



# Analysis of the business environment in Least Developed Countries

## Sudan

March 2023



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# Sudan

Region  
**North-eastern Africa**

Population(2022)  
**46 874 204**

Demographic growth  
**2.67%**

Average income (2021)  
**758 USD**

Human Development Index:

**172 out of 191 countries: Human Development Index (HDI) of Sudan increased from 0.42 index in 2002 to 0.51 index in 2021, growing at an average annual rate of 1.08 per cent.**

## Economic overview

*In 2020, the share of agriculture in Sudan's Gross Domestic Product (GDP) was 20.92 percent, industry contributed approximately 22.88 percent, and the service sector contributed about 36.09 percent. Agriculture remains the mainstay of a large majority of employed Sudanese, particularly among women, the poor and rural areas. It constituted about 80 per cent of the country's non-oil exports<sup>1</sup>. According to the HDI, an estimated 47 per cent of Sudan's population live below the national poverty line.*

About 20 million hectares are cultivated in Sudan; however, 84 million are suitable for agriculture. Rain-fed traditional farming practices continue to dominate, but large-scale mechanised farming is growing, especially along the Nile River and its tributaries. Approximately 93 per cent of the irrigated land is in government projects; the remaining seven per cent belongs to private owners. The traditional rain-fed farming sector includes nomadic, transhumant (moving with animals and growing short-maturity subsistence crops), and sedentary farming systems that also have a significant number of livestock (cattle, sheep, goats, and camels). The UN Food and Agriculture Organization estimates animal resources were around 166 million heads in 2019 and contributed some 45 per cent to the total GDP of the agriculture sector.

Sudan's manufacturing sector remains relatively small; manufacturing and mining combined contribute less than one-third of the GDP and employ only a small percentage of the country's



labour force. In 2019, according to World Bank data, manufacturing was responsible for 11.75 per cent of Sudan's GDP. The processing of food and beverage products dominates the country's industrial base. Sugar refining is a major activity, as are the production of vegetable oil and soap, cotton ginning, and cotton textiles. Other industries include oil refining and the production of shoes, chemical fertilisers, and cement. Many factories, however, operate at a mere fraction of their capacity.

Sudan's energy grid is ageing, with power generation and distribution sectors requiring significant upgrades and expansion. The government seeks to improve immediate power generation capabilities while upgrading existing plants and building new capacity. The government is also seeking to expand electrical services to rural sections of the country, where the population depends on biofuels and waste as its primary energy sources. The centralised planning legacy of Sudan's previous government has left the central government as the primary customer

<sup>1</sup> Abubaker Haroun and Mohamed Adam, 'The Future Perspectives Of Agricultural Graduates And Sustainable Agriculture In Sudan' (2019) 1 Journal of Agronomy Research.

for large power generation and distribution projects. A 2019 Sudan Electrical Holding Company (SEHC) report established Sudan's annual consumption at 3.4 gigawatts (GW) hours. SEHC is anticipating an eight per cent yearly growth in electrical demand.

The tourism sector in Sudan makes up a small portion of the country's economy, with only 2.4 per cent of the total GDP<sup>2</sup>. The tourism sector in the country has been affected by war and conflicts making the area unsafe for visitors. Sudan's main tourist attractions are wildlife, archaeology, scenic mountainous region, and rich cultural heritage.

Sudan's government continues to signal its determination to adopt market-based economic reforms, dismantle various government-controlled monopolies, curb popular fuel and food subsidies, and curtail the influence of powerful trading combines. These structural changes to Sudan's economy could cause popular unrest but should facilitate the emergence of a more open economy.

## Challenges faced by the private sector

- Agricultural productivity is low and variable because of unpredictable climate conditions, degraded soils, low and poor technologies, lack of knowledge, and ongoing armed conflict impairing farming in some areas<sup>3</sup>. **The country's skills base remains too limited to sustain agriculture-based economic innovation and transformation strategies unless additional capacities are injected.**
- **Low and poor access to electricity:** Frequent blackouts often last all day, affecting productivity and the cost of doing business. The country imports power from neighbouring Ethiopia with an electricity access rate of 32 per cent.
- The Industry Act 2021 has certification requirements only attainable to medium-to-large industries, which makes it conducive to a business environment that caters for larger industries at the expense of smaller ones. This has

substantial implications considering that micro, small and medium-sized enterprises (MSMEs) represent up to 98 per cent of employment<sup>3</sup>.

- **The sizeable informal sector:** 65 per cent of prime-age workers (those aged between 25 and 54 years old) are engaged in the informal sector, according to the International Organization of Labour. **The lack of a suitable conducive environment to facilitate micro and small enterprises is a major factor propelling the expansion of a large informal sector in Sudan.**



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- **Education levels are substantially lower in rural areas than in urban areas and lower for women than for men.** Education level by gender and location show heterogeneity across gender and location. People living in rural areas are less educated than the urban population, and education levels are lower for women than men.
- **Low literacy rate - A large portion of the country's existing workforce lacks basic reading and writing skills.** The average literacy rate is only 24 per cent; in urban areas, it is about 52 per cent. Over 37 per cent of Sudan's adult population has never attended a formal school, 41 per cent have at most primary school education, 15 per cent have at most secondary school education, and only seven per cent have some post-secondary education. With current low enrolment rates for children of school age, the problem of illiteracy will likely continue for an extended period. Currently, the literacy rate for 15–24-year-old people is only 35 per cent in rural areas and 65 per cent in urban areas. The implication is that businesses have very limited

<sup>2</sup> C. Michael Hall: 'Constructing Sustainable Tourism Development: The 2030 Agenda And The Managerial Ecology Of Sustainable Tourism' (2019) 27 Journal of Sustainable Tourism.

<sup>3</sup> Pei Sun Loh and others: 'Impact Of Climate Change On Vegetation Cover At South Port Sudan Area' (2020) 8 Climate.

<sup>4</sup> ILO. Project "SUDAN: Support to the development of a National Employment Framework" A Roadmap Toward A National Employment Policy For Sudan. 2014

access to an educated and skilled workforce.

- Large infrastructure deficit is a significant obstacle to business growth in Sudan as it limits opportunities, creates inconveniences, and sustains high costs for basic services. Years of conflict have wiped out much of the country's infrastructure. The government has one of Africa's most selectively developed and underdeveloped infrastructures. Infrastructure in Sudan largely subsists around Khartoum, the country's main hub, which acts as a direct connection between five major areas—Port Sudan, Egypt and North Africa, the Eritrean border, Kordofan and Ethiopia. The rest of Sudan consists of disjointed highways, five international airports severely limited in their operational capacity due to financial constraints, and a power infrastructure focusing primarily on major urban areas.

A sizable share of the country lacks good roads. There are a few well-developed internal corridors, while rural connectivity is almost non-existent. Road density is exceedingly low, and traffic along most roads is sparse. Poor-quality roads drastically undermine the efficiency of transport services. Further, the large volumes of unpaved roads make movement impossible during the rainy season. The government has expressed interest in rebuilding the main highway between Khartoum and Port Sudan and the southern Khartoum-Kosti roadway.

- The low rate of female participation in the labour force is partly explained by legal obstacles to women's economic activities in Sudan. There are significant legal obstacles to women's labour market opportunities in Sudan. Sudanese women often cannot work in the same way as men, work the same night hours, perform jobs deemed hazardous, arduous, or morally inappropriate, perform the same tasks, or work in the same industries, according to the World Bank.
- Freight logistics and high costs: These high costs stem from geography and a burdensome administrative process, multiple checkpoints, and transport infrastructure constraints. Inland transportation between Mombasa and Juba

takes 17 days and costs \$8,075 for importing and 14 days, and \$4,000 for exporting. During the rainy season from April/May to October/November each year, many roads in South Sudan are impenetrable. Multimodal road-river transport is the only alternative for travel for half the year. The multimodal transport costs are typically lower than for road, but river transport adds about six days to the travel time.



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- The closure of schools and other learning institutions during the Covid-19 lockdown has resulted in learning losses, which could affect human development outcomes in the long term. The limited digital infrastructure and lack of ubiquitous and easy access to technology hampered the possibilities of online learning during this period.
- The lack of a vibrant private sector is a key factor contributing to the scarcity of jobs in the Sudanese economy. Poor business conditions, such as lack of marketing services, access to credit, and significant constraints to trading across borders, are important challenges to private sector growth and investment.
- The existence of unclear land tenure and ownership policies, rules and practices is a critical challenge for the private sector, considering land's territorial and symbolic role in disputes among communities within South Sudan.
- Capital inflow to the economy is low due to the insecurity issues created by ongoing community conflicts. Armed conflicts in Sudan's westernmost region of Darfur have subsided, but many parts of the region remain precarious because of the proliferation of arms and banditry.

## Private sector policy recommendations

- The government should strengthen its decentralisation policies by empowering local



communities to foster dialogue around sensitive topics, including natural resource management and harmonising resources for nomads and farmers.

- The government should pursue policies that strengthen farmers' associations, reform land ownership policies and improve smallholders' access to finance.
- The government should provide agricultural extension services to the private sector to empower rural populations that rely entirely on crop farming and livestock rearing<sup>5</sup>. The initiative should involve educating farmers on the efficient use of technology in farming as well as improvement on animal husbandry to enhance optimal breeding.
- The Sudanese legal and institutional frameworks should be reformed to increase private participation to provide advanced ICT tools that will integrate the economy to a global scope<sup>6</sup>.
- The government should engage the private sector in off-grid electricity generation through least-cost generation practices, effective electrification planning, and introduce off-peak and on-peak electricity pricing to make it affordable<sup>7</sup>.
- The government needs to address the impact of climate change by adopting policies aimed at protecting the ecosystem, encouraging the production and use of clean energy sources, and promoting green energy. The private sector should be engaged to develop effective mechanisms for waste management and disposal, such as recycling or a circular economy<sup>8</sup>.
- Dispute resolution in the country is the initial step towards tourism development. This can be achieved by employing additional mediation and security services from private organisations and holding constructive dialogue where the issues of each party are addressed<sup>9</sup>.
- The government should focus on developing transport infrastructure to make tourist sites accessible and convenient. This will contribute immensely to employment in the host rural communities.
- The government should partner with the private sector to develop an employment roadmap toward a national employment policy. This will assist the government in giving substance to its commitment to promote full and quality-centred employment through an appropriate choice of economic, industrial and social policies, as well as the establishment of efficient institutions and the necessary legal framework to support it.

*This publication was produced with the financial support of the European Union. Its contents are the sole responsibility of the International Organisation of Employers (IOE) and do not necessarily reflect the views of the European Union.*



**Co-funded by  
the European Union**

<sup>5</sup> Abubaker Haroun and Mohamed Adam, 'The Future Perspectives Of Agricultural Graduates And Sustainable Agriculture In Sudan' (2019) 1 Journal of Agronomy Research.

<sup>6</sup> Maha Bashri, 'Networked Movements And The Circle Of Trust: Civil Society Groups As Agents Of Change In Sudan' (2020) 24 Information, Communication & Society.

<sup>7</sup> Felix Makonye, 'The Grand Ethiopian Renaissance Dam (GERD) As A Solution For Sustainable Hydro-Electricity Generation: Tensions And Threats With Egypt And The Sudan' (2021) 8 Journal of African Foreign Affairs.

<sup>8</sup> Pei Sun Loh and others, 'Impact Of Climate Change On Vegetation Cover At South Port Sudan Area' (2020) 8 Climate.

<sup>9</sup> C. Michael Hall, 'Constructing Sustainable Tourism Development: The 2030 Agenda And The Managerial Ecology Of Sustainable Tourism' (2019) 27 Journal of Sustainable Tourism.



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