Sudan

2011

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Commercial Port
Petroleum Port
Fishing Port
Airport
Main Road
National Capital (4 754 000 In. 2007)
over 500 000
over 200 000
over 50 000
0 km
90
180
270 km
EGYPT
LIBYA
CHAD
RED SEA
SAUDI ARABIA
ERITREA
ETHIOPIA
C. AFRICAN REP.
D. R. OF THE CONGO
UGANDA
KENYA
Wadi Halfa
Port Sudan
Tokar
Atbara
Omdurman
Khartoum North
KHARTOUM
Kassala
Wadi Medani
Gedaref
El Fasher
Nyala
El Obeid
Kosti
Juba
This map is for illustrative purposes and is without prejudice to the status of or sovereignty over any territory covered by this map.

Sudan

Overview

Sudan's economy picked up slightly in 2010 to grow 5%, after 4.5% in 2009 but this was one percentage point lower than expected. The economy is projected to grow 5.1% in 2011 and then 5.3% in 2012 largely due to increased oil production and sustained gains in the non-oil sector. The non-oil sector remains buoyant and should underpin economic growth in the medium term through the continued revival of agriculture and increased investment in infrastructure, especially roads and electricity, and manufacturing.

A major feature of 2010 was continued expansionary public sector spending. This was driven firstly by implementation of various regional peace agreements and the financing of April 2010 presidential and parliamentary elections in the North and South. Additionally, the government continued costly subsidies for fuel and electricity. As a result, the budget deficit rose to 2.1% of gross domestic product (GDP) in 2010 from 1.9% in 2009. The Central Bank of Sudan increased money supply partly to provide credit to the government and partly to offset the negative effects of a decline in credit to the private sector in the aftermath of the global financial crisis. The Sudanese Pound (SDG) fell 16% against the US dollar (USD) due to political uncertainties associated with the January 2011 referendum as well as growing concerns over the low level of foreign reserves. Inflation rose to 13.8% from 11%.

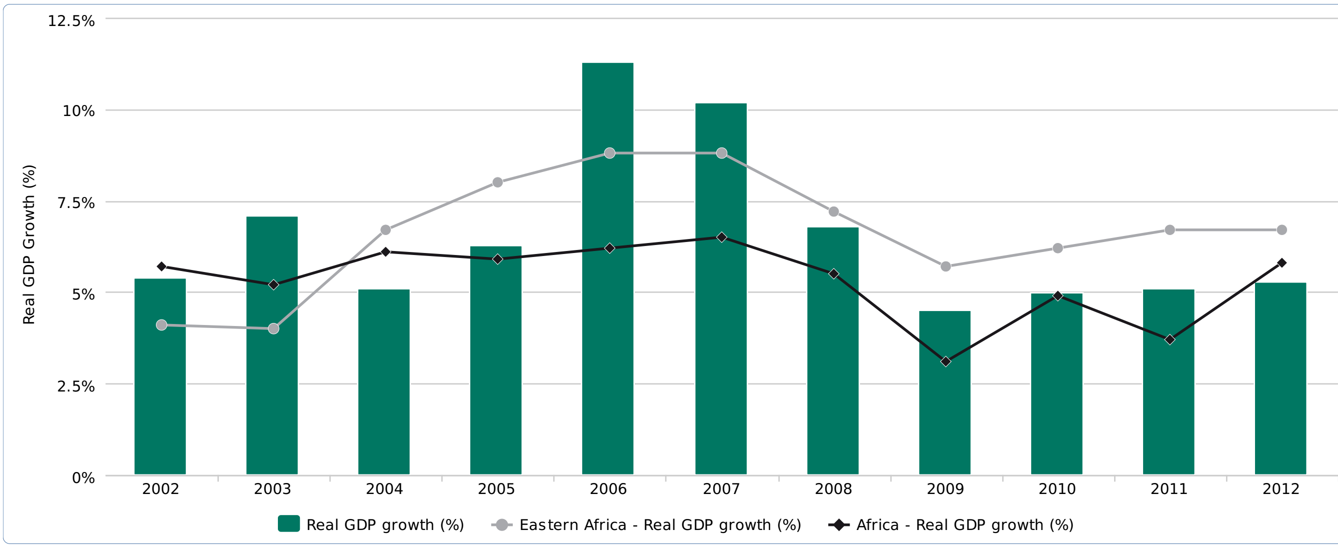
The challenge ahead for the authorities is to ensure macroeconomic stability and sustainability of internal and external balances by controlling the fiscal deficit, rebuilding foreign reserves and maintaining low inflation.

As a result of increased public investment in infrastructure, the national road network and electricity generation have improved but many parts of the country, particularly conflict areas in the South and Darfur, suffer from a severe infrastructure deficit – even by national standards. Poor infrastructure means higher production costs and constrains opportunities for broad-based non-oil growth. At the same time, the authorities face tremendous challenges in providing public services, particularly education and clean water, to these areas, due to financial constraints and insecurity in some cases. Sudan has had limited access to external financing from donors and multilateral financial institutions over the last two decades. It remains among the heavily indebted least developed countries, with no signs of qualifying for debt relief on the horizon. Sudan has increased its ties with emerging country partners and this offers the possibility of resource-backed loans for infrastructure and public services projects as well as private sector development.

Sudan continues to strengthen links with key emerging country partners, especially China, Malaysia and India following the attraction of substantial "resource-seeking" FDI from these countries since the late 1990s. The oil sector has contributed significantly to economic development. A peaceful conclusion to the North-South separation process is critical for sustaining oil production and for protecting the stock of committed oil-related FDI. This is also an important catalyst for attracting further resource- and market-seeking FDI, and for paving the way to normalising relations with key global players, particularly the United States and the European Union.

The division of the country poses unprecedented challenges. The demarcation of the border presents major risks given the presence of several active conflict zones but the ruling National Congress Party (NCP) in the North and the Sudan People's Liberation Army (SPLA) in the South have agreed to form joint forces to protect oil fields and infrastructure through the secession process. Despite progress in some areas of social development, the challenge of reducing poverty and achieving other Millennium Development Goals (MDGs) remains formidable, with a real per capita income growth rate of about 3% in 2010 and skewed income distribution across regions and social groups.

Figure 1: Real GDP growth (E)



Source: IMF and local authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink http://dx.doi.org/10.1787/888932404579

Table 1: Macroeconomic indicators

	2009	2010	2011	2012
Real GDP growth	4.5	5	5.1	5.3
CPI inflation	11	13.8	14.3	10.7
Budget balance % GDP	-1.9	-2.1	-0.5	-1.5
Current account % GDP	-10.1	-8.3	-6.1	-7.2

Source: National authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink http://dx.doi.org/10.1787/888932406935

Table 2: GDP by sector (in percentage)

	2005	2009
Agriculture, forestry, fishing & hunting	34	28.8
Agriculture, livestock, fishery, forestry and logging	-	-
of which agriculture	-	-
of which food crops	-	-
Mining and quarrying	-	-
Mining, manufacturing and utilities	16.9	22.5
of which oil	-	-
Manufacturing	-	-
of which hydrocarbon	-	-
Electricity, gas and water	-	-
Electricity, water and sewerage	-	-
Construction	4.5	6.8
Wholesale and retail trade, hotels and restaurants	15	14.1
of which hotels and restaurants	-	-
Transport, storage and communication	14.8	13.5
Transport and storage, information and communication	-	-
Finance, real estate and business services	-	-
Financial intermediation, real estate services, business and other service activities	-	-
General government services	-	-
Public administration & defence; social security, education, health & social work	-	-
Public administration, education, health	-	-
Public administration, education, health & other social & personal services	-	-
Public administration, education, health & social work, community, social & personal services	-	-
Public administration, education, health & social work, community, social services	-	-
Other community, social & personal service activities	-	-
Other services	14.8	14.3
Gross domestic product at basic prices / factor cost	100	100

Source: Authors' estimates based on Central Bureau of Statistics' data.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink http://dx.doi.org/10.1787/888932407904

The economy grew 5% in 2010, compared to 4.5% in 2009. The recent rebound in oil prices, the growth of the non-oil sector and increased domestic private consumption should see the economy grow 5.1% this year and 5.3% in 2012.

The oil sector, the main driver of growth over the last decade, was hit by lower oil prices in early 2010. Agriculture grew by only 2.5% on average over the past decade and there is room for improvement. The Government of National Unity – set up to implement the 2005 peace accord between the North and South – extended the Green Mobilization Program, originally scheduled to end in 2011, for another year. The plan focuses on the rehabilitation of agricultural infrastructure and attracting new investors, local and foreign, by removing structural distortions and rigidities, liberalising the labour market and improving the legal system through, among other measures, reforming property rights and the land tenure system.

In 2010, agriculture accounted for 31.2% of GDP and this is projected to increase to 32.3% in 2011. Growth in the agricultural sector was 4.5% in 2010, thanks to increased investment, higher exports and good rainfall. The continuation of the Green Mobilization Program through 2012 is projected to boost agriculture sector growth to more than 5% in 2011 and 2012. In order to diversify away from oil, the authorities have boosted agri-business by opening up the export of sorghum and wheat to the United Arab Emirates and Saudi Arabia, and offering concessionary interest rates to support agricultural exports.

Industry accounted for 26% of GDP in 2010 after growth of about 3.5%. The slump in demand in the fallout from the global financial crisis hit the mining sector hard, particularly oil, but it recovered steadily through 2010 as oil and other commodity prices rose sharply. Mining activity should expand further in 2011 and 2012.

Manufacturing accounted for 10% of GDP in 2010 as sector growth slowed to 7.5% from 7.9% in 2009, reflecting the continuing impact of the global financial crisis and fierce competition from cheap imports. The revival of manufacturing activities is critical for non-oil growth. A boost to agriculture should in turn boost manufacturing through the increased supply of cheap raw materials and by encouraging the processing of agricultural products for export. Policy needs to focus on practical strategies to fully benefit from the incentives offered by China for Sudan’s non-oil exports. Processing of high value agricultural products for the Chinese market holds great potential.

The construction sector accounted for 6.8% of GDP in 2009. It grew 11.2% in 2010, one percentage point higher than in the previous year, and is projected to grow by more than 12% in 2011. The expansion of public utilities helped the sector and it should benefit further from the many special construction projects in conflict areas.

The services sector accounted for 42.9% of GDP in 2010, down from 43.4% in 2009 despite growth of 6.4%. Public services, finance, real estate and the business sub-sectors, with a combined share of more than 25%, all recovered in 2010, helped by increased public spending as rising oil revenues gave the authorities more leeway. At the same time, the need to combat inflation and tighter oversight of the banks to reduce non-performing loans dampened the services sector to some degree.

Domestic consumption contributed an estimated 5.9 percentage points to GDP growth in 2010 but this is projected to fall sharply to 3.2 percentage points this year before rising to 4.4 percentage points in 2012, with public consumption down sharply as private consumption rises. Public spending on infrastructure, and the presidential and parliamentary elections in April 2010, boosted public consumption and investment during the year. Public investment in infrastructure, especially electricity and roads, is expected to continue in 2011. Funding problems and the political uncertainties arising from the country’s division in July pose a serious challenge. The external sector was a significant drag on growth in 2010, at a negative 2.9 percentage points as imports continued to grow while exports contracted. Exports are projected to contribute 1.3 percentage points to GDP growth this year but imports will still subtract 2.2 percentage points and another 1.8 percentage points in 2012.

Table 3: Demand composition

	Percentage of GDP (current price)		Percentage changes, volume			Contribution to real GDP growth		
	2002	2009	2010	2011	2012	2010	2011	2012
Gross capital formation	19.5	23	7.3	10	9.5	2	2.9	2.8
Public	3	5.8	5	9.2	9.4	0.4	0.6	0.7
Private	16.4	17.2	8.1	10.3	9.5	1.7	2.2	2.1
Consumption	86.7	82.1	6.9	3.7	5.1	5.9	3.2	4.4
Public	4.5	15.9	12	-3.5	2.8	2.9	-0.9	0.7
Private	82.2	66.2	4.8	6.8	6.1	2.9	4.1	3.7
External sector	-6.2	-5.1	-	-	-	-2.9	-0.9	-1.9
Exports	13.3	16	-4.4	9.4	-0.9	-0.6	1.3	-0.1
Imports	-19.5	-21.1	8.2	7.6	6.1	-2.3	-2.2	-1.8
Real GDP growth rate	-	-	-	-	-	5	5.1	5.3

Source: Data from national authorities' data; estimates (e) and projections (p) based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

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Macroeconomic Policy

The Comprehensive Peace Agreement (CPA) and the Joint Assessment Mission (JAM), aided by the International Monetary Fund, continue to guide economic policy. The fallout from the global financial crisis has slowed both growth and progress towards achieving the Millennium Development Goals (MDGs). To mitigate the effect of the crisis and stimulate economic recovery, Sudan maintained an expansionary fiscal policy during 2009 and 2010. The key drivers of this fiscal expansion included infrastructure, increased transfers to state governments, fuel subsidies and discretionary spending, mainly on presidential, legislative and local elections. Monetary policy was largely accommodative during 2009-10 in order to increase the amount of money available for the government and banks following the fall in export revenues and liquidity in the aftermath of the global slump. At the same time, the central bank was keeping watch on rising inflation.

In 2011-12, the key macroeconomic policy issue will be to co-ordinate fiscal and monetary policies to expand growth while controlling the deficit, rebuilding foreign reserves and maintaining low inflation. Public spending is expected to grow due to ongoing transfers associated with various regional peace agreements, disarmament and decentralisation, and to infrastructure and agriculture, which is crucial for growth in non-oil activity.

Fiscal Policy

Fiscal expansion started in the second half of 2009 as oil and commodity prices began to rise, and then picked up further in 2010 as a result of higher than expected expenditure on presidential and parliamentary elections. As a percentage of GDP, public spending in 2010 was slightly higher than in 2009.

Total revenue and grants in 2010 is estimated at 16.6% of GDP, up from 16.7% in 2009, while total expenditure increased to 18.7% from 18.6% to give an overall budget deficit equal to 2.1% of GDP. The 2011 budget deficit, calculated on the basis of a united Sudan, is expected to improve to 0.5% of GDP before widening again to 1.5% in 2012. Spending is expected to increase slightly due to oil-related transfers to states and the recent Doha agreement on Darfur but the global recovery is likely to boost oil revenues and foreign investment, helping keep the deficit under control. The budget deficit for the Government of Northern Sudan, however, is expected to be significantly higher in 2011 as the bulk of oil revenues – about 80% – will go to South Sudan after July 2011.

The authorities plan to continue the measures adopted in 2009 and 2010 to reduce dependence on oil revenue. These focus on tax policy, revenue administration, expenditure and public financial management. For example, the authorities plan to allow raw sugar imports and at the same time reduce sugar subsidies. In the South, they plan a unified custom and excise system so as to enhance the tax base. Sudan's high external debt burden will continue to overshadow its economic outlook if no debt relief is available.

Table 4: Public finances (percentage of GDP)							
	2002	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Total revenue and grants	11.9	20.6	21.6	16.7	16.6	16.9	15.7
Tax revenue	5.4	6.9	6.2	7.2	7	6.9	6.8
Oil revenue	5.3	11.6	14.2	8	8	8.4	7.4
Grants	-	-	-	-	-	-	-
Other revenues	1.2	1.5	0.7	0.8	0.8	0.8	0.8
Total expenditure and net lending (a)	8.8	26	23	18.6	18.7	17.4	17.2
Current expenditure	9.8	21.1	19.9	15.9	16	14.7	14.5
Excluding interest	8.5	20.2	19	14.8	14.6	14.2	14.1
Wages and salaries	4.2	6.8	4.9	5.7	5.5	5.1	4.8
Goods and services	1.3	2.1	2.4	1.9	1.8	1.8	1.7
Interest	1.3	1	0.9	1.1	1.4	0.5	0.4
Capital expenditure	2.8	4.8	3.1	2.7	2.4	2.4	2.4
Primary balance	4.4	-4.4	-0.5	-0.9	-0.7	0	-1.1
Overall balance	3.1	-5.4	-1.4	-1.9	-2.1	-0.5	-1.5

a. Only major items are reported.

Source: Data from national authorities' data; estimates (e) and projections (p) based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

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Monetary Policy

The Central Bank of Sudan followed a cautious monetary stance in 2010 aiming at low inflation, rebuilding the foreign reserves and providing appropriate credit to the private sector. Broad and reserve money grew by 21% and 19% respectively in 2010. The foreign reserves stood at USD 360 million at the end of 2009, enough to cover about two weeks of imports. The expected improvement in oil prices through 2011 and further adjustment of the exchange rate could enhance the foreign reserves position.

Monetary policy in 2010 attempted to strike a balance between the need to reduce commercial bank non-performing loans, which accounted for 20% of total loans in 2009, and the need to provide appropriate liquidity to the private sector. Central bank and government bond sales were used to manage liquidity. In addition, the central bank raised the commercial banks’ reserve requirement from 8% in 2009 to 11% in June 2010.

The Sudanese pound (SDG) depreciated by more than 15% against the dollar in 2010. In order to boost non-oil exports, the central bank offered an exchange rate premium to exporters.

Consumer price inflation jumped from 11% in 2009 to 13.8% in 2010, mainly due to a hike in food and beverages prices, which account for 52% of the CPI basket. These price increases were largely due to reduced domestic supply and increased imports of both final and intermediate consumer products that were made more expensive as the exchange rate depreciated. The currency remains under continued pressure due to the political uncertainties ahead.

External Position

Sudan’s current account deficit fell from 10.1% of GDP in 2009 to 8.3% in 2010, largely reflecting the increase in oil revenues and government efforts to dampen import growth. The current account deficit is projected at

6.1% of GDP for the current year.

Sudan's stock of public and publicly guaranteed external debt is estimated at USD 39.6 billion[1] at end-2010, of which about 80% is in arrears. A joint government/IMF/World Bank analysis indicates that debt will continue to be a problem in the near future even in a benign global environment and with good domestic policies. Sudan's debt servicing capacity is constrained by fluctuating oil prices, high committed spending for its regional peace agreements and the need to implement critical poverty and reconstruction programmes. The authorities have asked the IMF to facilitate the country's accession to debt relief programmes under the Heavily Indebted Poor Countries (HIPC) Initiative.

Table 5: Current account (percentage of GDP)

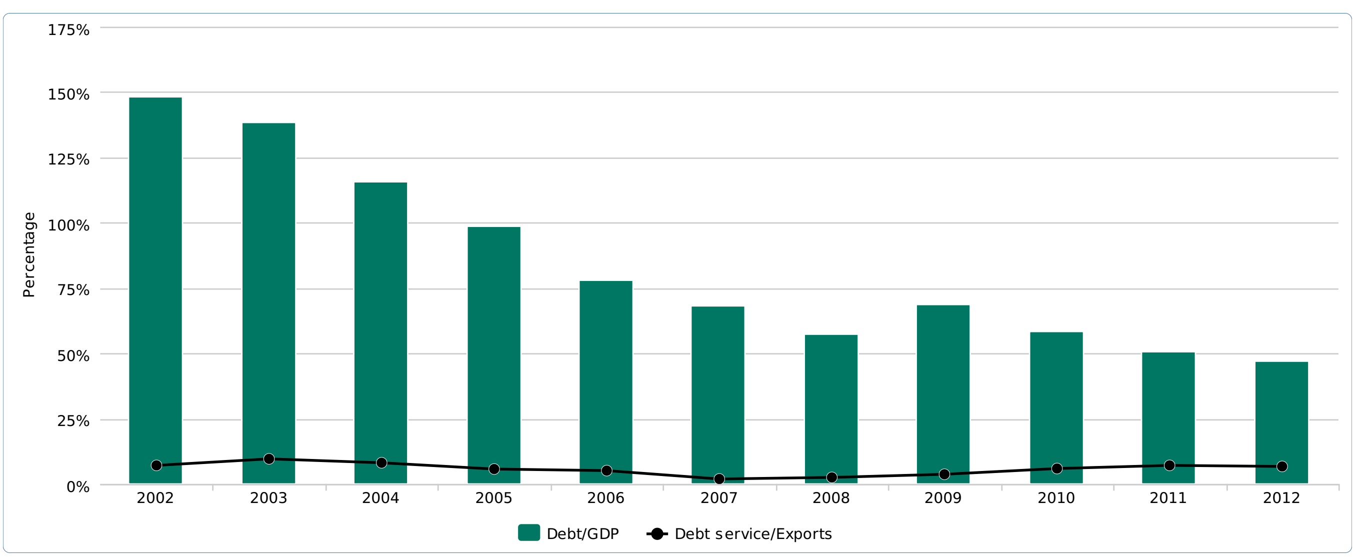
	2002	2007	2008	2009	2010	2011	2012
Trade balance	-1.4	2.5	5.6	2.1	3.3	4.5	3.4
Exports of goods (f.o.b.)	13	19.1	21.2	15.1	14.5	15	13.2
Imports of goods (f.o.b.)	14.4	16.6	15.5	13	11.2	10.5	9.9
Services	-4.8	-6.3	-5	-4.8	-4.2	-3.8	-3.8
Factor income	-8.6	-10	-9.7	-9.5	-9.3	-8.5	-8.3
Current transfers	4.4	1.3	0	2	1.9	1.7	1.5
Current account balance	-10.3	-12.5	-9.1	-10.1	-8.3	-6.1	-7.2

Source: Data from national authorities' data; estimates (e) and projections (p) based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink http://dx.doi.org/10.1787/888932410811

Figure 2: Stock of total external debt (percentage of GDP) and debt service (percentage of exports of goods and services)



Source: IMF and local authorities' data; estimates and projections based on authors' calculations.

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Structural Issues

Private Sector Development

The division of the country in July will have a profound impact on the economy. About 80% of Sudan's current oil production of close to 500 000 barrels per day lies in South Sudan. According to the CPA signed in 2005, oil revenues were divided equally between North and South but that will now change radically. The prospective loss of oil revenues has serious implications for Khartoum. To address the challenge, the government has begun to encourage private sector investment and to develop agriculture as the next best alternative sources of growth besides exploitation of untapped potential oil and gold reserves.

The Government of National Unity (GoNU) has already decided to make more credit available to agriculture during 2011-12. It continues efforts to engage in strategic partnerships with local and foreign private investors, particularly geared towards increasing agricultural exports and diversification of production to lessen dependence on oil. In order to promote this plan, a conference on food security in Islamic countries was held in Khartoum in late 2010. Representatives from more than 55 countries, including officials from the Government of Southern Sudan (GoSS) and international organisations attended. In this context, GoNU welcomed the US government's decision to partially lift sanctions on agricultural equipment destined for Sudan. The authorities consider this an important development that can pave the way for further co-operation that could enhance the country's productive capacity and access to world markets.

Participants at the International Donors and Investors Conference for East Sudan, held in December 2010, pledged USD 3.55 billion in support of the peace agreement for the region. Many private investors from Kuwait showed interest in the new projects announced at the conference. In the same vein, the GoSS is committed to enhancing support for domestic businesses through its private sector development programme launched in 2010. In early 2010, the GoSS hosted an Arab League conference to promote investment in South Sudan.

Sudan's business environment is poor, with the country ranked 154 out of 183 economies in 2010 by the World Bank, down seven places from 2009. Much remains to be done to improve prospects for private sector development, particularly in registering property, paying taxes and getting credit.

Sudan's banking and financial sector is small, comprising 32 banks, including five foreign and four publicly owned lenders. Most banks are concentrated in Khartoum and a few other cities. Although private sector deposits and loans doubled over 2005-09, their ratios to GDP remain low at 16% and 12%, respectively. Non-performing loans have increased while bank capital adequacy levels have declined from an average 11% to 7% over 2008-09. Some nine banks accounting for 50% of domestic loans remain under pressure from high non-performing loan rates and relatively low bad debt provisions. For example, Omdurman National Bank, the largest commercial bank, accounted for 25% of total lending in 2010 and 50% of total non-performing loans in the banking sector. The authorities plan to privatise the bank in 2011.

In order to enhance financial intermediation and private sector access to loans, the central bank needs to strengthen efforts to develop non-bank financial institutions as well as microfinance institutions that target small entrepreneurs as part of poverty reduction strategies.

Other Recent Developments

A newly established higher council for investment, headed by the president, is mandated to remove obstacles facing foreign investors in strategic sectors such as agriculture. A new regulatory framework has been proposed to attract strategic FDI from Arab states and other emerging country partners. These reforms include amendment of the Investment, Companies, Custom, Taxation and Labor and Migration Acts, as well as the establishment of a new arbitration entity for resolving disputes.

A number of strategic projects began in 2010. Cairo-based private investment firm Citadel was allocated huge tracts of land – 110 000 hectares in Nile River state and 100 000 hectares in Al-Wehda province in Southern Sudan under long-term arrangements. It will use the land for agricultural projects to be run by two affiliates – Sabina and the Sudan-Egyptian Agricultural Company. In addition, Citadel started production at its Takamul cement plant in late 2010 and said it would invest another USD 400 million to expand its activities in Sudan and in other east African countries. Among other significant developments, the Saudi Arabian Company for Investment and Development plans to invest some USD 5 billion in telecommunications, construction and industrial projects in Sudan. In 2010, the company signed contracts to set up recycling factories and a mobile phone network. It is also interested in building residential properties around Khartoum's new airport. Locally-based developer Abu Malek Companies and Agencies Ltd have unveiled plans meanwhile for massive urban projects across Southern Sudan estimated to cost USD 10.1 billion.

The GoSS enacted legislation in 2009 to establish for the first time an investment authority providing guarantees and incentives for local and foreign investors in South Sudan. The GoSS has also renewed commitments to protect Northern investors and traders in South Sudan, and pledged generous privileges for investors from the North compared to other neighbouring countries. Since late 2010, 37 medium-sized enterprises owned by Southern entrepreneurs have relocated from the North to the South.

Notable efforts have been made by both the GoNU and GoSS to enhance non-oil growth. It is expected that agriculture will contribute more to growth over the medium term. The manufacturing sector should also post strong growth. However, additional investment incentives for the least developed areas and improved infrastructure remain crucial to broaden the growth base and reduce income inequality as well as poverty.

Emerging Economic Partnerships

Sudan's natural resources have attracted substantial foreign interest and it has benefited from the new generation of oil and gas majors springing up in the emerging economies, especially China, India, Malaysia and South Africa. China is a major player in the exploitation of Sudan's oil resources and its presence has in turn put the country in the international spotlight, both economically and politically, and flagged up its strategic position.

Wracked by conflict for many years and under US sanctions since 1996, Sudan's resources were little developed until the government opened up the oil sector, attracting much foreign interest and with China in the lead. The Greater Nile Petroleum Operating Company (GNPOC) was formed, with China National Petroleum Corporation (CNPC) holding 40%. Petronas Carigall Overseas of Malaysia took 30%, the Indian oil company ONGC Videsh took 25% while the Sudan Petroleum Company (Sudapet) holds the remaining 5%.

The involvement of these companies marked the beginning of a new strategic partnership between their home countries and Sudan. They have jointly invested some USD 11 billion over the period 1999-2008 in upstream operations, including oil export infrastructure as well as refining. Crude oil production started from scratch in 1999 to reach 470 000 barrels per day (bpd) by end-2008[2] and nearly 500 000 bpd in 2010. Almost all of Sudan's new partners attach few if any conditions to their investment, a point criticised by Western countries.

Investment in Sudan's oil sector has had a significant impact in terms of scaling-up economic relations with China, India and Malaysia and other emerging country partners. It has also of itself helped attract non-oil FDI, mainly from oil-rich Arab countries. In response, the government made substantial efforts to improve the business environment, setting up a dedicated Ministry of Investment in 2002 to provide a "one-stop" administrative centre.

Sudan has signed a number of mutual co-operation agreements with China, India and Malaysia, helping attract substantial private sector FDI. In 2008, the stock of private sector, non-oil investment from China was some USD 1 billion, concentrated in the plastics, furniture, construction and paper industries, according to official figures. Private sector investment from India and Malaysia came to USD 850 million, while the combined total for Arab states – mainly Kuwait, Saudi Arabia and Egypt – plus Turkey and South Africa, was put at USD 3.5 billion.

China also emerged as key non-Paris Club creditor for Sudan. In 2003, the Chinese government approved USD 3.5 billion in funding for the Merowe Dam, which began producing electricity at full capacity at the end of 2009. In the period 2003-08, China funded various water and electrification projects in rural areas via zero interest loans worth USD 680 million.

Many Indian firms have been attracted to key strategic sectors, such as railways – a key infrastructure element. Rail India Technical and Economic Services, part of state-owned India Railways, is involved with Sudan Railways in the overall development of the country's railway system. Other Indian companies have gone into power generation and transmission.

Whereas Sudan's relations with its new partners are essentially bilateral, China, in line with its non-interference policy, has often supported Sudan in multilateral forums, particularly on the Darfur conflict. The Forum on China-Africa Cooperation (FOCAC) held its first summit in Beijing in 2000 and is used by both parties to pursue bilateral and multilateral deals. In addition, South Africa increasingly plays a key mediating role in both the Darfur peace negotiations and in the North-South negotiations on Abyei and other disputed areas.

The bulk of incoming FDI from Sudan's new partners is resource seeking, concentrated in oil and mineral extraction. The long gestation of such investments provides Sudan with an opportunity to secure resource-backed infrastructure loans.

The substantial investment from Sudan's emerging country partners has undoubtedly had a large development impact and may have helped the overall peace process by providing hope for the future and revenues to fund reconstruction after many years of conflict.

Sudan is one of the nine members of the Common Market for Eastern and Southern Africa (COMESA) Free Trade Area. Its 700-km long coastline on the Red Sea with existing and potential ports allows the country not only to cater for itself but also to provide trade outlets for some of the landlocked members of COMESA. Sudan's importance as a key trade hub for a sizable regional market should also attract more market-seeking FDI.

The challenge now is how to craft and sustain a framework for the equal sharing of the benefits from oil development and how to attract more diversified FDI, particularly in joint ventures with the local private sector.

Political Context

Despite a boycott by major opposition parties, the presidential and parliamentary elections mandated by the CPA in 2005 were completed in April 2010. President Omar al-Bashir was elected to head the GoNU and General Salva Kiir Mayardit, of the SPLM, was elected head of GoSS. This paved the way for the January 2011 referendum on self-determination for South Sudan, won overwhelmingly by those wanting independence. Formal separation between the North and South is fixed for 9 July 2011.

There remain serious problems to be overcome to ensure a peaceful transition, among them settlement of the disputed Abyei region, the ownership and sharing of oil revenues, border demarcation, determination of nationality and responsibility for Sudan’s external debt. The loss of oil revenues could have a very significant impact on the North.

The CPA ended decades of fighting and paved the way for impressive progress, especially in the South, where some 3 million people returned home during the period 2005-10. To reassure investors, both sides agreed to form joint forces to protect oil fields and infrastructure. Major links based on the oil industry, water resources and trade, including the South’s access to seaports, are likely to remain in place after separation.

Social Context and Human Resource Development

Despite some gains, Sudan’s human development rankings are very low. The Human Development Index compiled by the UNDP put Sudan at 154 out of 169 countries in 2010. Life expectancy fell slightly in recent years but has since recovered to around 55 years – one of the lowest levels in the world.

In 2010, some 46.5% of the population in the North and 50.6% in the South were estimated to live below the national poverty line. The gross enrollment rate in primary education increased from 65% in 2004 to 71% in 2009 in North Sudan. The literacy rate for those aged 15-24 years increased from 27% in 1990 to 72.5% in 2010. Nationally, only one in five children completed primary school in 2010.

The Ministry of Labour estimated the workforce to total 12.2 million in 2010 and the participation rate for the age group 14-64 at 51.4%. Male and female participation rates were estimated at 74.9% and 30%. The workplace is sharply divided between a small number of formal sector wage-earners and a large and highly mobile sector comprising the self-employed, seasonal and casual workers. For 2010, the ministry estimated the national employment rate at 84.2%. Medium- and large-sized industries remain the main creator of employment opportunities in Sudan.

The authorities face numerous challenges in reducing poverty, implementing the numerous peace agreements, and pursuing disarmament and decentralisation. Infrastructure projects and services are concentrated in Khartoum and a few surrounding states, with social indicators showing very marked differences between them and remote areas. The unequal distribution of resources and services is a source of grievances that drive Sudan’s many conflicts and adversely affect investment and development. To address these issues, political power and economic resources will have to be shared more fairly.

Notes

1. IMF, International Financial Statistics, December 2010.

2. See Suliman K. M. and A.A. Badawi 2008, “An assessment of the Impact of China’s Investments in Sudan”. Unpublished AERC study report. Kenya, Nairobi.