season; more than two folds' increase. Sudan invested heavily in roads construction as indicated in the infrastructure section improving agriculture access to markets. These efforts had positive impacts on agriculture production of cereals. Output and yields of cereal crops started to recover for some crops (figure 7)

Figure 7: Cereals area, yields and output season 2010/11-2018/19



These efforts however, were not enough to develop rural agriculture and address the food security because of the lack of investment research, extension, markets development, efficient farmer’s organizations, value chains, credit etc. in rain fed areas. The situation was complicated further by the conflict and displacement in several areas of Sudan (Darfur, Blue Nile and South Kordofan). In 2012 an estimated 3.2 to 3.5 million people in Sudan face food security problem (stressed and crisis). The situation did not change by 2018 as approximately 5.5 million people were food insecure (including 3.1 million in Darfur) - up from 3.8 million in 2017.<sup>14</sup> The malnutrition rate for children under 5 declined from 16.4 percent in 2010 to 14.1 in 2018 according to Sudan National Baseline Household and Poverty Survey (SNBHPS), however stunting prevalence rate for children under five has increased from 35 percent in 2010 to 38.2 percent in 2014<sup>15</sup>, with 11 out of 18 states recording the stunting prevalence among children at above 40 percent<sup>16</sup>

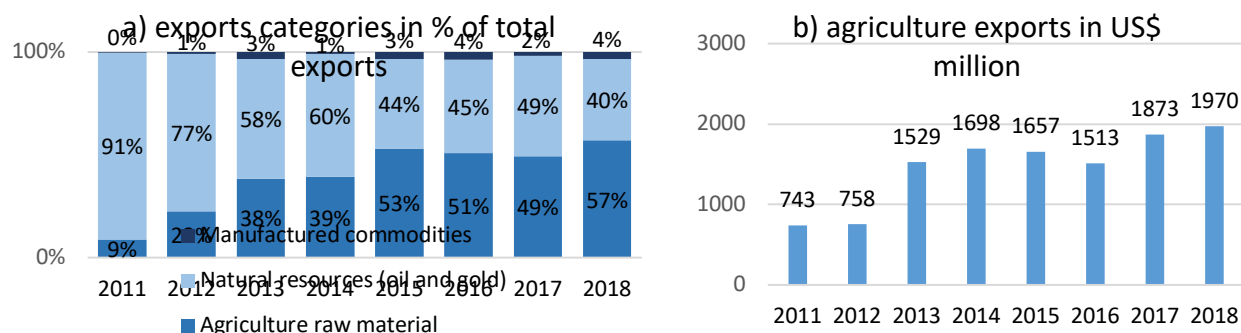
*c) Trade*

During 2000 to 2011, Sudan was dependent on the exports of oil. After the secession of South Sudan and the loss of oil, the government realized the importance of export diversification and the need to boost non-oil exports to compensate for the loss of oil exports. Certain commodities were targeted for exports and import substitution (sugar, cotton, wheat, edible oil, livestock, gum Arabic). Several policies were implemented including directing substantial banking resources to finance exports, availing foreign exchange to purchase agriculture inputs, and announcement of minimum prices to encourage production. The structure of exports showed an increase in agriculture raw materials during 2011-2018 from 9 percent out of total exports in 2011 to 57

<sup>14</sup> Sudan-UNOCHA  
<sup>15</sup> Multiple Indicators Cluster Survey  
<sup>16</sup> Sudan/ UNICEF Multi Indicators Cluster Survey (MICS 2014) and Government of Sudan: Sudan Household Baseline Survey 2009, Sudan government: Sudan Baseline Household and Poverty Survey (SBHPS) 2014

percent in 2018, at the expense of natural resources (oil and gold) which declined to 40 percent in 2018 compared to over 77 percent in 2012 (figure 8.a). Agriculture exports more than doubled increasing from US\$743 in 2011 to US\$ 1970 in 2018 (figure 8.b).

Figure 8: Total exports by category and agriculture exports



Source: Central Bank of Sudan Annual Reports (2012-2018)

Despite this improvement, main challenges remain. The share of Sudan’s export in world trade is still low ranging from 0.02 to 0.03 percent. The government policies did not materialize in shifting exports from agriculture raw material and natural resource to manufactured goods; the latter is stagnant at 1 to 4 percent. The situation was further aggravated the US sanctions that had negative impacts in promoting the industrial production of Sudan. Sudan’s exports are concentrated in only a small number of markets is a consequence of sanctions against the country. Sanctions have exacerbated the isolation through increased difficulty in settling cross-border payments, which affects trade with all partners. Arab countries dominate the Sudanese exports. In spite of considerable trade privileges, the country did not benefit from Common Market of East and Southern Africa (COMESA) although there was a recent increase; and did not also benefit from trade with neighboring countries (South Sudan, Chad, Central Africa) given its comparative advantage in trade with these countries. Sudan is expected to reverse this situation after the recent lifting of US sanctions and the drive to invest in production and infrastructure as declared by the new government (table 1).

Table 1: Trade of Sudan with major partners in percent

|                        | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|------------------------|------|------|------|------|------|------|------|
| Exports by Trade Areas |      |      |      |      |      |      |      |
| COMESA                 | 9%   | 5%   | 8%   | 13%  | 16%  | 16%  | 16%  |
| Arab Free Trade        | 65%  | 37%  | 53%  | 58%  | 70%  | 69%  | 61%  |
| Others                 | 26%  | 58%  | 39%  | 29%  | 14%  | 15%  | 23%  |
| Total                  | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Exports by Countries   |      |      |      |      |      |      |      |
| China                  | 19%  | 36%  | 32%  | 23%  | 15%  | 14%  | 22%  |
| United Arab Emirates   | 63%  | 34%  | 48%  | 54%  | 66%  | 66%  | 56%  |
| Ethiopia               | 4%   | 1%   | 3%   | 3%   | 2%   | 3%   | 2%   |
| Others                 | 14%  | 29%  | 17%  | 20%  | 17%  | 17%  | 20%  |
| Total                  | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Source: Central Bank of Sudan Annual Reports (2012-2018)

Simplifying border and regulatory policies, and improving transport and logistics, ensuring access to a wide range of service like electricity, communications and professional services, are key determinants in international competitiveness and efficiency, and should figure out clearly in the government new plan. The World Bank is working on a document to promote the growth and competitive agribusiness sector in Sudan. United Nations UNCTAD has prepared Sudan National Trade Facilitation Roadmap (2017-2021). Sudan is also in the process of accessing WTO. A committee in 2016 was formed to follow up the accession, several document were submitted during 2011-2019 including: foreign trade system for multilateral negotiations, trade in commodities for bilateral negotiations, domestic subsidies for agriculture, health, sanitary and Phytosanitary, intellectual property rights, and a list of government companies. Sudan also entered in the third round of the multilateral negotiations and bilateral negotiations with USA, EU, Japan, Canada Nigeria and Kenya in 2017.

Sudan is a member of Continental Free Trade Area (CFTA), which was decided by the African Union in January, 2012. The main objectives of the CFTA are to create a single continental market for goods and services, with free movement of business persons and investments, and thus pave the way for accelerating intra Africa trade. Sudan, being a member of United Nations Economic and Social Commission for Western Asia (ESCWA) since 2008, has signed a Memorandum of Understanding with the organization in April 2017 to provide a framework for inter-institutional dialogue and cooperation on matters of common interest in the fields of sustainable development. The Ministry of Trade, which was changed to the Ministry of Trade and Industry in 2019, as a focal point stated to develop and implement activities with assistance from ESCWA in key areas including trade and investment; economic modelling and technology in policy making and impact forecasting and renewable energy with a focus on biomass. The Ministry of Trade and Industry has identified 4 projects directly related to trade and benefitting the Ministry. These being (1) activation of law on competitiveness and monopoly prevention; (2) review of law of trade regulation; (3) studies on the analysis of impact of trade policies; and (4) electronic trading. Sudan being a member of the Organization of Islamic Cooperation (OIC), is currently benefitting from the project “Strengthening Institutional Capacity for Single Window Systems in the OIC Member States”.

#### *d) Commodities*

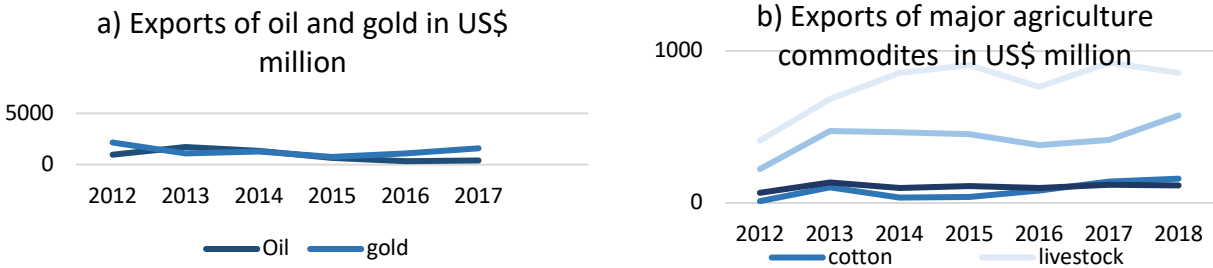
To address the shock on exports created by the loss of oil exports, the government decided to depend on gold exports as an immediate alternative to partially compensate for the loss of oil. (figure 9.a)

Meanwhile several policy actions were taken to promote other commodities, particularly agricultural commodities as a first stage toward agro processing. The introduction of the genetically modified cotton helped in boosting cotton exports from US\$ 12 million in 2011 to US\$ 160 million in 2018. The government has also opened new opportunities in the Asian markets for sesame, mainly to China, with sesame exports boosted from US\$223 million in 2012 to more than double by 2018 reaching US\$ 576 million. A major change in gum Arabic exports took place following the liberalization and lifting of the gum Arabic monopoly, where exports shifted from raw gum to kibbled gum; by 2017 there were more than 25 licensed kibbled gum factories. Gum exports increased from US\$ 67 million in 2012 to US\$ 117 million in 2018.



(figure 9.b). a major breakthrough has also taken place in the exports of livestock, which will little investments, has increased from US\$ 323 million in 2011 to US\$ 857 million in 2018 an increase of above 250 percent.

Figure 9: Exports of natural resources and agriculture commodities



Source: Central bank of Sudan Annual Reports

*e) Private Sector Development*

The World Bank Doing Business Report showed some positive development in ranking of Sudan in ease of doing business, only in the last year 2018. Sudan ranked 154 out of 183 countries in 2011, to reach 170 out of 190 countries in 2017, however in 2018 there was significant improvement to 162 out of 190 countries. Very recently in 2017, the government has implemented several reforms to promote the private sector. The government undertook legislative review and a number of procedural changes in 2018. The Companies Act 2015, Civil Procedure Act and the Public Corporate Governance Regulation 2018 were strengthened in terms of; speeding the approval process, improving disclosure requirements, and standards liability of directors relating to pre-litigation and the regulations governing the internal affairs of companies in connection with control and ownership, transparency, and shareholder rights. The reforms touched on the nine doing business indicators of the World Bank ease of Doing Business.

The PPP Unit was established in the Ministry of Finance and Economic Planning in 2016. The PPP law was drafted and submitted to the Nationally Assembly of the previous regime (now dissolved). Khartoum Exchange Stock Market Law was amended in 2016 to include a board of directors that is represented by 11 members of whom 5 members represent the private sector. The government and the private sector also started a process of a Public Private Dialogue (PPD).

Other reforms included the preparation of a financial inclusion survey, mobile money policy, and warehouse receipts system. Preparatory work for the survey, including stakeholders’ consultation and preparation of the questionnaire has been concluded and the survey is expected to take place mid to late 2019. The Government is taking measures to promote access to finance. These include the establishment of a collateral registry, introduction of mobile payments (including e-money), and development of a financial inclusion strategy which will help the Government prioritize access to finance interventions and allocated scarce resources. The Bank of Sudan has exerted considerable effort to encourage banks to allocate 12 percent of their portfolios to small and medium scale enterprises and microfinance. It offers a preferential reserve requirement for banks providing credit to priority sectors (strategic commodities production), however banks have encountered many problems and microfinance hasn’t exceeded 5 percent of the banks’ portfolios

Sudan Multi partner Trust Fund (SMPF) managed by the World Bank which is providing technical assistance activities for Agribusiness Micro, Small and Medium Enterprises (SMEs) development and Special Economic Zones (SEZs) have recently started in mid-2019.

To encourage investments, Sudan has changed the out dated investment law of 1999 with a new National Investment Encouragement Act in 2013. A salient features of the act is the principle of nondiscrimination between nationals and foreigners. Sudan has opened almost all its sectors to foreign participation including gold, telecommunications, banking and services. Many of Sudan's peers do not open all their sectors for foreign investments. The act does not discriminate between public and private projects. The act also stipulated time bound procedures for granting licenses and appeals and established a High Council for Investments from all high level representatives of concerned agencies as well as establishing a special court for investment disputes. The act has several tax holiday, repatriation of profits and guarantees against confiscation. The new Transitional Military Council has also issued a constitutional decree in 2019 amending the 2013 Act by adding new privileges and exemptions for items that were not included in the list of tariffs.

Despite these developments further reforms are needed to create a better environment for investment. The macroeconomic instability needs to be addressed (high inflation and foreign exchange shortage). The challenges in the financial sector including an under developed financial infrastructure, the absence of a modern credit information system, few correspondent banking relationships, need reforms. Many banks are undercapitalized. Digital financial services are picking up but are still at a nascent stage of development. Sudan's lacks a modern credit reporting system and electronic collateral registry for movable assets, negatively affecting the willingness of lenders to extend credit to private firms. Efforts for improving ease of doing business needs to continue by reforming many laws and systems to reduce number of steps and cost required to do business and enhancing the regulatory framework.

## *f) Human and Social Development*

### **Education**

The government of Sudan recognizes education as a right for every citizen and guarantees access to free basic education. The country has prepared the education Sector Strategic Plan 2012-2016 supplemented by the Interim Education Sector Strategic Plan (IESSP) for 2016 -2017. A national strategy for secondary education, was undertaken by the Ministry of Finance with technical support from UNESCO, in March 2014<sup>17</sup>. The Interim Strategy was followed by The Education Strategic Plan covering 2018-2022 with assistance from UNICEF which was recently finalized.

The main goals of education in these government strategies and plans are i) increasing access to education at all levels (preschool, basic, secondary. Technical and Vocational Education and Training (TVET), and out of school (adult) education; ii) improving the quality of education; (curriculum strengthening, developing and launching a National Learning Assessment,

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<sup>17</sup> Secondary Education Policy and Strategic Plan for Reform and Capacity Development (2014) Federal Ministry of Education, Khartoum, Sudan.



improving teaching quality and providing teaching and learning materials); iii) strengthening the education system (teacher’s management, school’s health and nutrition; iv) reducing household costs; v) ensuring access to education by groups with special needs like nomads, IDPs and children with disabilities. These goal were strongly supported by several development partners. This includes the Global Program for Education (GPE) in Sudan (began in July 2013), substantial resources from United Nations Children’s Fund (UNICEF) and valuable technical assistance from United Nations Scientific and Culture Organization (NESCO) and the African Development Bank particularly in the area of TVET.

Gross Enrollment Rate (GER) for basic education increased from 69 percent in 2010/11 to 73 percent in 2016/17. In secondary education, the GER increased by 10 percentage points from 30 percent in 2010/11 to 40 percent in 2016/17. Overall, there are more boys accessing basic schools compared to girls, however this gap is closing down in basic education from a difference of 6 percent in 2010/11 to only 3 percent in 2016/17. In secondary education, GER for boys is higher through the entire period under consideration. However wide regional and urban rural disparities exist. For example, GER in secondary education in 2014/15 for boys in Khartoum state was 52 percent whereas in East Darfur state was only 15 percent. The completion rate for urban schools is 77%, more than double the completion rate in rural schools (38%), translating to retention rate of 85% and 49% for urban and rural schools respectively. GER in tertiary education increased from 8.7 to 17.0 between 2004 and 2017. From a regional perspective, GER in tertiary education in Sudan is much higher than in other Sub-Saharan African countries (9 percent)<sup>18</sup>. Overall female enrolment in tertiary education is equal to or slightly higher than male enrolment. The number of government and private universities and colleges increased from 88 in 2010/11 to 142 in 2019<sup>19</sup> (table 2).

Table 2: Education indicators

|                                   | 2010/11                            | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
|-----------------------------------|------------------------------------|---------|---------|---------|---------|---------|---------|
|                                   | Basic education                    |         |         |         |         |         |         |
| Gross enrollment rate             | 69                                 | 70      | 71      | 70      | 70      | 71      | 73      |
| boys                              | 72                                 | 73      | 74      | 72      | 72      | 73      | 74      |
| girls                             | 66                                 | 67      | 68      | 68      | 68      | 70      | 71      |
| Out of school children (million)  |                                    | 2.3     | 2.6     | 2.6     | 2.6     | 2.5     | 2.4     |
|                                   | Secondary education                |         |         |         |         |         |         |
| Gross enrollment rate             | 30                                 | 36      | 37      | 40      | 40      | 40      | 40      |
| boys                              | 30                                 | 36      | 37      | 41      | 39      | 39      | 38      |
| girls                             | 31                                 | 36      | 38      | 39      | 41      | 41      | 42      |
|                                   | Vocational and technical education |         |         |         |         |         |         |
| VTE enrollment as % of sec. educ. | 3.3                                | 3.0     | 2.9     | 2.6     | 3.9     | 3.0     | 2.3     |
|                                   | Tertiary education                 |         |         |         |         |         |         |
| GER                               | 15.9                               | 16.0    | 15.6    | 15.8    | 17.8    | 17      | N.A     |
| boys                              | 16.6                               | 17.3    | 16.0    | 16.8    | 17.5    | 17.2    | N.A     |
| girls                             | 14.5                               | 15.7    | 15.2    | 14.9    | 16.5    | 16.9    | N.A     |

Source: Ministry of Education VET and tertiary from UNESCO –Institute of statistics and out of school

<sup>18</sup> World Bank Data

<sup>19</sup> Ministry of Higher Education

Despite an increase in enrolments in general education, Sudan has more than three million out-of-school children aged 5-13 years <sup>20</sup>, which is the highest out-of-school rate in Northern Africa. The causes include poverty, gender inequity, poor school environment in some schools (lack of latrines in girls' schools, mixed schools, lack of fencing), disability, conflict, displacement, and high out of pocket expenses. The Ministry of Education developed and adopted a number of national sub-strategies and frameworks aimed at increasing access to education for marginalized children. They include strategies for education of nomadic groups, girls, and children with disabilities. Moreover, the government adopted the 'Child Friendly School' concept to improve education quality and learning achievement. Implementation of these strategies has shown some positive results. The National Council for Literacy and Adult Education has been implementing the Alternative Learning Program for out-of-school children.

In terms of education quality, the National Learning assessment conducted in 2014 established that 40% of learners in grade 3 in Sudan could not read familiar words compared to an average of 20% from countries drawn from the Middle East and North Africa region. In Mathematics, nearly three quarters of the third graders have no problem identifying numbers and shapes and about two thirds can tell the difference in quantities. Supported by the GPE, World bank and UNICEF educational performance was put on a steady upward path. Between 2014-2017 the oral reading fluency in students attending GPE and other partners-supported schools improved from 12 words per minute to 15.5 and the percentage of non-readers decreased from 47% to 42%. <sup>21</sup>

Government expenditure efforts in education were not adequate. Families' contribution to the general education system financing in Sudan is three times greater than the government's spending in pre-primary, twice as much in basic and a bit more than government in secondary<sup>22</sup>. The high out of pocket expenses may discourage poor households from sending their children to school. To make education affordable for poor communities, the government supported by the GPE and UNICEF implemented a school grants program (to finance uniforms and other running costs) starting 2018, the first of its kind in Sudan. To date 5,300 schools received grants.

Education in Sudan is still facing immense challenges. Achievement of universal basic education remains a major challenge for the country being affected by low investments, wide spread poverty, and to a lesser extent customs and traditions. More equity in providing education is required. More schools need to be constructed, teachers to be trained, teachers' salaries need to be improved, more seating and textbooks to be provided, access to water supply and latrines in schools to be improved, school drop outs need to be reduced, and out of pocket expenses paid by parents for schools need to be eliminated. VTET is far from being adequate. Improving the quality and image of VTET as well as more public investments are essential to promote VTET. In higher education, vertical expansion of universities and colleges will have to be revisited in favor of delivering quality education and scientific research

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<sup>20</sup> UNICEF Sudan: Country Report on Out- of -School Children, October 2014

<sup>21</sup> <sup>21</sup> Ministry of General Education: Education Strategic Plan 2018-2022

<sup>22</sup> UNICEF-Sudan Country Study on Cost and Financing of General Education 2012-2015

## Population and Primary Health

Sudan managed to design and implement a relatively sound health programs. The health sector planning in Sudan is governed by the 25 Years Health Strategic Plan (2007-2031). The Republic of Sudan's Health Sector Strategic Plan (HSSP) for 2012-2016 forms the second stage of Health Strategic Plan, the first one being 2007-2011, with the continuation of work in the third plan HSSP 2017-2020. In view of the government commitment to the recently UN adopted 2030 Agenda for Sustainable Development Goals (SDGs), the government formulated the National Health Policy (2017-2030) as part of the SDGs agenda. The government also formulated the National Health Policy (2017-2030), Health Finance Policy 2016 and Health Financing System Review 2014. Health is also among pro poor sectors identified as a priority sector in the IPRSP. The strategic direction for the health sector as stipulated in these plans and policy declarations is to: (i) decrease maternal and under 5 morbidities and mortalities; (ii) decrease the morbidities and mortalities of communicable and non-communicable diseases; (iii) reduce inequities in health; (iv) the poor are to enjoy essential health package; (v) strengthen the health governance; (vi) avail people-centered family health services to the population across all states and localities; (vii) strengthen the resilience of health and community systems to adapt, absorb and transform in response to different types of emergencies and changes.

To achieve the above objectives, particularly reduction of child and maternal mortality rates and malnutrition, public resources were directed to certain priority programs namely: Expansion in Primary Health Care (PHC), Expansion of Immunization, Health Insurance and Free Under Five Drugs Scheme and Antenatal Care Scale Up, Maternal Mortality Reduction Initiative. Also, several development partners are assisting Sudan in achieving its objective in the health sector. UNICEF is supporting early case finding, referral treatment of severely malnourished children, health universal coverage reduction of prevalence of malaria, and immunization. WHO helps in fighting communicable disease, surveillance, outbreak and crises. The Global Fund helps in TB, Malaria and HIV control. UNFPA is active in the area of maternal mortality reduction through access to reproductive health services.

The PHC facilities providing the essential package showed dramatic increase from 24% in 2013 to 63% by the end of 2018 from the base of 2002. Training of health cadres has been running to overcome the existing gap in the availability of cadres at the PHC facilities. About 4,894 community health workers, 12,846 midwives, and 2,785 medical assistants has been trained at a rate of 95%, 96%, and 54% of the total targets respectively. Improvement in the vaccination coverage reaching 94.3 per cent in 2018 from baseline of 64.2 per cent in 2002. Health facilities enrolled under the National Medical Supplies Fund (NMSF)<sup>23</sup> increased from 286 facilities in 2013 to 2,598 facilities in 2017. In addition, the availability of medicines at the NMSF central warehouse has also increased from 43% in 2009 to 95% in 2017. The recently endorsed National Health Insurance Fund (NHIF) Act (2016) made the registration in the Health Insurance mandatory to all Sudan residents, including citizens, foreigners, and refugees. The total population coverage according to the NHIF has increased from 9.6 million persons in 2010 to more than double by 2018 reaching 22.6 million persons. The number of household received health services provided by the NHIF increased from 1.6 million households to 2014 to 3.0

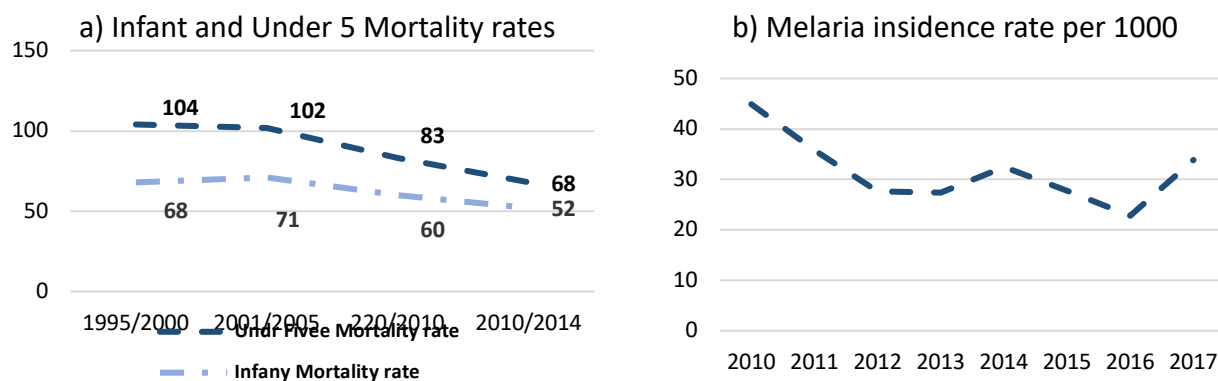
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<sup>23</sup> NMSF is the main body responsible for procurement, quality assurance, storage, and distribution of medicine to public, nongovernmental, and private health facilities and hospitals, at affordable prices.

million households in 2018, while coverage by other governmental health services schemes and private insurance companies is 4% and 0.7% respectively, making the total population coverage by different types of health insurance in Sudan in 2018 approximately 69.1%. Sudan supported an ambitious program of provision of free medicines for children under five. With the GF supported medicines for Malaria, TB and HIV. In 2018, coverage by medicine for Under-five children has been 96%, 99%, and 98% in PHC units, health centers, and hospitals respectively. While coverage by medicines for Malaria, TB, and HIV has been 98%, 98%, and 100% respectively.

These health actions contributed to the improvement in the basic health indicators. Sudan has been showing improvement in mortality rates during the last decade. Infant and under-five mortality rates have declined from, 68, and 104 deaths per 1,000 live births in 2000 respectively to 68, and 52 deaths per 1000 live births in 2014 (figure 10.a). Maternal mortality dropped from 537 per 100,000 in 1990 to 216 in 2010. HIV prevalence is low, Malaria incidence consistently declined (figure 10.b) and the incidence of TB is declining. HIV prevalence amongst the population aged 15-49 was estimated at 0.24 percent in 2013. The WHO declared Sudan polio-free in 2015, where no polio infection case has been recorded since March 15, 2009.

Figure 10: Selected health indicators



Source: UNICEF: Sudan Household Health Surveys 2000, 2006, 2010 and Multiple Cluster Survey 2014

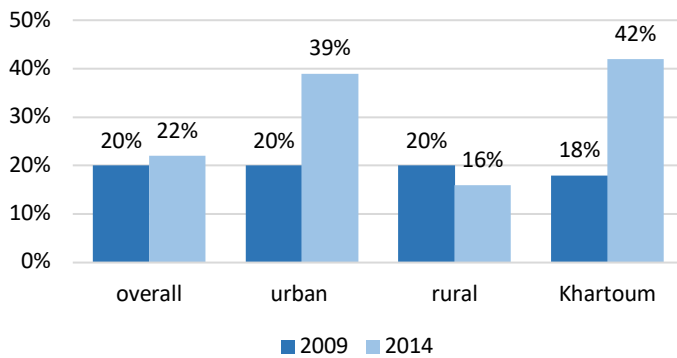
However, there are considerable challenges facing the health sector in Sudan. Nutrition status in children in Sudan has been showing alarming deterioration across different indicators in the past decade. Prevalence of children with stunting, has increase from 35%, in 2006 to 38.2 % in 2014 with wide variations across urban and rural areas, and states. There are also high levels of inequalities across all health indicators between rural and urban areas, across states, and by gender. For example, infant mortality rates in rural areas are higher (54.5 deaths per 1,000 live birth) compared to urban area (45.1 deaths per 1,000 live birth). The under-five mortality rate is highest in East Darfur (111.7) and lowest in Northern state (29.9). Under-five mortality rates among girls is considerably higher (78.7) compared to boys (57.6). The health facilities in rural areas are poorly staffed, lacking basic equipment. Despite wide coverage of the health insurance, however, the service is still weak in terms of availability of medical staff and medicines. Household still pay considerable amount out of pocket expenses for the health services.

## Youth Development

The population of Sudan is young; 62 percent of the population is below 25 years and only 3.2 percent are 66 years and above according to the 2014/15 SNBHPS. Despite the large youth population, the participation of young Sudanese in social and political life was limited.

Youth unemployment remained high during 2009- 2014 and increasing; it has increased from 20 percent in 2009 to 22 percent in 2014 according to the NBHS (2009) and SNBHPS (2014), much higher than adult unemployment rate of 11 percent. The magnitude and persistence of youth unemployment in urban areas, especially in Khartoum State, is a major concern. A strong change in youth unemployment was seen in Khartoum (the capital and the state with the largest population number in the country reaching about 25 percent of total population), which reached 42 percent indicating that almost half of the youth in Khartoum are unemployed in 2014, up from only 18 percent in 2009 (Figure 11).

Figure 11: Youth unemployment 2009/2014



Source: CBoS: 2014/15 NBHPS

Several initiatives were taken by the government and the development partners to promote the role of youth and address the challenges facing them. The Ministry of Youth and Sports had several programs of training and credit for youth. It has supported the formulation and adoption of the National Youth Strategy 2007-2031, the establishment of Youth Parliaments in all states, including in Darfur and provided training for youth leaders and organizations on leadership, management, advocacy, strategic planning, and adult-youth partnerships and also supported research on young people to inform policy formulation; with support from UNICEF. The government has established a Fund for Employing Graduates and several business incubators for the youth. The African Development Bank (AfDB) is implementing a project of empowering novel agri-business led employment for the youth (ENABLE Youth) starting 2016 to train and empower 2,000 agriculture entrepreneurs in agribusiness incubation each employing 5 support workers, generating 12,000 jobs (including 6,000 for young women). However, the impact of these initiatives has been limited.

Suffering from oppression, having their voices taken away from them, and facing high unemployment situation, youth were the major force behind the social uprising which resulted in the regime change in Sudan in December 2018. Their role was clearly recognized in the new government. Article 8.8 of the Constitutional Document-Tasks of the Transitional Government-

signed July 2019, stipulated the enhancement of the role of youth and the expansion of their opportunities in the political, economic and social life.

### **Water and Sanitation**

To ensure that water and sanitation service is brought close to the communities, the government made the states and localities sub national levels of the government responsible for their delivery, within an overall federal planning and regulatory framework. The water sector during 2011-2018 was developed within a framework of strategies and policies either directly targeting the sector or the water and sanitation component in other sectors. These strategies and plans were Water, Sanitation and Hygiene (WASH) Sector Strategic Plan, 2012-2016, the Sudan National Sanitation and Hygiene Strategic Framework (SNSHSF) (2017) and Environmental Health Strategic Plan, 2015-2016. The most recent plan is the Zero Atash (Zero Thirst) project covering 2016-2020 developed by Ministry of Water Resources based on the Water Resources Atlas prepared in 2016. The objective of these strategies was to: develop rural areas and water resources away from the Nile to increase access of water supply and sanitation; meet the needs of rural communities, IDPs and nomads and pastoralists. It aims at providing water within 2 kilometers walking distance to all people in rural areas and within 100 meters for urban areas. The plans targets were to increase household members with access to safe drinking water to 82 percent and household members with access to improved sanitation to 67 percent by 2016<sup>24</sup>

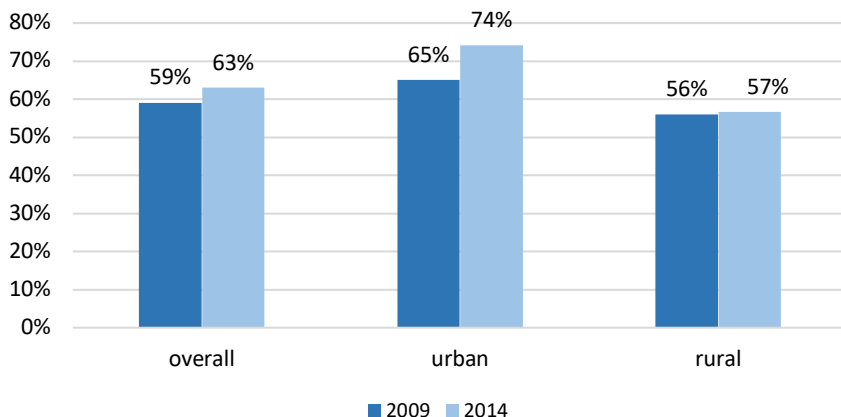
During 2011-2018, the government supported the existing laws and standards related to drinking water with additional legislations that improved the regulatory framework including, Local Government Laws (2016); Regulations on Drinking Water Supply Control (2014); Regulations of License of the Exploitation of Groundwater, (2014); and the Sudanese Drinking Water Quality Standards, (2016). In addition to aforementioned laws, guidelines were issued including a Manual on Drinking Water Quality and Control (2016); a new set of Emergency WASH Guidelines to complement the existing ones (2017); and the School Health Guidelines, 2016

Based on the SNBHPS, the households with access to improved source of drinking water in 2014 represented 63 percent of the total households, an improvement from the rate of 2009 of 59 percent and those with access to sanitation facility were 73 percent during the same period; an increase from 63 percent in 2009. Access to improved source of water for urban areas increased from 65 percent in 2009 to 74 in 2014 an increase of 9.2 percent, while access by rural population increased from 56 percent to 57 an increase of one percent (figure 12). States have shown strong variation in access to improved drinking water source from as high as over 90 percent of households in Northern, Al Gazira and Khartoum states compared to as low as 39 percent in Central Darfur, 37 percent in West Kordofan and 33 percent in White Nile states. Use of toilets also varies across states ranging from 95 percent of the residents in Northern state to only 44 percent of the population in the Red Sea state (SNBHPS).

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<sup>24</sup> Water, Sanitation and Hygiene Sector Strategic Plan for 2011-2016 (WASHSSP), Ministry of Water Resources and Electricity, Drinking Water and Sanitation Unit

Figure 12: Access to safe drinking water



Source: CBoS Sudan: Baseline HH Survey 200 and NBHHS 2014/15

During 2013-2018 over 2.3 million people gained access to safe water and another 1.5 million to basic sanitation facilities in rural areas in 2018 alone 226 communities were certified Open Defecation Free. Girls and boys in 477 schools gained access to sanitation facilities (one of the causes of drop- out –of school for girls), all which was done by assistance from UNICEF other development partners and NGOs.

There are several key constraints facing the water and sanitation sector particularly on rural areas that remain to be resolved. These include regional and urban rural disparities, weak sector coordination capacities; lack of resources for investment in provision of water facilities, poor management, weak accountability especially in Rural Water Corporations (state level), inappropriate technology compounded by low tariffs thereby affecting water sustainability, lack of community awareness of water supply and sanitation issues; and weak participation by the private sector and communities in the provision and management of water facilities .

### **Gender Equality and Empowerment of Women**

Women in Sudan have a strong presence in public life. They represent a large proportion of civil servants and students in educational institutions. They also have a prominent role in social, political and cultural activities. Women in Sudan have the right to vote (a right acquired since the first parliament 1953).

The overall labour force participation rate of women is 35 percent much lower than men of 73 percent in 2014. However, there was a substantial increase in female participation rate of 12 percentage points from 23 percent in 2009 to 35 percent in 2014. Unemployment rate is higher for women (20 percent) in 2014 compared to men (9 percent), however there was a decline in unemployment rate for women (from 23 percent in 2009 to 20 percent in 2014) while unemployment for men remained the same during the same period.



GER in basic education in 2010 was 72 for boys while it was only 66 for girls. The government gave more attention to girl's education. GER in basic education in 2017 was 74 for boys while it is 71 for girls, indicating that the gap is closing down between 2010 and 2017 from 6 percent to only 3 percent. Overall female enrolment is equal to or slightly higher than male enrolment in tertiary education. Maternal mortality dropped from 544 per 100,000 in 2010 to 216 in 2014. Despite the fact that Sudan was the first African country to legislate against Female Genital Mutation/Cutting (FGM/C) in (1946) it is still a health and social problem for girl in Sudan. The Government has recently encouraged massive campaign against it led by doctors, religious leaders, media and other civil society organizations with support from UNFPA and other UN agencies; yet for social reasons the practice is still wide spread.

The CD stipulated that the at least 40 percent of the members of the legislative body should be women. The cabinet of the new government included four women as ministers out of 22 minsters; including the Minster of Foreign Affairs. The Nationality Act has been amended so that children born to a Sudanese mother and foreign father now have the right to obtain Sudanese nationality as well.

Customary laws and norms, early marriage and child bearing largely impede women from engagement in gainful employment, obtaining land, credit and other productive inputs, highlighting the need to consider enhancing women empowerment as a core development objective.

### Social Protection

The government in line with the IPoA goals has included in its development program as a major theme a social protection system to improve the resilience of the poor and disadvantaged groups. Aware of the social problems created by vulnerability factors, and following the austerity measures implemented in 2012 as a result of the economic shock created by South Sudan secession, the government has started setting up of a fairly extensive social protection system which was developed through time comprising: (i) consolidation of the contributory social insurance programs including a Pension Fund, Social Security Fund; (ii) cash transfers to poor families; (iii) free medic care for children under five, free care in emergency and free medicines for certain diseases, and free lifesaving medicines. (iv) support to poor students in universities; (v) Assistance to the poor provided by Zakat Chamber<sup>25</sup> , including direct cash support to the poor, and payments for health care, health insurance, education fees etc. , and also provision of assets for self-employment projects (vi) NHIF<sup>26</sup>, which provides health insurance coverage to the poor, paid on their behalf by The Ministry of Finance and Economic Planning , and Zakat Chamber.

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<sup>25</sup> Zakat is a compulsory religious tax payable in currency or in kind. by Muslims, organized by a government law, and distributed to eight categories by an autonomous body, Zakat Chamber-; the major share goes to the poor and needy category (70%).

<sup>26</sup> NHIF was established in 1994 with the aim of reducing the health expenditures for the poor population, and increasing the access to the health services; targeting universal health coverage by 2031. The subscriber unit is 'family' and the benefit package covers almost all services including, in some cases, even treatment abroad



The government has increased its coverage of social protection beneficiaries for direct cash transfer from 100,000 families in 2012 to 800,000 families in 2018 an increase of eight folds as well as coverage of the health insurance for the poor and free medic care. This is clearly reflected in the increase of budgetary resources allocated to social protection (excluding subsidies) from 2.5 percent in 2012 to 6.7 percent in 2018. Sudan runs an extremely expensive generalized subsidy system for fuel, bread and electricity. Subsidies claim a large and increasing share of the current budget from about 16.5 percent in 2012 to 41.3 percent in 2018 (table 3).

Table 3: Social protection expenditures and number of beneficiaries

| Social Protection Components                        | 2012  | 2013   | 2014   | 2015   | 2016   | 2017   | 2018   |
|---|-------|--------|--------|--------|--------|--------|--------|
| Actual budgetary financial resources in SDG billion |       |        |        |        |        |        |        |
| Cash transfers to poor families                     | 120   | 165    | 702    | 893    | 1,088  | 1,260  | 1,350  |
| Health contribution to NHIF                         | 0     | 138    | 271    | 351    | 505    | 1,080  | 5,588  |
| Health free emergency treatment and drugs           | 176   | 195    | 236    | 382    | 668    | 1,558  | 2,608  |
| Support to poor university students and other       | 356   | 174    | 318    | 350    | 388    | 1,038  | 929    |
| Total social protection (without subsidies)         | 652   | 672    | 1,527  | 1,976  | 2,649  | 4,936  | 10,475 |
| Subsidies   |       |        |        |        |        |        |        |
| Government social transfers including subsidies     | 4,888 | 10,386 | 12,047 | 11,907 | 11,638 | 17,438 | 74,699 |
| Zakat   | 719   | 1,094  | 1,345  | 1,602  | 2,227  | 3,971  |        |
| Social safety net government budget & Zakat         | 5,607 | 11,480 | 13,392 | 13,509 | 13,865 | 21,409 |        |
| In percent of public current expenditure            |       |        |        |        |        |        |        |
| Total social protection (without subsidies)         | 2.5%  | 1.9%   | 3%     | 3.7%   | 4.4%   | 5.7%   | 6.7%   |
| Total social protection (including subsidies)       | 19%   | 29%    | 24%    | 22%    | 19%    | 20%    | 48%    |
| Number of beneficiaries                             |       |        |        |        |        |        |        |
| Cash transfers (thousand families)                  | 100   | 350    | 350    | 500    | 500    | 600    | 800    |
| Health Insurance (individuals in million)           | 10.0  | 10.9   | 12.6   | 13.8   | 16.4   | 21.4   | 22.6   |
| Zakat (individuals million)                         | 2.1   | 3.0    | 1.9    | 2.4    | 2.7    | 3.2    |        |

Source; Ministry of Finance and Economic Planning -Budget performance; Zakat Camber annual reports 2012-2017, and NHIF reports

Studies have shown that subsidies are benefiting high incomes households more than the poor. The IMF stated that general subsidies in Sudan costly, regressive and inefficient calling for replacing it with targeted subsidies<sup>27</sup>.

### g) Multiple Crises and Other Emerging Challenges

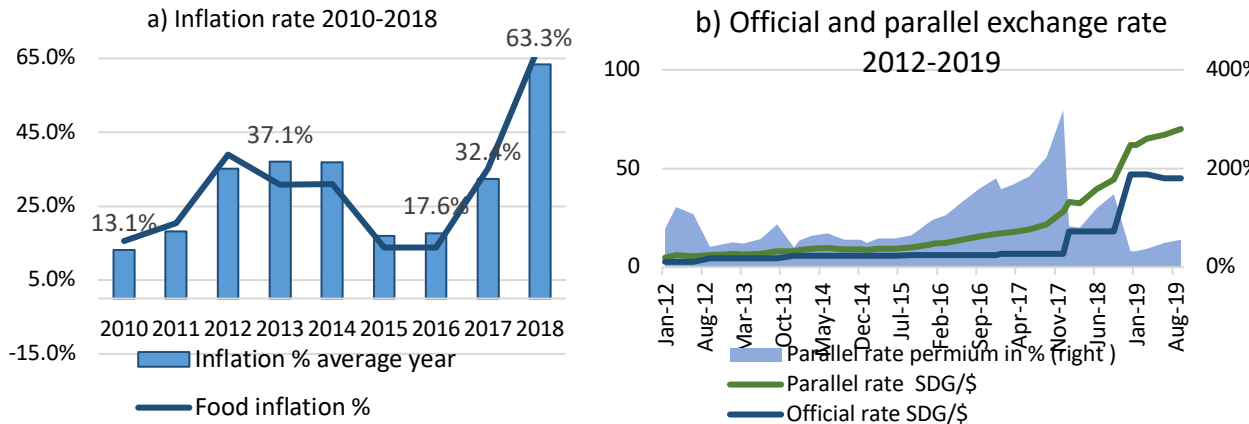
Sudan was vulnerable to various shocks. The major ones being the economic shock resulting from secession of South Sudan, conflicts and climate shocks.

**Economic Shocks:** An economic shock was created as a result of the oil loss. Large economic imbalances persisted. The government tried several reforms since 2012, measures included exchange rate adjustments, fuel price increases, and tax increases. High inflation rates persisted increasing from 13 percent in 2012 to 63 percent in 2018, (figure 13.a), mainly driven by high food prices with severe impacts especially on the poor. The government could not also maintain

<sup>27</sup> IMF Sudan; Sudan—Staff Report for the 2014 Article IV Consultation and Second Review Under the Staff-Monitored Program, Nov. 2014

a unified stable exchange rate, leading to increased price of the foreign currency in the parallel market with spread between the official and the parallel sometimes reaching over 200 percent (figure 13.b).

Figure 13: Inflation and exchange rate development



Source: CBoS and Bank of Sudan quarterly economic bulletin

The government has implemented a costly system for fuel, bread and electricity to reduce the burden of the prices on the poor. It is planning to shift the resources of the subsidies to the direct targeting. In 2016 the World Bank and the Government of Sudan signed the grant agreement launching the Sudan Social Safety Net Project. The Project is currently working to strengthen the Government’s technical capacity to improve the targeting and implementation of the cash transfer program.

The aforementioned shock was complicated further by the American sanctions, which limited Sudan’s ability to access international financing and export markets, interrupted the flow of remittances, and blocked the relief of the unsustainable debt.

**Conflict, IDPs/Refugees and Human Trafficking Crises:** The conflict in Darfur <sup>28</sup>witnessed more intensity due to eruption of inter-tribal fighting in 2013. The conflict between the Sudanese Army and Sudanese Peoples Liberation Movements / North (SPLM/N) in Southern Blue Nile and South Kordofan broke in mid-2012. These conflicts resulted in widespread and protracted displacement, with some 2.3 million IDPs, however, they were reduced as of November 2017, to 1.997 million (1.76 million in Darfur and 0.23 in the two area) according to United Nations Office of the Coordination of Humanitarian affairs (UNOCHA). Based on revised estimates, there are about 386,000 returnees who have voluntarily returned to their places of origin across Sudan. Still, the problems of large numbers of IDPs needs to be addressed. The international community through an UN Humanitarian Response Plan meets most of humanitarian needs of

<sup>28</sup> The conflict started in 2003

the IDPs. Despite several peace agreements signed by the previous regime, but the conflict still continued. The new Government has put the target of arriving at a lasting peace in Sudan as a top priority in the CD and practical steps were reached including cease fire arrangements, opening humanitarian corridors for relief and agreeing on specific date for the peace talks.

Sudan is the second largest refugee hosting country in Africa and the eighth global refugee host for people fleeing war, hunger and hardship in their countries. Voluntary return is not an option for the vast majority of these people due to the situation in their countries of origin. Sudan has a longstanding tradition of hospitality towards refugees and asylum seekers<sup>29</sup>. The open door policy of hosting refugees and asylum-seekers in the country does not enable for proper recording of their numbers, however the Commission of Refugees of Sudan (COR) estimated them at about two million, of whom only 379,000 are registered. Refugees are mainly from South Sudan (with over one million), Ethiopia, Eritrea, and to a lesser degree from Syria Yemen Central Africa and Somalia. The majority of refugees are living outside of camps and they are uncovered by humanitarian assistance from the donor community. The government and the host communities are shouldering the massive burden of the refugees. However, they place immense burden on the scarce resources, exhausting the already fragile environment, and putting more pressure on basic services like education, health and water supply. Support needed for the refugees and host communities in Sudan is a frequently echoed by the government and organizations. COR and the United Nations Refugee Agency (UNHCR) stated that with 84 per cent of its refugee population stemming from South Sudan, funding for the South Sudanese refugee response in Sudan is at 8 per cent of the required amount for 2018<sup>30</sup>.

Because of its 6,700-kilometer difficult-to-control borders with seven countries, Sudan has become a transit hub of mixed migration flows from the Horn of Africa to North Africa and Europe. Sudan showed increasing concerns about the scope and extent of the country's human trafficking problem through press statements, conferences, and cooperative efforts as reported by UN agencies. A Regional Ministerial Conference on Human Trafficking and Smuggling<sup>31</sup> was held in Khartoum on mid October 2014 . Sudan has recently adopted a Law to Combat Human Trafficking (March 2014) with severe punitive measures for traffickers. Institutionally, Sudan established a National Committee for Combating Human Trafficking. A special prosecutor for human illegal migration and trafficking was established in 2011. Sudan has also established joint patrols with Ethiopia and Eritrea, two major sources of trafficking. The Government authorities rescued and provided assistance to an increased number of trafficking victims. It also succeeded in bringing traffickers to justice and many were convicted. The EU, through EU Emergency Trust Fund for Africa is assisting Sudan in dealing with this crisis.

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<sup>29</sup> UNHCR Global 2015 update

<sup>30</sup> UN OCHA: Host of 8th global refugee population – Sudan needs more support - UNHCR: Humanitarian Bulletin Sudan Issue 12 | 11 – 24 June 2018

<sup>31</sup> organized by the African Union (AU) in collaboration with the Government of the Sudan, the United Nations High Commissioner for Refugees (UNHCR) and the International Organization for Migration (IOM) and attended by Ministers from more than 15 countries of migration source, transit and destination along with High level delegations

**Environment and Climate Shocks:** Sudan is a dry country located in the Sahelian zone with low rainfall that varies considerably in space and time. Rainfall is erratic and drought is a recurrent phenomenon. Water resources outside the Nile basin are limited, and soil fertility is low. Sudan is one of the most seriously affected countries by desertification in Africa. The arid and semi-arid area in Sudan is about 500,000 square km which is directly affected by desertification. More than half of the population of Sudan live in this area. Desertification is mainly caused by overgrazing, deforestation (for energy and other uses), cultivation of marginal lands (due to population pressure and low use of technology and inputs), and soil erosion due to wind. Forest area in Sudan declined from 29 percent of total area of the country to 11.6 percent after secession of South Sudan. Forests areas cleared annually amount to 855 thousand fedan on average.

Sudan recognizes the importance of the environment sustainability in development. Sudan has committed to numerous international conventions and agreements and developed internal strategies, policies and plans. Sudan adopted the Agenda 2030 and the Sustainable Development Goals (SDGs) in 2015 where the environment was extensively incorporated into the SDGs. The government has included in the Five Year Economic Reform Program (2015-2019) specific section on environment. The goals set in the plan were in line with the SDGs and the government commitments in international agreements. The government goals included preserving natural resources; ensure environmentally sustainable development; regional and international cooperation in environmental issues; studying and addressing the environmental impacts of development projects; reform the laws and regulations in conformity with international commitments and ensure environmental awareness

During 2011-2018 Sudan has been active internationally in the climate change realm. Sudan is a signatory to the United Nations Framework Convention on Climate Change (UNFCCC) and it also has ratified the Paris Agreement in August 2017. In July 2016 Sudan has finalized the National Adaptation Plan (NAP) in response to the 2010 Cancun Agreement under the UNFCCC. Its goals are to build capacity among Sudanese institutions in climate change; facilitate the integration of climate change adaptation into new and existing policies, programs and activities, identify and prioritize potential adaptation initiatives at the regional level. Sudan submitted its Intended Nationally Determined Contribution (INDC) as required by the UNFCCC in 2015: The INDC contains both mitigation and adaptation aspects that Sudan aims to undertake towards achieving the objective of the Convention and its national development priorities. In 2015, National Biodiversity Strategy and Action Plan 2015-2020 were prepared providing a framework policy that seeks to incorporate Sudan's obligations under the Convention on Biological Diversity into the national strategies, plans and policies of Sudan. In August 2015 the National Action Plan for Sudan's Great Green Wall for the Sahara and Sahel Initiative aiming to address desertification, land degradation and drought in the Sahara and Sahel, was recently finalized with technical support from FAO. The Initiative will also strengthen the resiliency of local communities by contributing to climate change mitigation and adaptation, with significant improvements to food and nutrition security and livelihoods for Sudanese communities. The Forests National Corporation (FNC), in its capacity to implement and coordinate all forestry and REDD+ (Reducing Emission from Deforestation and forest Degradation) issues and agreements to which Sudan is a party and as a member of Designated National Authority for the Kyoto Protocol, Forests National Corporation, has established a national REDD+ unit to develop the framework for a REDD+ strategic plan

The government implemented several programs in collaboration with the development partners. A UNDP initiative that is part of a broader, so-called “National Adaptation Programme of Action” – adopted by the Government of Sudan and supported by UNDP and GEF – is helping people in the certain areas to adapt to the new realities of climate change and its effects on this fragile ecosystem. Since 2011, UNDP has been assisting farmers with learning and using new kinds of water harvesting techniques, and training them in the use of irrigation pumps, tractors and drought resistant seeds. The UNDP project “Climate Risk Finance for Sustainable and Climate Resilient Rain-fed Farming and Pastoral Systems in Sudan” aims to create an enabling environment for climate risk management of smallholder farmers and pastoralists in rain-fed areas. In collaboration with the World Bank Group, Sudan’s Forests National Corporation (FNC) launched the Reducing Emissions from Deforestation and Forest Degradation (REDD+) Preparedness Project in 2015. REDD+ is also supporting in 2018 the gum Arabic sector.

A recent environmental problem is the negative environmental effects of the artisanal mining. After gold ores are obtained they are subjected to very primitive methods of gold extraction using mercury. mercury vapors emitted into the air, water and soil create serious environmental issues. The Ministry of Mining developed a national plan for addressing the hazards of mercury, starting with public awareness campaign in 2017 that covered artisanal miners in different locations. Regulations restricting mercury imports are in place, awareness raising is conducted to workers involved in gold extraction to use improve closed system to reduce and/or recycle the mercury. The Ministry also started encouraging the establishment of cooperates in 2017 as a way of pooling together resources, and invest in safer means of processing gold. Several research work on mining safety and structural support is taking place.

## **h) Mobilizing Financial Resources for Development and Capacity Building**

### **Domestic Revenues Mobilization**

During 2011-2018 the government adopted several measures to increase tax revenue. The VAT rate was increased from 15 to 17 percent, development tax rate increased from 10 to 13 percent and the negative list used to limit imports was repealed and instead high import tariffs were imposed. In January 2018 the Government increased the dollar price used for the calculation of custom duties from SDG 6.9 /US\$ to SDG 18/US\$ to increase revenues. Several efforts to increase the tax net were implemented.

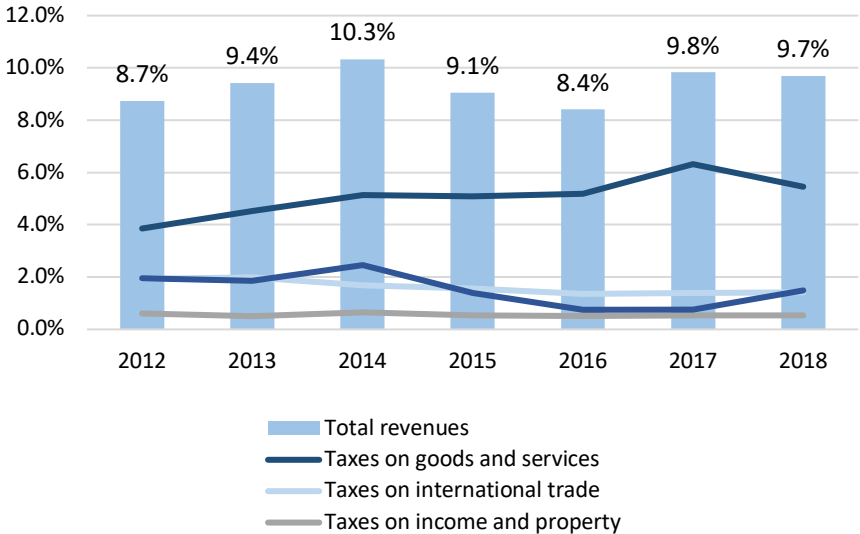
Weakness in tax collection was also addressed though capacity building and digitization. Considerable capacity building in Ministry of Finance, the Customs Administration, Tax Chamber and the Accounting Chamber were implemented. In 2015 The Ministry of Finance and Economic Planning adopted the Electronic Receipt Voucher (E15) as a collection tool for the state's revenues to raise collection efficiency to increase revenues and to prevent many misuses that were occurring in the paper-based system. In 2015 the Ministry of Finance and Economic Planning started the second phase of the Government Resource Planning GRP system- a designed for financial management designed to cover the whole budget cycle. The Ministry of Finance also benefited from the World Bank support through Budget Capacity Strengthening Support Project, and Strengthening Sub -National Fiscal Policy Management Project aiming at strengthening the macro-fiscal units of the Ministry to enhance policy formulation, improve state

own revenues, and enhance budget transparency and support states in budgeting and fiscal policies. The government also introduced with technical assistance from the IMF, the Treasury Single Account (TSA) in 2016 as a modern cash management tool to establish centralized control over government’s cash resources including revenues and provides a number of other benefits, thereby enhances the overall effectiveness of a public financial management system.

During 2011-2018, Sudan Customs Administration has updated its facilities, laboratories. Customs training laboratory is fairly up to date and well equipped. Customs have acquired adequate number of X-R scanners at Port Sudan and Khartoum. The Customs Administration started the application of Asycuda world program<sup>2</sup> in the third quarter of 2013 and introduced the electronic payment system in 2016; it is in the process of implementing the single window with assistance from UNCTAD and UNESCWA. Customs began work with the Customs Risk Management with assistance from the World Customs Organization (WCO) and benefiting from the Jordanian Government successful experience. The Customs Act has incorporated the WTO requirements and new methods of evaluation in conformity with international standards and best practices based on WCO Revised Kyoto Convention and SAFE Framework of Standards. The Tax Chamber also started in 2016 changing their system into an electronic system which was accompanied by an intensive capacity building.

The government managed to partially compensate for the loss of oil revenues by increasing tax revenues from around 6 percent of GDP in 2011 to 7.4 percent of GDP in 2018. This increase was driven by the taxes on goods and services (VAT collected by both Customs and Tax Administrations) which increased from 3.7 percent of GDP during 2010-2013 to reach 5.5 percent of GDP in 2018, while taxes on international trade increased during 2012-2014 but declined to 1.4 percent during the last three years and remained stable mainly due to the decline of imports despite the improved performance of the Customs Administration (figure 14).

Figure 14: Total revenue 2012-2018



Source: Ministry of Finance and Economic Planning

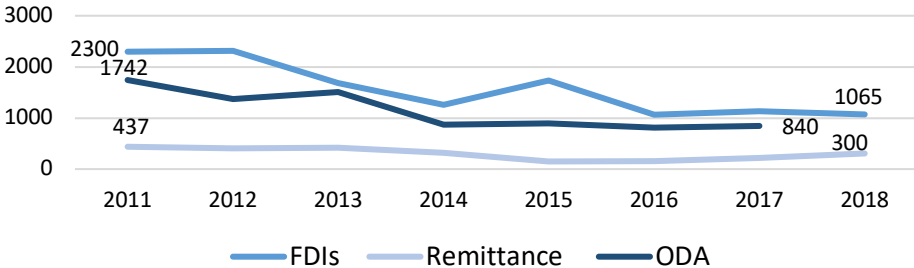
Sudan’s tax revenue is still among the lowest in low- and lower-middle income countries (LLMICs). Tax revenues represented only 6-7 percent of GDP on average compared to 12 percent in fragile LLMICs in 1995–2015<sup>32</sup> . Several constraints facing revenues are to be addressed in future plans of revenue mobilization. There are large revenue losses arising from widespread tax exemptions and tax holidays in the VAT, customs and corporate tax. Artisanal gold mining, which represents a major economic activity is not properly taxed. Agriculture is not taxed. Increasing personal income tax rates and their progressivity, and harmonizing the multiple corporate tax rates should be considered. Institutional strengthening is needed in the tax collection unit to widen the tax base. There are apparent weaknesses in the capacities of the customs and tax administration, despite their strong efforts, that need to be addressed. Furthermore, it seems also that not all revenues are reflected in the budget indicating a transparency issue.

**Official Development Assistance**

The conflict that started in Darfur in 2003, and in Blue Nile and South Kordofan in 2012 resulted in large displacement and acute humanitarian needs across these states. Instability around Sudan’s borders (South Sudan, Eretria, Chad, Central Africa etc.) is adding to the overall humanitarian burden. Humanitarian assistance therefore dominated the structure of ODA during 2011-2018. The longstanding U.S. sanctions and Sudan being in the U.S. SSTL and the arrears to multilateral and regional institutions and bilateral are all factors that led to a low level of foreign development assistance. Sudan has opened an opportunity with the Arab financial institutions and funds, China and other countries during this period to mobilize resources for development

ODA declined from US\$ 2.3 billion in 2011 to about US\$ 1.1 billion in 2018 in line with the stability and subsiding of the conflicts in Sudan. (figure 15)

Figure 15: FDIs, Remittances and ODA 2011-2018



Source: Central Bank of Sudan annual reports 2011-2018 and world bank ODA data

**External Debt**

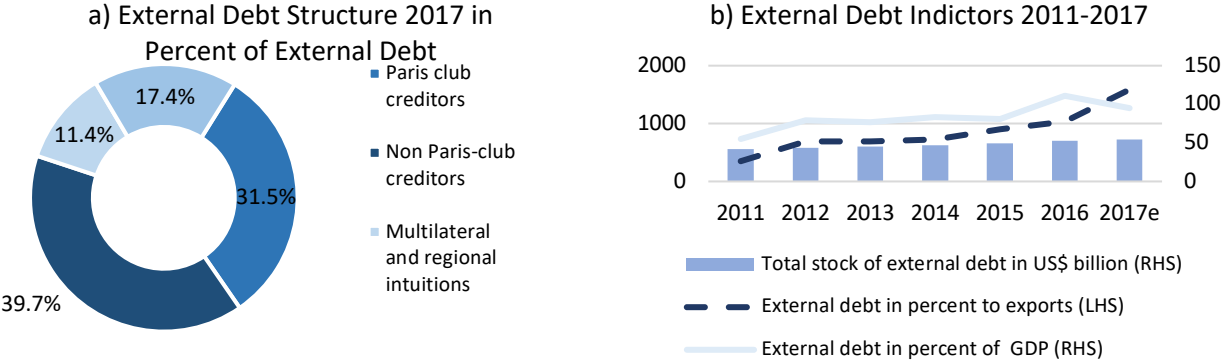
Sudan has a huge external public debt amounting to about US50 billion as of end 2018. The build-up of external debt, started in 1970’s where the Government adopted a series of

<sup>32</sup> IMF: Sudan - Box 1-Staff Report for the 2016 Article IV Consultation, 2016Article IV Consultations.



development plans that requires foreign financing from various sources, but successive government failed to pay this debt which started to accumulate year after year. About 84 percent of the external debt was in arrears in 2017. The majority of the debt, about 70 percent is owned to bilateral, and roughly equally divided between Paris club creditors and non-Paris club creditors (figure 16.a). All debt indicators are deteriorating over time (figure 16.b).

Figure 16: Sudan external debt structure and indicators



Source: IMF: Sudan, Article IV Consultation, Country Report No. 17/364- December 2017

Sudan’s external debt remains in distress and unsustainable. The IMF Debt Sustainability analysis conducted in 2017 with projections of the debt indicators for 20 years concluded that Sudan’s external debt stock remains unsustainable<sup>33</sup>. All external debt level ratios continue to breach their indicative thresholds throughout the projection period. The present value (PV) of external debt is at about 166 percent of GDP at end-2016—more than fivefold the 30 percent threshold for identified by the IMF/World Bank weak policy performers—and is projected to stay above the threshold through the projection period. Similarly, in 2016, the PV of debt-to-exports is 1,893 percent, about 13 times the threshold and is projected to stay above the threshold through the projection period. The PV of debt-to-revenue ratio is about 1,932 percent, well above its thresholds of 200 percent (table 4).

Table 4: Sudan’s debt sustainability indicators

|                         | Indicators of debt sustainability for Sudan |        |        |       | Threshold |
|-------------------------|---|--------|--------|-------|-----------|
|                         | 2016 actual                                 | 2018 p | 2027 p | 2037  |           |
| PV of debt to GDP       | 166   | 142    | 154    | 193   | 30        |
| PV of debt to exports   | 1,893                                       | 1,550  | 1,519  | 1,194 | 140       |
| Debt service to revenue | 1,932                                       | 1,664  | 2,152  | 2,579 | 200       |

Source: IMF: Sudan, Article IV Consultation, Country Report No. 17/364- December 2017

The government has exerted several efforts to resolve the debt issue and to access the HIPC’s. After the secession of South Sudan, the government, with assistance from African Union High

<sup>33</sup> IMF: Sudan: Path to Debt Relief:2017 Article IV Consultation; Annex 1: December 2017



Implementation Panel -AUHIP<sup>34</sup> agreed with the government in South Sudan in 2012 on a “zero-option” whereby Sudan retains all the external debt, provided that the international community gives firm commitments of delivery of debt relief within two years. Absent such commitment, Sudan’s external debt would be apportioned with South Sudan based on a formula to be determined. This deadline lapsed in September 2016, without debt resolution, but Sudan agreed to extend for two years to September 2018 and further to 2020. Sudan has had 14 Staff-Monitored Programs (SMPs) with the IMF since 1997, and has established a satisfactory record of economic policy reforms. A Technical Working Group was formed, with membership from the World Bank, the African Development Bank, the IMF and some of the Paris and Non- Paris Club creditors. The group has conducted series of meetings and facilitated Sudan’s debt reconciliation exercise with the majority of creditors, and also structured a non-binding “Debt Relief Roadmap” for Sudan. Sudan made considerable outreach efforts to main creditors during 2012 to 2018, but the political conditions were not conducive for achieving positive results.

In view of Sudan’s unsustainable debt, Sudan is eligible for debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative. However due to political and economic reasons including listing of the country in the SSDL, and slippages in economic policies in the recent years, Sudan was unable to access the HIPCs. Sudan has also prepared an IPRSP and is currently in the process of preparing the full-fledged PRSP. However, these efforts were not successful. The challenges for Sudan to access HIPCs is to improve the political relations, which is becoming within reach after the regime change and to implement solid economic reforms. Given Sudan’s large debt, HIPCs may not be adequate to resolve the unsuitable debt and should be followed with Multilateral Debt Relief Initiative (MDRI) or any additional arrangement

### **Foreign Direct Investment**

Foreign Direct Investment (FDI) inflows totaled less than \$150 million until the year 2000 before the full exploitation of the oil resources, then started to increase in line with the increase in the oil production to reach US\$ 2.8 billion in 2008. However, after the secession of South Sudan and the loss of oil and the consequent economic instability FDI started to decline by half from US\$ 2.3 billion in 2011 to 1.1 billion in 2018 (figure 15).

Sudan has made some efforts to diversify the economy and attract FDI into new industries. Efforts included putting in place a relatively open investment legislative framework with several of the existing laws being modernized and in line with good practices. However, the instability of the macroeconomic situation, difficulty of doing business in Sudan, Sudan being in the SSDL were all factors behind weakness of realizing a good potential from FDI

### **Remittances**

Although Sudanese working abroad are estimated by the Sudanese Working Abroad Secretariat at 5.7 million most of them in Gulf countries, the true size of their remittances, including

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<sup>34</sup> A body formed by African Union to assist Sudan and South Sudan led by the ex-president of South Africa Mbeki in resolving post secession. Its efforts resulted in the signature of the 9 agreements between Sudan and South Sudan for resolving post conflict issues in 2012

unrecorded flows through formal and informal channels, is believed to be large, but without appropriate records. For example, the comparison between the average amounts of remittances transferred during the oil boom, where the banks were extensively used, and those transferred in the period 2012-2013 indicate that an important amount, exceeding USD 1 billion, has been transferred to the informal exchange market. The government attempted several policies by mainly adjusting the official exchange rate to attract remittances but these efforts were not sustained. In addition, enforcement actions against international banks in mid-2014 for violating U.S. sanctions contributing to a substantial withdrawal of foreign correspondent banks, affected remittances. Foreign and local entities based in Sudan reported difficulties and delays in processing foreign exchange transfers to and from Sudan. Bank of Sudan and commercial banks reported a significant reduction in the number of foreign correspondents or an almost complete cut-off from international transactions. Therefore, remittances through the official channels declined to reach an average of US\$ 300 million during 2012-2018, far below the potential.

### **i) Good Governance at all Levels**

The intense nationwide antigovernment public protests by the Sudanese people toppled the 30 years' rule of the previous government on the 10<sup>th</sup> of April 2019. The protests eventually resulted in a regime change when the Sudan Armed Forces (SAF) decided to support the protesters who organized a sit-in, in front of the military headquarters, and a Military Council was formed. A new civil transitional government was created when the military council and main opposition coalition FC have signed a constitutional declaration on 17 August 2019. The transitional government was recognized by the international community.

The main thrust of the new government is to dismantle the previous regime's structure for consolidation of power and build a state of laws and institutions in a transitional period of three years to be followed by free and fair internationally monitored elections. To this effect a CD was signed between the two parties. The CD established a transitional governance structure composed of a sovereign council between the army and opposition coalition with civilian majority, a cabinet headed by a Prime Minister and independent and inclusive legislative body with at least 40% of its members are women. The CD established several independent commissions namely commissions for: Peace, Borders, Constitution Making, Legal Reforms, Anti-corruption, Human Rights, Land, Transitional Justice, Gender Equality Civil Service Reform, and Elections

The main task of the transitional period is: repealing all laws that restrict freedom, achieve a lasting peace with armed groups, undertake economic reforms and legal reforms, ensure independence of the judiciary and the rule of law, address issue of those who were arbitrarily dismissed from military and civil service, combat all forms of discrimination against women, enhance the role of youth, establish the mechanism for the making of a permanent constitution with inclusive participation, and reform the government structures to ensure its equity.

A bill of rights was incorporated in the CD. The main elements of these rights are: recognizing diversity and taking citizenship as a base for rights, the right to freedom of religious belief and worship, freedom of expression and receiving public information, right to be equal before the law and to a fair trial and to peaceful assembly, and no one shall be arbitrarily arrested unless for

reasons stipulated by law, or be subject to torture, humiliation, or ill-treatment. The CD also protected the rights of women as stipulated in all covenants ratified by Sudan, and provide for free maternity and child health care. The CD stated that there be no statute of limitations for war crimes and crimes against humanity. The CD also endorsed the non-applicability of the statutory limitation to crimes of corruption that were committed during the previous regime since 1989.

Although, the CD was not specific of whether the sub national governance system will be based on states or regions, the decentralization system of governance was maintained, where the responsibility of the services is brought closer to the people through the sub national governments; the 18 states and the localities under these states. The new government has dedicated the first six months for achieving peace and ending conflicts and displacement

#### **j) Progress toward graduation**

The graduation procedure is long-term, since the graduating country must meet eligibility criteria at two consecutive triennial reviews. The three indicators used for the graduation are the Gross National Income per capita (GNI) per capita, the Human Assets Index (HAI) and the Economic Vulnerability Index (EVI). The GNI per capita is derived by dividing GNI in US\$ by the annual population of a country. The HAI includes: under five mortality rate, percent of population undernourished, maternal mortality ratio, gross secondary enrollment ratio and adult literacy rate. The EVI includes: population, remoteness, merchandise export concentration, share of agriculture, forestry and fishing in GDP, share of population in low elevated coastal zones, instability of exports of goods and services, victims of natural disasters, and instability of agriculture production. Alternatively, eligibility is given if the per capita GNI is at least twice the amount of what the graduation threshold demands.

Data of the Department of Economic and Social Affairs of the UN from the 2018 terminal review showed that Sudan's Gross National Income per capita (GNI) is US\$ 1,452 which is above the threshold which is US\$ 1,230. For the HAI, the threshold should be 66 or more, and Sudan's index is 53, below the threshold. EVI should be 32 or below, while Sudan's index was 49.2. Alternatively, to graduate based on the criteria income –only graduation, the GNI per capita threshold is US\$2,460, while Sudan's GNI per capita is US\$ 1,452, well below the threshold. It should be noted that the graduation threshold must be met for any the two criteria in two consecutive terminal reviews<sup>35</sup>.

Sudan under the new government, being cognizant of the graduation criteria intends to improve its performance over the coming years, making use of the conducive domestic conditions and the wide international support it has received. Emphasis will be on improving growth, Gross National Income and reduce poverty. It will also improve human assets performance including: drastically reduction in the percentage of population undernourished; reduction in mortality rate for children aged five years; increase in gross secondary school enrolment ratio; and eliminating adult illiteracy. The government also intends to reduce its economic vulnerability by diversifying

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<sup>35</sup> The graduation report also takes into account the Department of Economic and Social Affairs report and UNCTAD vulnerability profile and the views of the government.

its exports, sustaining agriculture production and increasing its share in GDP; and agro industries, enhance preparedness for natural disasters.

## **V. Coherence and Linkages with the 2030 Agenda and other Global Processes**

Sudan has adopted Agenda 2030 and the SDGs in New York in September 2015 and is continuously engaging all stakeholders. A High-Level National Mechanism (HLNM) has been established through a presidential decree of the defunct regime in 2016 to oversee the implementation of Agenda 2030 and the SDGs in the country. The National Population Council of Sudan plays the role of the secretariat, and have conducted national consultation workshops and meeting with Council of Ministers, high level key officials, voluntary organizations, parliament members, women and youth groups, researchers, and media for briefings for publicity and awareness.

A testimony of the government commitment for the SDGs, is the use of the SDGs framework as a tool for identifying the national development priorities and for accelerating change and transformation towards peace and development in the country. The Five Years Economic Reform Program 2015-2019 has streamlined the objectives of the social sector in the areas of education, health, water and sanitation with the relevant SDGs. The program has also stated a poverty reduction target of less than 35 percent by 2019 compared to 54 percent in 2009 as step for achieving the SDG goal 1(no poverty) to reduce at least by half the proportion of men, women and children of all ages living in poverty according to national definitions. The government has prepared an inclusive (government, NGOs, CBOs and private sector) national program 2016-2030 for the implementation of Agenda 2030 and the SDGs. The national Population Council of Sudan has also developed a standard framework for integration of the SDGs dimensions and pillars, and to show the linkages and interactions in a systems dynamic framework.

Sudan has presented its Voluntary National Review (VNR) of progress in SDGs during 2018 session to the UN-High-level Political Forum on Sustainable Development (HLPF). The VNR reflected the visionary thinking regarding the implementation of the SDGs, with three accelerators been selected to support the implementation of SDGs, namely; invest in peace dividends, agriculture transformation and the social development. No attempt has been made to quantify measure progress on sustainable development, because of shortage of data problems requiring data collection strategy.

In April 2019 the National Audit chamber of Sudan issued a report on the progress of the country's preparedness to implement the SDGs. Despite some progress in implementing the SDGs, two remarks were made: a clear program to implement the SDGs was lacking, and weakness in the Central Bureau of Statistics to form and strengthen statistical units in government bodies to produce necessary data

Recently the government has assigned the responsibility of implementing and monitoring of the SDGs to the Ministry of Finance and Economic Planning. This will enable better harmonization of the SDGs with the country's macroeconomic framework and plans. The levels of knowledge and technical capacity on Agenda 2030 and the SDGs is growing but it needs to be rapidly

developed among all stakeholders: government, private sector, NGOs and CBOs a role that is expected to be played effectively by the Ministry of Finance and Economic Planning.

## **VI. Towards the next LDC agenda**

Several measures and priorities will be taken by Sudan to continue the efforts undertaken over the past 10 years to eradicate poverty and achieve sustainable development. Achieving transformation of the economy by promoting the industrial sector which is characterized by higher productivity and increasing value added in the economy will be a priority. Increasing agriculture productivity, and combating livestock diseases and increasing livestock modern infrastructure will receive a priority. Priority will also be given for infrastructure and improving road, rail river and air connectivity, including regional road, rail and river transport connectivity with neighboring landlocked countries (Chad, Central Africa, South Sudan and Ethiopia) and with the coastal gateway of Port Sudan. Developing new energy sources like solar and wind while investing in utilizing the natural resources of the country like oil and gas within sound environmental practices, will receive due attention.

The government will reduce children drop outs from schools by expanding and remove geographical and gender disparities, eliminating out of pocket expenses in education and health to reduce the burden on the poor, by improving the health insurance and school grants. To reduce the shocks of economic reforms, and avoid the expensive and unequitable interventions through the general subsidies (fuel and bread), priority will be given to direct transfers (projects or cash) which require establishing a credible, transparent mechanism for targeting, and stronger coordination mechanism for the different institutions involved in the social protection interventions.

To achieve the above objectives, the government will first start looking within for resource mobilization by increasing its tax efforts, adopting policies which attract remittances of the Sudanese working abroad, and encourage private investments from the domestic private sector and the FDI's. These efforts will be supported with assistance from development partners who are required to increase their aid and shift it from humanitarian to development to avoid aid dependency by IDPs and sustain development and social service to war affected areas.

Good governance will not be compromised including human rights and rule of law, requiring intensive support and capacity building for the concerned institutions. In this respect land reform, a major source of conflict, is a priority particularly in Sudan where there is a dichotomy between the conventional legal system and the customary law. Sudan will exert all efforts to consolidate and enhance the decentralization system of governance with special emphasis on the lower level of localities and administrative units to bring services and governance closer to the people.

However, given the deep rooted problems created by the previous government in the last 30 years, the long standing US sanctions that caused considerable derailing of the economy and depletion of its assets, the substantial financial needs for post- conflict reconstruction, it will be difficult for the government to shoulder this responsibility alone. Assistance from development partners and finding a fast track to assist the country that was deprived from meaningful foreign assistance over the last thirty years remains a priority. Resolving the unsustainable external debt

by enabling the country to access the HIPC/MDRI is vital to achieving the goal of graduation from the LDCs category and meets the SDGs targets for 2030.

## Annexes

### Annex 1: Macroeconomic indicators

|                                     | 2011   | 2012    | 2013    | 2014    | 2015   | 2016    | 2017    | 2018    |
|-------------------------------------|--------|---------|---------|---------|--------|---------|---------|---------|
| Production and Prices in %          |        |         |         |         |        |         |         |         |
| GDP growth rate                     | 2.6    | 1.4     | 4.4     | 2.7     | 4.3    | 4.8     | 5.2     |         |
| Inflation average year              | 18.1   | 35.1    | 37.1    | 36.9    | 16.9   | 17.6    | 32.4    | 63.3    |
| Inflation end period                | 18.9   | 44.4    | 41.9    | 25.7    | 12.6   | 30.5    | 25.2    | 72.9    |
| Fiscal Situation in SDG billion     |        |         |         |         |        |         |         |         |
| Total revenues                      | 22,767 | 22,168  | 34,311  | 51,228  | 54,509 | 57,866  | 77,054  | 124,946 |
| Current expenditures                | 28,578 | 26,272  | 36,178  | 50,380  | 54,864 | 62,195  | 86,106  | 155,796 |
| Development expenditure             | 3,615  | 3,554   | 4,595   | 5,279   | 5,959  | 6,905   | 5,760   | 6,930   |
| Total expenditures                  | 32,193 | 29,826  | 40,773  | 55,659  | 60,823 | 69,100  | 91,866  | 162,726 |
| Budget deficit                      | -9,426 | -7,658  | -6,462  | -4,431  | -6,304 | -11,234 | -14,812 | -37,780 |
| Financing of the deficit            |        |         |         |         |        |         |         |         |
| Foreign                             | -37    | 268     | 1073    | 756     | 405    | 1,141   | -500    | 3,518   |
| The Central Bank                    | 1,500  | 2,000   | 2,375   | 2,240   | 3,500  | 5,400   | 8,000   | 15,121  |
| Other                               | 7,963  | 5,390   | 3,014   | 1,435   | 2,399  | 4,693   | 7,312   | 19,141  |
| Money supply in %                   |        |         |         |         |        |         |         |         |
| Money supply growth rate in %       | 17.9   | 40.2    | 13.3    | 17.0    | 20.5   | 29      | 68.4    | 111.8   |
| Balance of Payment in US\$ million  |        |         |         |         |        |         |         |         |
| Exports                             | 9656   | 4067    | 4790    | 4454    | 3169   | 3094    | 4100    | 3485    |
| Imports in US\$                     | 8128   | 8123    | 9918    | 9221    | 9509   | 8323    | 9134    | 7850    |
| Trade Balance                       |        |         |         |         |        |         |         |         |
| Current Account Balance             | 142    | (6,241) | (5,398) | (3,546) | (5461) | (4,226) | (4,851) | (4,928) |
| Remittances                         | 437    | 401     | 424     | 314     | 149    | 153     | 213     | 300     |
| FDIs                                | 2,300  | 2,313   | 1,688   | 1,251   | 1,728  | 1,064   | 1,065   | 1,136   |
| Gross international reserve         | 1,317  | 1,693   | 1,612   | 1,461   | 1,003  | 875     | 969     | 829     |
| External Debt Stock in US\$ billion |        |         |         |         |        |         |         |         |
| External debt                       | 41.5   | 43.2    | 45      | 46.8    | 49.7   | 52.4    | 54      | n.a.    |

Source: Ministry of Finance and Economic Planning, IMF Sudan: reports for article IV consultations – and Bank of Sudan annual Reports



## Annex 2: Government revenue and expenditure

### A) Government Revenues 2012-2018

|                              | 2012   | 2013   | 2014   | 2015   | 2016   | 2017   | 2018    |
|------------------------------|--------|--------|--------|--------|--------|--------|---------|
| In SDG million               |        |        |        |        |        |        |         |
| taxes on goods and services  | 9,391  | 15,518 | 24,171 | 29,608 | 34,598 | 48,877 | 67,192  |
| taxes on international trade | 4,688  | 6,825  | 7,914  | 9,063  | 9,058  | 10,702 | 17,362  |
| taxes on income and property | 1,479  | 1,733  | 3,070  | 3,188  | 3,478  | 4,202  | 6,637   |
| total tax revenue            | 15,558 | 24,076 | 35,155 | 41,859 | 47,134 | 63,781 | 91,191  |
| non tax non-oil revenue      | 959    | 1,825  | 1,918  | 2,774  | 3,962  | 5,789  | 9,259   |
| oil revenue*                 | 4,736  | 6,378  | 11,588 | 8,186  | 5,012  | 5,822  | 17,760  |
| total non-tax revenue        | 5,695  | 8,203  | 13,506 | 10,960 | 8,974  | 11,611 | 27,019  |
| Total revenues               | 21,253 | 32,279 | 48,661 | 52,819 | 56,108 | 75,990 | 118,210 |
| Grants                       | 915    | 2,033  | 2,567  | 1,690  | 1,758  | 1,662  | 6,736   |
| Total revenues and grants    | 22,168 | 34,311 | 51,228 | 54,509 | 57,866 | 77,054 | 124,946 |
| In percent of GDP            |        |        |        |        |        |        |         |
| tax revenue                  | 6.4%   | 7.0%   | 7.5%   | 7.2%   | 7.1%   | 8.2%   | 7.4%    |
| non tax revenue              | 2.3%   | 2.4%   | 2.9%   | 1.9%   | 1.3%   | 1.5%   | 2.2%    |
| Grants**                     | 0.4%   | 0.6%   | 0.5%   | 0.3%   | 0.3%   | 0.2%   | 0.5%    |
| Total revenues and grants    | 9.1%   | 10.0%  | 10.9%  | 9.4%   | 8.7%   | 10.0%  | 10.2%   |

\*Oil revenue includes sales of Sudanese oil and transit and transport fees from South Sudan oil

\*\*Grants included as revenue based on IMF classification adopted by Sudan

Source: Ministry of Finance and economic Planning

### B) Government Expenditure 2012-2018

|                           | 2012   | 2013   | 2014   | 2015   | 2016   | 2017   | 2018    |
|---------------------------|--------|--------|--------|--------|--------|--------|---------|
| In SDG million            |        |        |        |        |        |        |         |
| wages and salaries        | 10,731 | 13,671 | 15,800 | 18,509 | 22,909 | 30,410 | 32,751  |
| goods and services        | 2,027  | 2,828  | 6,200  | 6,872  | 8,729  | 12,400 | 16,068  |
| subsidies                 | 4,235  | 9,714  | 10,520 | 9,931  | 8,979  | 12,755 | 64,224  |
| others                    | 3,613  | 2,528  | 5,820  | 6,799  | 6,096  | 11,468 | 14,881  |
| transfers to states       | 5,666  | 7,437  | 12,039 | 12,753 | 15,482 | 19,073 | 27,872  |
| development expenditure   | 3,554  | 4,595  | 5,279  | 5,949  | 6,905  | 5,760  | 6,930   |
| total expenditure         | 29,826 | 40,773 | 55,658 | 60,813 | 69,100 | 91,866 | 162,726 |
| In % of total expenditure |        |        |        |        |        |        |         |
| wages and salaries        | 36.0%  | 33.5%  | 28.4%  | 30.4%  | 33.2%  | 33.1%  | 20.1%   |
| goods and services        | 6.8%   | 6.9%   | 11.1%  | 11.3%  | 12.6%  | 13.5%  | 9.9%    |
| subsidies                 | 14.2%  | 23.8%  | 18.9%  | 16.3%  | 13.0%  | 13.9%  | 39.5%   |
| transfer to the states    | 19.0%  | 18.2%  | 21.6%  | 21.0%  | 22.4%  | 20.8%  | 17.1%   |
| other current             | 12.1%  | 6.2%   | 10.5%  | 11.2%  | 8.8%   | 12.5%  | 9.1%    |
| development               | 11.9%  | 11.3%  | 9.5%   | 9.8%   | 10.0%  | 6.3%   | 4.3%    |

Source: Ministry of Finance and economic Planning

Annex 3: Area, yield and production of cereals

| season    | Sorghum      |            |       | season    | Wheat        |            |         |
|-----------|--------------|------------|-------|-----------|--------------|------------|---------|
|           | area planted | production | yield |           | area planted | production | yield   |
| 2010/2011 | 22,054       | 4,605      | 208.8 | 2010/2011 | 467          | 292        | 625.3   |
| 2011/2012 | 19,275       | 1,883      | 97.7  | 2011/2012 | 446          | 323        | 724.2   |
| 2012/2013 | 22,018       | 4,524      | 205.5 | 2012/2013 | 445          | 279        | 627.0   |
| 2013/2014 | 19,738       | 2,249      | 113.9 | 2013/2014 | 326          | 242        | 742.3   |
| 2014/2015 | 25,065       | 6,169      | 246.1 | 2014/2015 | 564          | 473        | 838.7   |
| 2015/2016 | 19,832       | 2,744      | 138.4 | 2015/2016 | 533          | 456        | 855.5   |
| 2016/2017 | 27,212       | 6,441      | 236.7 | 2016/2017 | 636          | 563        | 885.2   |
| 2017/2018 | 21,060       | 3,904      | 185.4 | 2017/2018 | 419          | 463        | 1,105.0 |
| 2018/2019 | 24,627       | 5,435      | 220.7 | 2018/2019 | 716          | 702        | 980.4   |

| season    | Millet       |            |       |
|-----------|--------------|------------|-------|
|           | area planted | production | yield |
| 2010/2011 | 7,780        | 667        | 85.7  |
| 2011/2012 | 6,180        | 358        | 57.9  |
| 2012/2013 | 8,953        | 1,090      | 121.7 |
| 2013/2014 | 6,590        | 359        | 54.5  |
| 2014/2015 | 9,833        | 1,245      | 126.6 |
| 2015/2016 | 7,120        | 486        | 68.3  |
| 2016/2017 | 9,813        | 1,457      | 148.5 |
| 2017/2018 | 8,301        | 879        | 105.9 |
| 2018/2019 | 11,547       | 2,647      | 229.2 |

Note:

Area: in 000 feddan-Yield in kg/feddan-Production in 000 MT

Source; Ministry of Agriculture-Agriculture Statistics

Annex 4: Major cash crops

| Year             | Groundnuts   |            |       | Year      | Cotton       |            |         |
|------------------|--------------|------------|-------|-----------|--------------|------------|---------|
|                  | area planted | production | yield |           | area planted | production | yield   |
| 2010/2011        | 4,803        | 1,103      | 229.6 | 2010/2011 | 107          | 71         | 663.6   |
| 2011/2012        | 4,993        | 1,032      | 206.7 | 2011/2012 | 392          | 288        | 734.7   |
| 2012/2013        | 6,501        | 1,767      | 271.8 | 2012/2013 | 177          | 131        | 740.1   |
| 2013/2014        | 4,817        | 963        | 199.9 | 2013/2014 | 193          | 164        | 849.7   |
| 2014/2015        | 6,417        | 1,871      | 291.6 | 2014/2015 | 176          | 176        | 1,000.0 |
| 2015/2016        | 5,336        | 1,042      | 195.3 | 2015/2016 | 222          | 205        | 923.4   |
| 2016/2017        | 6,989        | 1,826      | 261.3 | 2016/2017 | 172          | 170        | 988.4   |
| 2017/2018        | 6,144        | 1,668      | 271.5 | 2017/2018 | 444          | 508        | 1,144.1 |
| 2018/2019        | 8,447        | 2,884      | 341.4 | 2018/2019 | 541          | 551        | 1,018.5 |
|                  |              | Sesame     |       |           |              |            |         |
| Year             | area planted | production | yield |           |              |            |         |
| 2010/2011        | 4,226        | 363        | 85.9  |           |              |            |         |
| 2011/2012        | 4,018        | 187        | 46.5  |           |              |            |         |
| 2012/2013        | 6,141        | 562        | 91.5  |           |              |            |         |
| 2013/2014        | 2,842        | 205        | 72.1  |           |              |            |         |
| <b>2014/2015</b> | 7,764        | 721        | 92.9  |           |              |            |         |
| 2015/2016        | 5,757        | 329        | 57.1  |           |              |            |         |
| <b>2016/2017</b> | 6,685        | 525        | 78.5  |           |              |            |         |
| 2017/2018        | 7,765        | 782        | 100.7 |           |              |            |         |
| 2018/2019        | 10,717       | 960        | 89.6  |           |              |            |         |

Note:

Area: in 000 feddan-Yield in kg/feddan-Production in 000 MT

Source; Ministry of Agriculture-Agriculture Statistics