



SUDAN

COUNTRY PROFILE



SUDAN



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Introduction

Preparing a Country Guide on Sudan is nowadays an arduous task. All the more so when one takes into due account such issues as: the considerable geographical variety of the country; the vast number of key historical reference points which have shaped the country; the differences between economic structures and output and the numerous paths followed over the course of (constant) changes in the framework of regional geopolitics. On the other hand, it is not difficult to appreciate the thoughts and ideas collected in this publication by Globe Research. The team of writers and researchers deserves full credit for having correctly identified current issues and problems still to be resolved, while providing the reader with indications of future – positive – developments for the country of the two branches of the Nile.

The structure of the Guide follows a formula that our Institute has already used in the past and broadened the scope of it on this occasion. The first part is principally a general description but also defines the region that the Guide will look at; this is particularly helpful to newcomers to the country. A historical profile follows in the second chapter together with detail regarding the political system of the country. Specific analytical paragraphs provide a chronological outline of past and ongoing political and social developments in Sudan and neighbouring countries. The remnants of ancient civilizations do sometimes provide the foundations for current developmental trends, and at times they may constitute an essential ingredient for innovation as yet unseen in the region until now.

The analysis of economic aspects, the structure of the economy and its commercial and financial dynamics constitute the third chapter of the Guide and represents one of the most important focal points within this research. It gives more detail on the prospects for development in the various sectors of the economy – undeniably one of the more interesting changes within recent Sudanese history.

Globe Research has indeed devoted a large part of its Country Guide to these sectors. This is evidence of the Institute's specific interest in the community of international investors and companies who intend to expand their activity into the promising Sudanese market. They will find particularly helpful the specific sections regarding the evaluation of the practicability of foreign investments and

details of national laws regarding foreign investment – the Investment Encouragement Act here reproduced in its entirety. This provides the necessary information to complete the analytical picture, and the practical foundations to the reality of investment in Sudan.

Finally, the Guide could not neglect such crucial aspects as politics and security, by ignoring recent developments in regional relations and country risk. Such information is essential for investors, who require certainty regarding their operations based on complete information and access to a more general and comprehensible picture of the situation of Sudan.

The fourth section of the volume completely satisfies such complementary requirements and broadens a panorama of publications on this African country which has until now too often been the subject of prejudiced analyses without a long-term vision. We believe that Sudan and neighbouring regions would greatly benefit from a positive involvement of international observers. They should look with confidence to the possible developments in Africa with a medium and long-term viewpoint.

The balance and pragmatism found in the following pages of this Guide point in the right direction and these elements will certainly be appreciated by readers and final users of the volume.

Nicola Pedde

Globe Research and Publishing, Director
Rome



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UN Cartographic Section
Sudan, Map No. 3707, Rev. 7, May 2004



**TERRITORY
AND
INFRASTRUCTURES**

PART I



CHAPTER 1

General Information

Sudan is a State in Northern Africa, the largest of the entire continent, with an area equal to eight times the size of Italy; it is bordered by the Red Sea with boundaries with Egypt and Libya to the North; Chad and the Central African Republic to the West; the Democratic Republic of the Congo, Uganda and Kenya to the South, Ethiopia and Eritrea to the East.

From an administrative point of view there are 26 States (*wilayah*); Sudan is now a presidential republic, ruled by a national unity Government. According to the Comprehensive Peace Agreement (CPA) of 2005, it is composed of the National Congress Party (NCP) and the Sudan People's Liberation Movement (SPLM).

Geography and Climate

Geographically the territory is subdivided into three regions: a Saharan desert area to the North (the Libyan and Nubian deserts) – which covers about thirty per cent of the country – and a semi-arid region of the *Sahel* in the center characterized by steppes and gentle hills. Towards the South, however, the climate and vegetation undergo a decisive change; here, in fact, lies a large region, the *Sudd*, occupied by swamps and rainforests. A large part of the Sudanese territory is flat: the few highlands are situated along the coast (Red Sea Hills) and in the central-southern area (the Nubah Hills). The highest mountains in the country are the extinct volcano Jabal Marrah

(3,088 metres) – which dominates the Darfur region to the extreme West – and the *Kinget* (3,187 metres), situated in the South near the Ugandan border.

The Nile basin characterizes the morphology of the country with its two tributaries, the White Nile and the Blue Nile – which join at Khartoum – as well as their own tributaries. The first flows from the union of the *Bahr al-Jabal* with the *Bahr al-Ghazal* as far as the point at which it meets the other tributary, thus forming the Nile proper. The other, which has a larger flow of water, is born in the Ethiopian plateau and crosses the central-eastern part of the country. *Atbara*, the most important of the Nile's tributaries also rises in Ethiopia.

Sudan has a highly varied climate, which ranges from the desert to the continental tropical climate; local variations in temperature are minimal. Seasonal modifications and daily temperature ranges are more accentuated in the desert zones, with winter temperatures that can fall as low as 4° C and summer temperatures far in excess of 40° C. On the coast they are affected by the climatic influence of the Red Sea. Dust storms, known as *habsha*, often occur during the hottest months, before the rainy season. High temperatures and low humidity also prevail in the South and in the central plains; they cause the frequent droughts and famine that have afflicted the country. In the extreme South – on the contrary – the equatorial climate causes excessive humidity and abundant

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rains. The rainy season lasts from April to November, registering a constant swing of climatic changes.

Population, Language and Religion

The structure of the Sudanese population is varied and complex: tribes of the Nilotic group – different from each other but characterized by the dark colour of their skin – have been joined, following foreign conquests, starting from the Middle Ages, by people of fairer complexion, more similar to Europeans and Arabs. The latter (about 40% of the present population) dominated for a long time the indigenous population (today they amount to about 55%), represented by dolichocephalic groups (including the Dinka), mesocephalic (the Nuba) and others, including those of Darfur. Some other populations sharing the same roots as the Nilotic tribes are at present settled in Uganda and Kenya. The abundance of populations also accompanies a certain fluidity in determining ethnic components. Arabs and Dinkas are – however – the majority in the North and South of the country respectively.

The majority of the population is represented by individuals whose average age ranges from 15 to 64 years, 54,1% of the Sudanese, totalling over 21 million. Children, up to the age of 14 years, 43,7% of the total, number over 17 million according to the latest statistics (with a slight prevalence for males notwithstanding their slightly higher mortality); people over 65 total 2,3% of the population – about 900,000. The last available national census dates back –

however – to 1983; there are estimates and forecasts from 1993 and 2003 prepared by the United Nations.

The most widespread languages are Arabic (the official language and the most spoken in the North and centre of the country) and the Sudanese languages, which are divided into occidental and oriental languages and may be estimated at about 400 local dialects. The most frequently spoken among them are Nubian and *To Bedawie* (Beja). The English language remains widely spoken, especially in the North. As far as religion is concerned, the most widely practiced is the Sunnite Islamic religion (70% of the population – though even in this case there are evident difficulties in defining precisely the population among the various cults, due to the lack of official data); Muslims are concentrated in the North, in the West and in the Nubah mountain region. In the southern regions there are significant minorities of indigenous and animist traditional faith – about a third of the Sudanese population – and Christians (this latter seem to represent a portion of the population that varies from 4% to 10%).

Legal, Scholastic and Health Systems

With the peace agreement of 2005 a new interim Constitution was proposed, and ratified on July 5 of the same year. Southern Sudan has a separate Constitution, signed in December 2005. These provide for a pyramidal system at whose top sits a “High Court” and an Attorney General, according to the principles of British

Common Law. The Sudanese legal system is also based on Islamic law (applied to all residents of the northern States regardless of their religion from 1991) although it is not applied to the residents of the southern States. Special rights are reserved for tribes. The vote is universal and reserved to all those who have reached the age of 17.

The average rate of literacy among the population is equal to 61.1%, as high as 71.8% for men, and 50.5% for women. Education is compulsory between the ages of 6 and 13 and schools are concentrated in the cities.

Even though Sudan has suffered evident international isolation – in the '80s and '90s – efforts have been made, on an educational level, to minimize the consequences of this situation: we have seen, therefore, a marked expansion in university education, with the creation of many institutions. The last major educational reform was presented by the present Government in 1991. It aimed at putting the accent on the importance of ethical education by means of religious teaching: this component now figures for the first time among the priorities of the Ministry of Education.

UNICEF's intervention in the field of education (supply of materials and equipment and new schools built) has permitted, in 2006, the enrolment at primary school of almost 720,000 children in the South and over 507,000 in Darfur.

Thanks to specific programmes for family and social reintegration considerable results were obtained, at last, by the demobilization of the former child-soldiers. Demobilized

children that came from armed groups – previously enrolled into the ranks of both the regular Army as well as the rebel troops – numbered 1,113 in southern Sudan, with another 700 inserted into the identification and registration programme.

Efforts have been made for the reconstruction of the largely inadequate health system (in 1996 the World Health Organization registered only 9 doctors per 100,000 persons, mostly in the northern regions). Still today, however – over a year since the signing of the Peace Agreement on May 5, 2005 between the Government and the Sudan People's Liberation Army/Movement – the situation has not noticeably improved, particularly in the South of the country. Added to a severe lack in basic civil infrastructures (numerous hospitals, health centres, wells, schools and villages have been destroyed by the civil war or are in very poor condition, due to the lack of resources and maintenance), is the return of one million people previously evacuated due to the war, which was protracted over nearly twenty years. Humanitarian interventions have therefore mainly been directed to the creation of First-Aid stations and – from 2006 – to the creation of transit areas for ex-refugees and ex-evacuees. The aim being to supply them basic medical assistance, water and hygiene products, protection and nutritional support. The levels of HIV infection do not seem alarming if compared with regional standards. UN Agencies believe, however, that these are under-estimates and should be corrected.

SUDAN IN NUMBERS – CIA World Factbook

TERRITORY	
LOCATION:	Northern Africa, bordering the Red Sea between Egypt and Eritrea
GEOGRAPHIC COORDINATES:	15 00 N, 30 00 E
AREA:	Total: 2,505,810 sq km Land: 2,376,000 sq km Water: 129,810 sq km
LAND BOUNDARIES:	Total: 7,687 km Border countries: Central African Republic, 1,165 km; Chad, 1,360 km; Democratic Republic of the Congo, 628 km; Egypt, 1,273 km; Eritrea, 605 km; Ethiopia, 1,606 km; Kenya, 232 km; Libya, 383 km; Uganda, 435 km.
COASTLINE:	853 km
MARITIME CLAIMS:	Territorial sea: 12 nm; Contiguous zone: 18 nm; Continental shelf: up to 200 nm (exploitation of resources)
CLIMATE:	Tropical in South, arid desert in North. Rainy season lasts from April to November depending on the areas
TERRAIN:	Generally flat, mountains in the South, in the North and in the West; the desert is in the majority in the North
ELEVATION EXTREMES:	Lowest point: Red Sea, 0 m above sea level Highest point: Mount Kinyeti, 3,187 m
NATURAL RESOURCES:	Petroleum; small reserves of iron ore, copper, chromium ore, zinc, tungsten, mica, silver, gold
LAND USE:	Arable land: 6.78%; Permanent crops: 0.17%; Other: 93.05% (2005)
IRRIGATED LAND:	18,630 sq km (2003)
NATURAL HAZARDS:	Dust storms and persistent periods of drought
ENVIRONMENT - CURRENT ISSUES:	Inadequate supplies of potable water; wildlife populations in danger due to excessive hunting; progressive soil erosion; desertification; periodical drought
ENVIRONMENT - INTERNATIONAL AGREEMENTS:	Sudan took part in the Kyoto Protocol and agreements to Climate Change, Biodiversity, Desertification, Endangered Species, Law of the Sea and Ozone Layer Protection; all these agreements have been signed and ratified
GEOGRAPHY NOTES:	Sudan is the largest country of the African continent, dominated by the Nile and its tributaries

POPULATION

POPULATION:	41,236,378 (July 2006 est.)
AGE STRUCTURE:	0-14 years: 4.7% (male 8,993,483 / female 8,614,022); 15-64 years: 54.9% (male 11,327,679 / female 11,297,798); 65 years and over: 2,4 % (male 536,754 / female 466,642) (2006 est.)
AVERAGE AGE:	Total: 18.3 years; male: 18.1 years; female: 18.5 years (2006 est.)
POPULATION GROWTH RATE:	2.55% (2006 est.)
BIRTH RATE:	34.53 births/1,000 population (2006 est.)
DEATH RATE:	8.97 deaths/1,000 population (2006 est.)
NET MIGRATION RATE:	- 0.02 migrants/1,000 population (2006 est.)
SEX RATIO:	At birth: 1.05 male/female; 0-15 years: 1.04 male/female; 15-64 years: 1 male/female; 65 years and over: 1.15 male/female;
INFANT MORTALITY RATE:	Total: 61.05 deaths/1,000 live births Male: 61.88 deaths/1,000 live births Female: 60.18 deaths/1,000 live births (2006 est.)
LIFE EXPENCTANCY AT BIRTH:	Total population: 58.92 years; male: 57.69 years; female: 60.21 years (2006 est.)
TOTAL FERTILITY RATE:	4.72 children born/woman (2006 est.)
HIV/AIDS PREDOMINANT RATE IN ADULTS:	2.3% (2001 est.)

MEANS OF COMMUNICATION

TELEPHONY - TELEPHONE LINES:	670,000 (2005 est.)
TELEPHONY - CELL.PHONES:	1,048,600;(2004 est.)
TELEPHONE SYSTEM:	General evaluation: well-equipped system for regional standards; the use of cell-phones began in 1996 and is now highly developed. Domestic: radio link, coaxial cable, cell-phone, tropospheric scatter, domestic satellite system with 14 earth stations. International: country code- 249; satellite earth stations-1 Intelsat (Atlantic Ocean)
RADIO BROADCAST STATIONS:	AM 12, FM 1, shortwave 1; (1998 data)
TV BROADCAST STATIONS:	3; (1997 data)
INTERNET EXTENSION:	.sd
INTERNET HOSTS:	1; (2005)
INTERNET USERS:	1.14 milioni; (2005)

MEANS OF TRANSPORTATION

AIRPORTS:	88 (2006)
AIRPORTS WITH PAVED RUNWAYS:	Total: 15; over 3,047 m: 2 2,438 to 3,047 m: 9 1,524 to 2,437 m: 4 (2006)
AIRPORTS WITH UNPAVED RUNWAYS:	Total: 73; over 3,047 m: 1 1,524 to 2,437 m: 18 914 to 1,523 m: 37 under 914 m: 17 (2006)
HELIPORTS:	1 (2006)
PIPELINES:	Gas main 156 km; oil 2,365 km; refined products 810 km (2004)
RAILWAYS:	Total: 5,978 km; Narrow gauge (1.067 m): 4,578 km; (0.6 m gauge cotton line) 1,400 km; (2005)
HIGHWAYS:	Total: 11,900 km; paved: 4,320 km; Unpaved: 7,580 km; (1999)
WATERWAYS:	4,068 km (1,723 km are navigable all year round along the White Nile and the Blue Nile) (2005)
MERCHANT MARINE:	Total: 2 ships (1000 GRT or over) 11,326 GRT/14,068 DWT; ships by type; cargo 1, animal freight 1; ships in other countries: 2 (Panama 1, Saudi Arabia 1); (2005)
HARBORS:	Port Sudan.



**HISTORICAL BACKGROUND
AND
POLITICAL STRUCTURE**
(Vincenzo Palmieri, Matteo Guglielmo)

PART II



CHAPTER 2

Sudan, as an independent country, came into existence as of January 1, 1956; Islamic-oriented governments – essentially linked with the Arab, northern elite – have long dominated its politics, and little has been left to the seeking of harmony and unity with southern and eastern regions.

This framework has significantly changed in latter years, especially since 2005. Sudanese President Omar Hassan Ahmed al-Bashir has signed comprehensive peace agreements with both the Sudan People's Liberation Movement/Army (SPLM/A) and the East Sudan Front (ESF), whose former opposition to central authorities in Khartoum had characterized much of past decades.

The main purpose of this chapter is therefore to shed light on the history of Sudan – as colonial Powers' direct rule has risen and fallen – and in particular of recent years of independence. Over this long period Sudan has followed different development tracks, and its leaders' policies have therefore changed.

Pre-islamic and Islamic Period; Egyptian Conquest

1798 is a conventional date when taking into account Middle Eastern countries' history, marking the origin of the contemporary era. Napoleon's capture of Alexandria meant a direct external involvement in African and – more significantly from our point of view – Sudanese affairs, which had not occurred until then. That experience, in itself, did not last long

– as British Naval forces led by Horatio Nelson defeated the French and Mohamed Ali's troops swiftly recaptured Egypt – but the event marked a fundamental turning point, as political and economical connections with Europe were in the end decisive in structuring the internal evolution of these States.

The Horn of Africa had long been – until then – largely detached from wider regional trends. Ancient and different societies had arisen in the long timeframe which encompasses prehistoric and contemporary societies but – as a first characteristic that can be spotted and although with different degrees of disentanglement – these civilizations managed to keep themselves at a distance from outside influence, mainly because of natural obstacles to external penetration. Navigation on both arms of the Nile was in fact hampered: a main hindrance on the White Nile was the *Sudd* – the vast and impenetrable papyrus swamp in southern Sudan – coupled with the Ethiopian plateau on the Blue Nile.

Human presence in the regions dates well back to the very beginning of human civilisation, about nine million years ago. Its very cradle might be found – for some authors – in the Nile Valley itself. Remains of ancient societies such as water wheels with pots attached – very similar indeed to the present *sapia* – are, in fact, to be found in the Nubian region dating from the 6th century BCE. Easy access to food and water, combined with the availability of new means of transportation (such as the river

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system itself but also camels brought by Cambyses from Persia in the 6th century BCE) contributed to the birth of the Meroe civilisation (2nd century BCE) and that of Axum (2nd and 3rd century CE). Egyptians, Greeks, Romans and Byzantines sought contact with these Empires, with which they could trade cloth, wine and trinkets and be provided with gum, spices and slaves, as successive Islamic conquerors also did. Direct Arab domination was limited – however – to the coastal zones of the Red Sea region, thus enabling the survival and continued variety of societies.

An important fact to be stressed is the contribution those Empires gave to the tradition of State formation in Sudan and Africa. With mining and metallurgical skills, their citizens were in fact able to spread south and westward, across the Sahel belt. While Meroe was more of a trade empire, warfare underscored much of Axum politics. A third city arose in Sudan starting from the 16th century, Sennar, heart of the Funj kingdom on the Blue Nile. Sennar was indeed an exception (during the last period of its existence, its rule spread from the third Nile cataract to Fazoghli and from the Red Sea to Kordofan), but as Egypt was beginning to rebuild its political strength in the North, the kingdom was disintegrating: new power centres arose in Atbara, Dongola, Fazoghli and Darfur, this latter under the direct influence of the Ottoman Empire.

Apart from these remarkable examples from the past, most of Sudan in the 19th century was structured in small – and indeed numerous – Muslim and tribal States, which shared neither

common religious nor political principles. During the years of Islamic domination and in particular during the reign of the Fatimids, Egypt had never been ruled over by either Baghdad or Istanbul; Egypt was only forced to bow to Salah al-Din, in 1171. Power was hence transferred to Mamluks, whose State lasted until the 16th century, but Ottoman rule – in particular after the Karlowitz peace agreements with France – was unable to give continuity to the centralised structure it inherited. They thus allowed a great degree of freedom to their provinces. As Istanbul was trying – unsuccessfully – to compete with Europe on commercial and technical matters, it was also unable to defend its territories from renewed direct territorial interest in Egypt. When France attacked what was thought to be the “key” to the eastern colonies of Great Britain, the Sultan sought British help, to gather with its own Ottoman forces headed by Albanian-born general Mohamed Ali and rescue Egypt and the Nile Valley.

That was the harbinger of six successive decades of history of Sudan: from 1820 to 1885, various khedivates based in Egypt controlled Sudan with the help of Great Britain, which eventually took over the former, although under nominal co-administration. Egypt sought direct control of Sudanese resources; the latter became increasingly concerned that the routes to India – the *'jewel in the Crown of the Empire'* as Queen Victoria put it – remain under its direct control, in particular after the rebellions in Asia during 1857 and the Suez Canal opening in 1869. Sudanese low-cost and high-



quality cotton production was also important in British eyes.

The first Egyptian ruler in Sudan was Mohamed Ali himself, who undertook his military campaign in Eastern Sudan during October 1820. Egypt had been at war with Arabia during previous years, and Sudan offered the very easy option of boosting nearly-exhausted Egyptian finances. The conquest was complete after merely six months of fighting. An army of five-thousand men under one of Ali's sons – Ismail Pasha – went further up the Nile Valley, taking Sennar and Fazoghli; Kordofan region States were defeated later that same year. Under the Egyptians, for the first time, the *bilad as-sudan* – "Land of Blacks" in Arabic – began to take shape as a political entity in its modern form.

Egyptian and British Rule; the Revolution of the Mahdi

Although with alternating fates – due to recurrent riots which kept flaming up behind their military lines (Ismail himself died during one of those rebellions) – Egyptian armies subjugated all of Sudan within 1828, when even Fashoda in the South fell under their control. During the first half of the 19th century Cairo's efforts were aimed at refining the political structure that assured control of Sudan: social unrest continued unabated, though, as Egyptian authorities (based in Khartoum, which now began its expansion as the centre of Egyptian trades) were being perceived as foreign – Turkish – dominators; all the more understandable as one of the most lucrative trades was that of slaves

from southern Sudan – a monopoly of the State of Egypt until 1850.

The nature of foreign control over most of Sudan by Egypt was due to change due to the financial difficulties which the Government of Cairo had to face, beginning with the defeat in the new war in 1840, against the Ottoman Empire. Ali's capitulation paved the way to increased European presence in Egypt (French and British, in particular), which took the form of growing commercial and financial ties with the two Powers. Ibrahim Pasha – who succeeded Mohamed – ruled only for a short, albeit incisive, period of time, and it was Abbas Pasha who took over from him. Being a conservative man, and with the support of Great Britain, he tried opposing the construction of the Suez Canal, sponsored by French diplomat Ferdinand de Lesseps.

Abbas' successor, Said Pasha, gave France the necessary authorisations which led to the official inauguration of construction works in 1859. The Canal was to be completed ten years later, in 1869. Sudanese States took advantage of the era of economic growth which was experienced by Egypt immediately before and during that decade: great quantities of cotton and unrefined sugar were obtained through the latest machines and exported; much of the productive chain continued to remain – nevertheless – feudal-style until, finally, Said Pasha abolished slavery and corvées in 1858 (but the slave trade continued); taxes were reformed and internal duties abolished, while land was sold to private persons.

In the same years, though, and as a direct effect

of the construction of the Canal, Britain became increasingly involved in Sudanese and Egyptian affairs, through the expeditions of British adventurers in the Upper Nile region and through the control of the finances of Cairo up to the point where – in fact – maintaining the independence of Cairo's Governments seemed more a typical imperial ambiguity, in particular from the second half of the 19th century.

One of the major events in these years of Egyptian rule – over what was due to become Sudan in a few years – was the revolution of the Mahdi. Muhammad Ahmed was born in 1843; son of a carpenter and boat-builder, he had travelled along the whole of the Nile region, whose people and customs he knew well. At his father's death he entered a *samaniya* where he studied theology and eventually grew into a wandering dervish. He later retired to Abba Island – located on the White Nile 150 miles south of Khartoum – to live the life of a religious recluse, together with youngsters who later crossed all of Sudan to spread his teachings. To his judgement, all Ottomans, Egyptians and Europeans were to be held responsible for moral corruption in Sudan. Ahmed and his disciples invited the revolt against "false Muslims" and to pool their personal wealth.

Of particular importance was his call to end looting and tyranny; this particular merging of theological and political issues was to have a very direct effect on Sudanese people: in 1881, during Ramadan, as soon as he proclaimed himself to be the Mahdi (the second great

Prophet) and the Governor of Sudan, the poor, nomads and slaves and (more importantly) the tribes of the west rallied to his call for a war against the infidels and despots. After a year full of victories in 1883, in early 1884 the Mahdi was master of all Sudan, save Khartoum.

British administrators had, meanwhile, moved into Egypt, after having initially underestimated the scale of the revolt. They later concluded that Sudan could not be held, declared Sudan independent from Egypt and sent General Charles Gordon to seek an agreement with the Mahdi or evacuate Khartoum. Neither Gordon nor his deputy, Stewart, were, in fact, fitted for the job: they granted the Mahdi the title of Sultan of Sudan, while trying to reduce Sudan to the status of a British colony. The rebels could not accept this offer: in less than a year the Mahdi's dervish hordes started besieging the capital, overrunning the city's defences. They eventually razed Khartoum, on January 23, 1885.

The Mahdi died of typhus five months later. He was succeeded by Abdullah, who took the title of *Khalifa*; Sudan was nothing more – nevertheless – than a series of military camps. The State had to be based on terror to survive its internal and external enemies, and shortly afterwards it plunged into a series of wars, both with internal enemies (nilotic tribes, slaves, small farmers) and external ones (the Ethiopian Negus and the Sultan of Darfur).

In September 1898 Britain – having won the support of Italy from Eritrea and of Belgium from the Congo and aware of French expeditions' success south of the Sahara – organized

with Egypt a weighty force led by General Herbert Kitchener and met the Caliph's 60,000 warriors on an open plain outside Omdurman, a new Sudanese city built across the Nile and capital of the Mahdist State. Kitchener could avail himself of the help of a new weapon, the machine gun: indigenous casualties were hence huge, totalling 10,800 killed and 16,000 wounded, while survivors found refuge in the Kordofan region. Kitchener easily entered Omdurman as a conqueror; he did not pursue remaining enemies but headed up the Nile to meet the French expedition led by Captain Marchand, which had planted the tricolore in Fashoda. Tension between the two Powers rose and quickly descended. Rival colonial interests were settled in March 1899, leaving Britain as sole ruler of the whole of Sudan. Having secured its authority, Britain invaded Kordofan and destroyed the remnants of the Mahdist forces (the battle of el-Gedid, November 25, 1899). The importance of the Mahdi period lies mainly in its being the first step in the evolution of the consciousness of Sudanese statehood, the memory of which had been lost during Egyptian rule. Whereas Mahdist revolutions continued to burn across all of Sudan in subsequent years, and were a constant threat to British rule – although with little success, as they were easily contained – all modern Sudanese independence movements, born in particular in the '20s, recalled the Mahdist plea to unity and self-government. Subsequent riots were, however, too limited to gain success, albeit not a single year until 1927 registered peace in Sudan.

The Anglo-Egyptian Condominium and Britain's Policy

Egyptian rule in Sudan had been restored with key British help. On January 19, 1899, Britain and Egypt signed an agreement under which Sudan was to be administered jointly. Sudan was formally an Egyptian – and thus an Ottoman – province: it was not possible for Britain to gain direct control over it without hazardous international complications. Lord Cromer's "Condominium" formula fit just perfectly.

The agreement designated territory south of the twenty-second parallel as the "Anglo-Egyptian Sudan" and emphasized Egypt's indebtedness to Britain for its participation in the reconquest of provinces Egypt had lost due to its misgovernment. The basis for continued British presence in Sudan was therefore to be found in this "gratitude", although the agreement fell short of fully clarifying the juridical relationship between the two Condominium Powers. Egypt was obliged – however – to sustain occupation and administration expenditure.

In short, Britain assumed responsibility for governing the territory on behalf of the khedive. Article II of the agreement specified that "the supreme military and civil command in Sudan shall be vested in one officer, termed the Governor-General of Sudan. He shall be appointed by Khedival Decree on the recommendation of Her Britannic Majesty's Government and shall be removed only by Khedival Decree with the consent of Her

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Britannic Majesty's Government". No Egyptian law could be extended to Sudan without his consent. The British Governor General – generally a military officer – reported directly to the Foreign Office through its resident agent in Cairo. In practice, consequently, he exercised extraordinary powers and directed the Condominium Government from Khartoum as if it were a colonial administration.

Sir Reginald Wingate succeeded Kitchener as Governor General in 1899. In each province, two inspectors and several district commissioners aided the British governor (*mudir*). Nearly all administrative personnel were, initially, British army officers – attached to the Egyptian army – and Britain kept a battalion stationed in Sudan. Although the small garrison was clearly insufficient for all-out colonization, as in most parts of its Empire, Britain sought to control Sudan rather through the promotion of a native administration structure and indirect reform of the political and the judicial structure. Central administrators were initially drawn from the British civilian sector in 1901, and soon started arriving in Sudan to form the nucleus of the Sudan Political Service. Egyptians continued filling middle-level posts, while Sudanese gradually acquired lower-level positions. In general, tribal leaders were co-opted in peripheral regions – especially in the South – to complete this scheme.

In the Condominium's early years, the Governor General and provincial governors exercised great latitude in governing Sudan. After 1910 he was assisted by an Executive Council, whose approval was required for legislation and budgetary matters. The council

retained legislative authority until after World War II.

After restoring order and the government's authority, Britain's efforts were aimed at creating a modern government for the Condominium. Judges chose to adopt penal and criminal procedural codes similar to those in force in British India, commissions established land tenure rules and settled claims and disputes, while land taxes remained the basic form of taxation. Their amount depended on the type of irrigation, the number of date palms, and the size of herds: it was the first time in Sudan's history, in fact, that a rate of taxation was fixed.

The 1902 Code of Civil Procedure continued the Ottoman separation of civil law from Shari'a. It also created, however, guidelines for the operation of Islamic law-based courts as an autonomous judicial division under a *chief qadi* appointed by the Governor General. It was hence at this particular moment – and under British rule – that for the first time in centuries Islamic law formed part of Sudanese Law.

If economic issues are to be considered, it is undeniable that appreciable development occurred during the Condominium period: Sudan's revenue increased seventeen-fold in the twelve ensuing years, its expenditure tripled, and its budget reached a balanced state which was maintained until 1960. It has to be noted – though – that growth was mainly confined to the Nile Valley's settled areas and a direct effect of British willingness to involve Sudan in the broader international economy but under a colonial logic.

In the first two decades of Condominium rule, the British extended telegraph and rail lines to link key points in northern Sudan, but services did not reach more remote areas. Port Sudan opened in 1906, replacing Sawakin as the country's principal outlet to the sea. In 1911 the Sudanese Government and the private Sudan Plantations Syndicate launched the "Gezira Scheme" to provide a source of high-quality cotton for Britain's textile industry; it was the world largest cotton growing scheme and soon became Sudan's main export. An irrigation dam near Sennar – completed in 1925 – brought a much larger area under cultivation. Planters sent cotton by rail from Sennar to Port Sudan for shipment abroad. The Gezira Scheme made cotton the mainstay of the country's economy and turned the region into Sudan's most densely populated area by attracting internal migration movements. The production system – based on tenants – was unusual for Sudan, and left the region relatively detached from the evolution of national politics. Also important was the development of trade, which included a large variety of products and was carried out by Arabs through extensive family-based systems.

From a comprehensive point of view, there was little internal resistance to the Condominium. Breaches of the peace usually took the form of brief Mahdist uprisings but it was soon understood that the solution found posed no particular concern to Britain, provided that direct control was maintained over Egypt as well.

Of greater concern were – in particular – the Condominium's undefined borders. A 1902 treaty with Ethiopia fixed the south-eastern

boundary with Sudan. Seven years later, an Anglo-Belgian treaty determined the status of the Lado enclave in the south, establishing a border with the Belgian Congo (the present-day Democratic Republic of the Congo). The western boundary proved more difficult to resolve. Darfur was the only province formerly under Egyptian control that was not soon recovered under the Condominium. When the Mahdiah disintegrated in the second half of the 19th century, Darfur's Sultan Ali Dinar reclaimed its autonomy, which had been lost to the Egyptians in 1874. He succeeded in holding the throne under Ottoman suzerainty and with British approval, on the condition that he paid an annual tribute to the Egyptian khedive (and thus to Britain itself). When World War I broke out, Ali Dinar proclaimed his loyalty to the Ottoman Empire and responded to their call for a jihad against the Allies. Britain – which had declared, in 1914, a protectorate over Egypt – sent a small force against Ali Dinar, who died in subsequent fighting. Britain annexed Darfur to Sudan in 1916.

The main thrust of political development occurred, in these years, among local leaders and among Khartoum's educated elite. In their view, indirect rule prevented the country's unification, exacerbated tribalism in the North, and served in the South to take the region from Arab influence and consign it to British rulers. The decentralization alarmed the educated elite in another sense too: those who had careers in the central administration and envisioned an eventual transfer of power from British colonial authorities to their class, where keener

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for a stronger, centralized Sudan. All these various movements were to meet in the *Murghaniyya/Khatmiyyah Party*, essentially formed by an urban middle class. It was challenged by the *Maañdiyya* – a political and religious organisation born as an offspring of the Mahdist revolution among farmers and shepherds. This organisation had been forbidden by British rulers in the early years of the Condominium and then tolerated during World War I, as a means to revive an "anti-Turkish" movement. Both parties were due to grow and change significantly in the post-war period: although the *Khatmiyyah* opposed indirect rule, the *Ansar* – many of whom enjoyed positions of local authority – supported the concept and soon found the support of the British administration. The *Maañdiyya*, on the other hand, soon found Egypt on its side, as independence was eventually granted to the Cairo Government.

From the beginning of the Anglo-Egyptian *Condominium*, the British sought to modernize Sudan by applying European technology to its underdeveloped economy, and by replacing its authoritarian institutions with ones that adhered to liberal English traditions. We feel it has to be stressed, however, that southern Sudan's remote provinces – Equatoria, Bahr al Ghazal, and Upper Nile – not only received little official attention until after World War I (except for efforts to suppress tribal warfare and the slave trade), but that attention by British administration was also designed in a way that sought to separate those provinces from the rest of Sudan, so as to reconnect them with British East Africa

(the present-day Kenya, Tanzania and Uganda). The British justified this policy by claiming that the South was not ready for exposure to the modern world. To allow it to develop along indigenous lines, the British – therefore – progressively closed the region to outsiders and northern traders in particular, whose importance as a way of building a widespread sense of unity cannot be overestimated. They reflected – in fact – not only the making of a national, united State, but also had a direct local impact through the shail system, a credit facility by traders to small farmers, who profited greatly from this. As a result, the South remained isolated and backward.

Christian missionaries, who operated schools and medical clinics, provided limited social services in southern Sudan. As they maintained separate areas of influence there was no competition among these missions. The government subsidized mission schools that educated southerners, and mission graduates usually succeeded in gaining posts in the provincial civil service. Many northerners were hence keen to regard missionaries as tools of British imperialism. The few southerners who received higher (University) education attended schools and colleges in British East Africa rather than in Khartoum; this exacerbated the North-South divide and Sudan's uneven geographical development.

The colonial administration consolidated its southern position in the '20s, and detached the South from the rest of Sudan for all practical purposes, starting the "closed door" period through laws which barred northern Sudanese from entering or working in the South, thus

reinforcing a separate development policy. The British gradually replaced existing Arab administrators, and expelled the Arab merchants, thereby severing the South's last economic ties with the North. Colonial administrators also discouraged the spread of Islam and the practice of Arab customs. At the same time, they made efforts to revitalize African ethnic customs that the slave trade had disrupted. Finally, in 1930, a directive stated that blacks in the southern provinces were to be considered a people distinct from northern Muslims, and that the region should prepare for integration with British East Africa. Southern regions suffered because of the prolonged economic and administrative isolation. In addition, personal clashes between officials in the two branches – northern and southern – in the Sudan Political Service also impeded the latter's growth. Those who served in the South tended to be military officers with previous African experience, and were usually distrustful of Arab influence. On the other hand, officials in the northern provinces tended to be Arabs drawn from the diplomatic and consular service. Whereas northern provincial governors conferred regularly as a group with the Governor General in Khartoum, their three southern colleagues met to coordinate activities with the Governors of the British East African colonies.

Rise of Nationalism in Sudan; World War II

Sudanese nationalism, as it developed after World War I, was an Arab and Muslim phenomenon with its support base in the northern provinces of the country. Nationalists opposed

indirect rule and advocated a centralized national government in Khartoum responsible for both regions. Nationalists also perceived Britain's southern policy as artificially dividing Sudan and preventing its unification under an Arabized and Islamic ruling class.

A non-Arab, however, led Sudan's first modern nationalist movement. In 1921 Ali Abd al Latif, a Muslim Dinka and former army officer, founded the United Tribes Society that called for an independent Sudan in which power would be shared by tribal and religious leaders. Three years later, Ali Abd al Latif's movement, reconstituted as the White Flag League, organized demonstrations in Khartoum that took advantage of the unrest that followed Sir Lee Stack's assassination. Ali Abd al Latif's arrest and subsequent exile in Egypt sparked a mutiny by a Sudanese army battalion, the suppression of which succeeded in temporarily crippling the nationalist movement.

In 1922, Britain renounced the protectorate over Egypt – imposed during World War I – and approved its declaration of independence. However, the 1923 Egyptian Constitution made no claim to Egyptian sovereignty over Sudan. Subsequent negotiations in London between the British and the new Egyptian Government foundered on the Sudan question. Nationalists, who were inflamed by the failure of the talks, rioted in Egypt and Sudan, where a minority supported union with Egypt. In November 1924, Sir Lee Stack, Governor General of Sudan, was assassinated in Cairo. Britain ordered that all Egyptian troops, civil servants, and public employees be withdrawn from

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Sudan. In 1925 Khartoum formed a 4,500-man Sudan Defence Force (SDF) – under Sudanese officers – to replace Egyptian units.

Sudan was relatively quiet in the late 1920s and 1930s. During this period, the colonial government favoured indirect rule, which allowed the British to govern through indigenous leaders. In Sudan, the traditional leaders were the shaykhs – of villages, tribes and districts – in the North and tribal chiefs in the South. The number of them being recognized and the degree of authority they held varied considerably. The British first delegated judicial powers to shaykhs to enable them to settle local disputes, and then gradually allowed the shaykhs to administer local governments under the supervision of British district commissioners.

After the Anglo-Egyptian "entente" of 1936, a few Egyptians were allowed to return to the country in minor posts. But the signing of the 1936 agreement caused unrest among the Sudanese nationalists who objected both to the return of the Egyptians and to the fact that other nations were deciding their destiny. Expression of this feeling was seen in the formation of the Graduates' Congress, under the leadership of Ismail al-Azhari.

In the 1930s, nationalism re-emerged in Sudan. Educated Sudanese wanted to restrict the Governor General's power and obtain Sudanese participation in the Council's deliberations. However, any change in Government required a change in the Condominium agreement. Neither Britain nor Egypt would agree to a modification. Moreover, the British regarded their role as the protector of the Sudanese from

Egyptian domination. The nationalists feared that the eventual result of friction between the Condominium Powers might be the attachment of northern Sudan to Egypt and southern Sudan to Uganda and Kenya. Although Great Britain and Egypt settled most of their differences in the 1936 Treaty of Alliance, which set a timetable for the end of British military occupation, they failed to agree on Sudan's future status.

Nationalists and religious leaders were divided on the issue of whether Sudan should apply for independence or for union with Egypt. The Mahdi's son, Abd ar Rahman al Mahdi, emerged as a spokesman for independence in opposition to Ali al Mirghani, the *Khatmiyyah* leader, who favoured union with Egypt. Coalitions supported by each of these leaders formed rival wings of the nationalist movement. Later, radical nationalists and the *Khatmiyyah* created the *Ashigga*, later renamed the National Unionist Party (NUP), to advance the cause of Sudanese-Egyptian unification. The moderates favoured Sudanese independence in cooperation with Britain and together with the *Ansar* established the Umma Party. The approach of World War II required the Sudanese armed forces to assume the mission of guarding Sudan's frontier with Italian East Africa (present-day Ethiopia and Eritrea). During the summer of 1940, Italian forces invaded Sudan at several points and captured Kassala. However, the SDF prevented a further advance on Port Sudan. In January 1941, the SDF – expanded to 20,000 troops – re-took Kassala and participated in the British offensive that routed the Italians in Eritrea and liberated

Ethiopia. Some Sudanese units later contributed to the British Eighth Army's North African victory.

In the immediate post-war years, the Condominium Government made a number of significant changes. In 1942 the Graduates' General Conference, a quasi-nationalist movement formed by educated Sudanese, presented the Government with a memorandum that demanded a pledge of self-determination after the war, to be preceded by the abolition of the "closed door" laws, an end to the separate curriculum in southern schools, and an increase in the number of Sudanese in the civil service. The Governor General refused to accept the memorandum but agreed to a government-supervised transformation of indirect rule into a modernized system of local government.

Sir Douglas Newbold, Governor of Kordofan Province in the 1930s and later the Executive Council's civil secretary, advised the establishment of parliamentary government and the administrative unification of North and South. In 1948 – over Egyptian objections – Britain authorized the partially-elected consultative Legislative Assembly representing both regions to supersede the Advisory Executive Council. The pro-Egyptian NUP boycotted the 1948 Legislative Assembly elections. As a result, pro-independence groups dominated the Legislative Assembly. In 1952 leaders of the Umma-dominated legislature negotiated the Self-Determination Agreement with Britain. The legislators then enacted a Constitution that provided for a Prime Minister and Council of Ministers responsible to a bicameral

Parliament. The new Sudanese Government would have responsibility in all areas except military and foreign affairs, which remained in the British Governor General's hands. Cairo, which demanded recognition of Egyptian sovereignty over Sudan, repudiated the Condominium agreement in protest and declared its reigning monarch, Faruk, king of Sudan. After seizing power in Egypt and overthrowing the Faruk monarchy in late 1952, Colonel Muhammad Naguib broke the deadlock on the problem of Egyptian sovereignty over Sudan. Cairo previously had linked discussions on Sudan's status to an agreement on the evacuation of British troops from the Suez Canal. Naguib separated the two issues and accepted the right of Sudanese self-determination.

Toward the Independence and Beginning of the Armed Dissidence in the South

In February 1953, London and Cairo signed an Anglo-Egyptian accord, which allowed for a three-year transition period from Condominium rule to self-government. During the transition phase, British and Egyptian troops would withdraw from Sudan. At the end of this period, the Sudanese would decide their future status in a plebiscite conducted under international supervision. Naguib's concession seemed justified when parliamentary elections held at the end of 1952 gave a majority to the pro-Egyptian NUP, which had called for an eventual union with Egypt. In January 1954, a new government emerged under NUP leader Ismail al Azhari.

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The Azhari Government temporarily halted progress toward self-determination for Sudan, hoping to promote unity with Egypt. Although his pro-Egyptian NUP had won a majority in the 1953 parliamentary elections, Azhari realized that popular opinion had shifted against union with Egypt. As a result, Azhari, who had been the major spokesman for the "Unity of the Nile Valley," reversed the NUP's stance and supported Sudanese independence. On December 19, 1955, the Sudanese parliament, under Azhari's leadership, unanimously adopted a declaration of independence; on January 1, 1956, Sudan became an independent republic. Azhari called for the withdrawal of foreign troops and requested the Condominium Powers to sponsor a plebiscite in advance of the scheduled date.

Soon after independence – however – Azhari's Government was replaced by an unstable coalition of the Mahdist-supported Umma Party (UP) and the People's Democratic Party (PDP). Abdallah Khalil, UP secretary and political leader of a rival religious fraternity – the Khatmiyya – became Prime Minister.

After an indecisive election in February 1958, a military coup in November 1958 by Gen. Ibrahim Abboud won the support of politicians with assurances that the junta aimed merely at restoring stability and would relinquish power when this was achieved. The Abboud regime had some success in the economic sphere, but the extent of military involvement in government and allegation of corruption created growing discontent.

A considerable achievement by Abboud was

the signing of an agreement over Nile waters. The importance of the treaty lies with the regulation of a century-old issue as far as sharing river water was concerned. This is all the more true – from a political point of view – as Sudan's recent independence strained regional relations with the Cairo Government, which the agreement sought to mitigate. It is commonly believed that Egypt has not always complied with the agreement regarding sharing the river water (due to its rapidly increasing population), but Khartoum seems keener on maintaining its good diplomatic relationships with Egypt.

The Government also pursued a military solution to the problem of the predominantly Christian South, where its operations against the Anya Nya rebels forced thousands of southerners to flee to neighbouring countries.

The origin of the Anya Nya movement is uncertain. This fighter group began to be active in 1962-1963 with William Deng. The beginning of the Anya Nya movement was difficult, but its appearance in Sudan marked the real start of armed dissidence in the South.

In 1964 Abboud transferred power to a transitional Government, which was formed with representatives from all parties, including for the first time, the Sudanese Communist Party (SCP) and the Muslim Brotherhood. Its conciliatory approach towards the southern issue proved unsuccessful, however, and following elections held in June 1965, a coalition Government was formed by UP and the NUP, with the UP's Muhammad Ahmad Mahgoub as Prime Minister and Azhari as Head of State.

The new Government faced serious rebel acti-

viety in the South and large numbers of southerners were killed by government troops. The Government itself became increasingly right-wing, and in the late 1965 the SCP was banned. A split meanwhile developed within the UP – with the more moderate members rallying around the party premier, Sadiq al-Mahdi, in opposition to the Prime Minister. Mahgoub resigned in July 1966 and al-Mahdi was elected Prime Minister at the head of another UP-NUP coalition, which collapsed in May 1967. Mahgoub again became Prime Minister.

Nimeiri's Coup d'État

Domestic problems were – however – neglected by the new Government, which severed diplomatic relations with the USA and Britain following the Arab-Israeli war in June, and developed closer relations with the Eastern bloc. Faced by worsening violence in the South and growing divisions within the coalition, the Government was overthrown in a bloodless coup, led by Colonel Gaafar Muhammad Nimeiri, in May 1969.

Nimeiri's first two years in power were characterized by the adoption of socialist policies and the forging of an alliance between the new military leadership and the SCP. The foundations for a one-party state were laid with the formation of the Sudanese Socialist Union (SSU), and the country was renamed the Democratic Republic of Sudan. Internal opposition was ruthlessly suppressed. The Government declared its commitment to regional administrative autonomy for the South

and created a Ministry of Southern Affairs driven by John Garang, a member of the Communist Party political office.

During this period Nimeiri's regime developed closer relations with the Eastern bloc and followed a policy of militant support for the Palestinian cause. The announcement in November 1970 – however – that Presidents Nimeiri, al-Qadhafi and Sadat had decided to unite Sudan, Libya and Egypt as a single federal State proved unacceptable to the communists, who staged a military coup, led by Maj. Hashim al-Ata. It resulted in the temporary overthrow of Nimeiri in July 1971. With popular support, Nimeiri was restored to power within three days. A purge of communists followed and 14 people were executed.

The attempted coup was followed by a cooling of relations with the Eastern bloc and led to a surge in the personal popularity of Nimeiri, who won the first presidential election in Sudanese history in October 1971. The SSU became the sole legal political party.

The Addis Ababa Agreement, signed in March 1972 between the Government and the Anya Nya rebels, appeared to establish the basis for a settlement by introducing regional autonomy for three southern provinces. A regional People's Assembly was established in Juba with representatives in the National People's Assembly and a Higher Executive Council (HEC) of its own.

The leaders of the traditional parties, excluded from involvement in politics, organized themselves into a National Front (NF), which operated as a largely external opposition to the

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regime. Supported at various times by Libya, Iraq, Saudi Arabia and Ethiopia, the NF made several attempts to overthrow Nimeiri. However, as the ideological differences between the Government and the NF diminished, attempts at reconciliation began. During 1977–78 large numbers of political detainees were released and many exiled members of the NF, including al-Mahdi, returned to Sudan, some to take up government posts.

Sudan's normally close relations with Egypt became strained in the early 1980s, partly because of Sudan's desire to preserve close links with the rest of the Arab world at a time when Egypt was increasingly isolated by its signing of the Camp David accord with Israel. The assassination of President Sadat of Egypt in October 1981, and growing fears of Libyan attempts to destabilize the Nimeiri regime, reinforced the feeling of a need in the two regimes for closer co-operation. In October 1982 this culminated in the signing of a charter of integration between Egypt and Sudan, a 10-year agreement providing for political and economic integration and close co-operation in foreign policy, security and development. However, the charter was greeted with scepticism by many Sudanese and with opposition by southern leaders who feared it would lead to a diminution of their role.

Deterioration of the Relationships with Southern Regions

Prolonged discussions about decentralization led to the adoption in January 1980 of a plan whereby Sudan was to be divided into five

regions (Northern, Eastern, Central, Kordofan and Darfur) in addition to Khartoum and the South, which would continue to enjoy a special status and administrative structure.

Relations between the Government and the South were, however, again deteriorating. A decision to sub-divide the South into three sub-regions to avoid domination a single ethnic group (the Dinka) – eventually implemented in May 1983 – was opposed by many southerners, who feared it would weaken their collective position in comparison to that of the North. Southern resentment was further aroused by the decision that petroleum from the newly discovered oilfields astride the traditional boundaries of the two regions would not be refined locally but exported via a pipeline to Port Sudan, and by fears that the Jonglei Canal project would benefit northerners and Egypt but have an adverse effect on the southern population.

Another factor in the deepening crisis was the adoption by the Nimeiri regime – after September 1983 – of certain aspects of Islamic *Shari'a* law, followed by the introduction, after April 1984, of martial law. Despite the general popularity, in principle, of Islamization among the northern Muslim majority, and regardless of official assurances that the non-Muslim world would not be adversely affected, many southern Sudanese were now alienated to the point of armed insurrection. Commonly known as Anya Nya II, the revitalized rebel groups were organized into political and military wings, the Sudan People's Liberation Movement (SPLM) and the Sudan People's



Liberation Army (SPLA) respectively. During 1983–84, the rebels engaged government forces in a series of battles, especially in the Upper Nile and Bahr al Ghazal States. Meanwhile, Nimeiri's commitment to Islamization continued to attract some support among the mainly Muslim population of the North. The heavy sanctions of the penal code were enforced regardless of, and even contrary to, the teachings of Shari'a itself while corruption – which was inconsistent with the principles of Shari'a – continued to proliferate within the ruling elite. No effective action was taken to institutionalize the principle of consultation (shura) in Government, and it was proposed that Nimeiri be given even greater powers than he had previously exercised.

Prominent among the burgeoning opposition was Sadiq al-Mahdi, who viewed Nimeiri's Islamization policies as a gross distortion of Islamic principles. Relations between Nimeiri and Hassan at-Turabi of the Muslim Brotherhood deteriorated, both because the Brotherhood was ignored in the formulation of Islamization policies and because it was potentially a formidable contender for political power, although formally allied to the regime since 1977.

As the country sank deeper into economic disarray, Nimeiri's dependence on his Western allies (especially the USA) – and their influence over him – increased. Eventually he was persuaded not only to acquiesce to the wishes of the IMF in the removal of food subsidies and the further devaluation of the currency, but also to consent to the participation in the evacuation from Ethiopia to

Israel of several thousand Falasha Jews, an action which contravened Sudan's commitments as a member of the Arab League.

By February 1985 disillusionment with the regime and its policies, both internal and external, was rapidly crystallizing.

At this late juncture, Nimeiri moved to deal with the Muslim Brotherhood by putting its leaders on trial for sedition and, by so doing, alienated his last vestige of popular support. Public sentiment was also being rapidly alienated by the Government's failure to deal with the effects of the prolonged drought and the problems created by the continued influx of refugees from Ethiopia, Chad and Uganda. Nimeiri reacted to this situation by adopting a conciliatory stance. The state of emergency was lifted, and the operation of the special courts was suspended, while an offer was made to revoke the new division of the South if a majority of southerners desired it. Nimeiri also reshuffled the Council of Ministers and the Presidential Council. Among those appointed in March 1985 was Lt. Gen. Abd ar-Rahman Swar ad-Dahab, who received the posts of Minister of Defence and Commander-in-Chief of the Armed Forces.

Nimeiri's Fall and the Fragile Sadiq Al-Mahdi Government

Public discontent with Nimeiri's regime reached its culmination in March 1985, exacerbated by substantial increases in the price of food and fuel, and Khartoum was immobilized by a general strike. On April 6, while Nimeiri was in the USA, he was deposed in a bloodless mili-

tary coup, led by Lt. Gen. Swar ad-Dahab himself. A Transitional Military Council (TMC) was appointed and – after two weeks – a 15-member Council of Ministers, including three non-Muslim southerners, was announced. Dr Gizuli Dafallah, a trade unionist who had been a prominent organizer of the general strike, was appointed Prime Minister.

The Council of Ministers was to report to the TMC during a 12-month transitional period prior to the holding of free elections, scheduled for April 1986. Hundreds of Nimeiri's officials were arrested, and the SSU was dissolved.

In response to the coup, the SPLM initially declared a ceasefire, but confronted the new regime with a series of demands concerning the southern regions. Swar ad-Dahab offered various concessions to the South. But the SPLM rejected all the Government's proposals and resumed hostilities. So the civil war in the South continued throughout 1985, with many southern towns under siege. In an attempt to reach an agreement with the SPLM, a conference was held in March 1986 in Addis Ababa between the SPLM and the National Alliance of Salvation (NAS), a semi-official alliance of trade unionists and politicians who supported the Government. The SPLM insisted that the retention of Shari'a law remained a major obstacle to national unity.

The TMC's foreign policy during its 12-month rule reversed Nimeiri's strongly pro-Western stance. While advocating non-alignment, the TMC sought to improve relations with Ethiopia, Libya and the USSR, to the concern of Sudan's former allies, Egypt and the USA. A

military co-operation agreement was signed with Libya in July 1985, and diplomatic relations were quickly restored between Sudan, Libya and Ethiopia.

More than 40 political parties participated in the general election held in April 1986. As expected, no single party was able to obtain the majority of seats in the National Assembly, but Sadiq al Mahdi's UP got the largest number (99), followed by the Democratic Unionist Party (DUP) led by Mohammed Osman al-Mirghani (63 seats), and the National Islamic Front (NIF) of Hassan at-Turabi (with 51 seats).

The newly elected Assembly was – however – unable to agree on the composition of the new Government; following protracted negotiations over the allocation of portfolios, a broadly based administration was formed in May. Sadiq al Mahdi became Prime Minister and Minister of Defence. He urged the southern rebels to negotiate a peaceful settlement, and promised that Shari'a law would be abolished and the state of emergency lifted. Swar ad-Dahab was appointed as Head of State and military Commander-in-Chief.

In an attempt to make the new Government acceptable to the southerners, a special portfolio, the Ministry of Peace and Unity, had been created for a member of NAS, and John Garang (by now the leader of the SPLM) had been offered a post in the Council of Ministers. However, the SPLM refused either to recognize or take part in the new Government. Tensions in the South continued to worsen; in early 1986 the SPLM

launched a new offensive, and captured the town of Rumbek. In July, however, al-Mahdi and Garang held direct talks, for the first time, in Addis Ababa, but the only result was an agreement to maintain contact.

In September 1987 representatives of southern Sudanese political parties met in Nairobi; they issued a joint appeal for all Sudanese political forces to join the peace efforts, and requested that the Government should convene a national Constitutional Conference. However, the conflict in the South continued unabated. In November SPLM forces – allegedly with Ethiopian assistance – captured the town of Kurmuk, near the border with Ethiopia. Although the capture of this town was of little strategic significance, it was nevertheless regarded as damaging to Government morale, as the SPLA had previously confined itself to the South. Kurmuk was recaptured by Government forces in December, and in the same month the Government entered into secret peace negotiations in London with representatives of the SPLM. Although no agreement was reached, the SPLM was reported to have abandoned its demand for abrogation of Islamic law as a precondition for talks.

After two attempts at government coalition changes (April and November 1988), in February 1989 Hassan at-Turabi – the leader of the NIF – was chosen to serve as Deputy Prime Minister.

This appointment, while strengthening the position of the NIF in the Government, reduced the likelihood of an early solution to

the war in the South. However, the Army refused to guarantee that it would not intervene if necessary to arrest Sudan's continued perceived drift towards Libya, and to expedite negotiations to end the war in the South. In March al-Mahdi agreed to form a new, broadly based Government which would begin negotiations with the SPLM. Thirty political parties and seventeen trade unions had previously signed an agreement endorsing the peace agreement drawn up by the DUP and the SPLM in November 1988. The NIF refused, however, to endorse the agreement (which called for the suspension of Islamic laws as a prelude to the negotiation of a peace settlement of the civil war), and was excluded from the new Government formed on March 23, 1989. Peace negotiations between a Khartoum delegation and the SPLM commenced in Ethiopia in April. In early May, the SPLM proclaimed a 45-day ceasefire, but by mid-June negotiations had become deadlocked.

1989: Al-Bashir in Power. 1996 and 1998 Elections

On June 30, 1989 a bloodless coup d'état, led by Brig. (later Lt. Gen.) Omar Hassan Ahmed al-Bashir, removed al-Mahdi's Government and formed a 15-member Revolutionary Command Council for National Salvation (RCC), which declared its primary aim to be the resolution of the southern conflict.

Al-Bashir rapidly dismantled the civilian ruling apparatus; the Constitution, National Assembly and all political parties and trade

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unions were abolished, a state of emergency was declared, and civilian newspapers were closed. A number of coup attempts were reported during 1990, and internal unrest was growing. At the beginning of February, al-Bashir signed a decree introducing a new penal code, based – like its predecessor – on Shari'a law. The code, which was to take effect from March 22, 1991, was not to be applied, for the present, in the three southern regions of Equatoria, Upper Nile and Bahr al-Ghazal.

At the beginning of 1994, the civil war in southern Sudan remained in stalemate. As in previous years, the Government's 1993-94 southern offensive involved the deployment of army and Popular Defence Force (PDF) units to locations along the borders with Zaire (present-day DRC) and Uganda.

On June 13, 1994 a Cabinet restructure was announced, in which Lt-Col at-Tayeb Ibrahim Muhammad Khair was appointed Minister of the Interior.

An unexpected development in the southern conflict occurred on March 27, 1995, when former US President Jimmy Carter persuaded the Sudanese Government to declare a unilateral two-month ceasefire and to offer the rebel groups an amnesty if they surrendered their weapons. However, it soon became apparent that the army was continuing to conduct military operations.

In mid-June 1995 a Conference of groups and parties opposed to the Government took place in Asmara. The meeting, hosted by the Eritrean People's Front for Democracy and Justice (PFDJ), was attended by representatives of the

DUP, the UP, the SCP and SPLA among others. At its conclusion opposition leaders issued a communiqué in which they pledged (once the al-Bashir regime had been ousted) to support the right of self-determination for all Sudanese peoples, based on the results of future referendums, and to establish a decentralized Government.

The first legislative and presidential elections to be held in Sudan since 1989 took place during March 6-7, 1996. About 5.5m of Sudan's 10m eligible voters were reported to have participated in the election of 275 deputies to a new, 400-seat National Assembly. The remaining 125 deputies had been appointed at a National Conference in January. In the presidential election al-Bashir obtained 75.5% of the total votes cast, and formally commenced a five-year term of office on April 1. On the same day Hassan at-Turabi, the Secretary-General of the NIF, was unanimously elected President of the National Assembly.

A unilateral ceasefire declared by the Government throughout southern Sudan on March 1996 did not lead to a cessation of hostilities. Col Garang's faction of the SPLA ignored it, attacking towns close to the Sudanese-Ethiopian border.

On April 21, 1997 a new peace agreement was concluded between the Government and six of the southern factions. In this agreement, self-determination was promised for the southern States, as was – after a four-year transitional period – a referendum on independence. The SPLA refused to sign, claiming that the pact was devised in such a way as to

divide and weaken the southern opposition. In early August 1997 – in accordance with the terms of the peace treaty – the Southern States Co-ordination Council (SSCC) was established. Riek Mashar Teny-Dhurgon, leader of the South Sudan Independence Movement (SSIM, its main base of operation being the area neighbouring the Ethiopian border), was appointed its Chairman. Lam Akol, leader of the SPLA-United, signed a peace agreement with the Government in September and returned to Khartoum in the following month. In early 1998 Riek Mashar announced that the six southern rebel factions which had made peace with the Government had agreed to unify their troops with the Southern Sudan Defence Force (SSDF). Unification of the former factions' troops left two armed organizations – the SPAF and the SSDF – operating in the South. This move was expected to facilitate the war against the SPLA. Discontent among southern politicians became evident, however, in February when many of them threatened to rejoin rebel ranks unless they received positions in the proposed State governments; four were already expected to have done so, including Maj. Gen. Kerubino Kuanyin Bol, one of the founders of the SPLA.

New political law was approved in November 1998 and in early 1999 it was announced that elections would be held in mid-1999 for the State legislative assemblies. The opposition claimed, however, that this schedule would not give the new parties time to prepare themselves for elections. In April voting was postponed in the South until November, as adverse

weather conditions would impede the movement of citizens, and thus their ability to register and vote. Elections in the northern and central States were to be completed in early June. On May 9 al-Bashir granted an amnesty to ex-President Nimeiri. Two days later a licence was granted to Nimeiri's followers to form a political party called the Alliance of People's Working Forces.

On May 22, 1999 Nimeiri returned to Khartoum. During that month the opposition claimed a series of victories in the South and on May 31 Col. Garang of the SPLA, Sadiq al-Mahdi of the UP and Mubarak al-Mahdi of the NDA held closed meetings in Kampala, Uganda, to discuss several issues regarding their armed campaign against the Government.

During 1999 there were increasing reports of rivalry between al-Bashir and at-Turabi, particularly following the introduction of a bill in the National Assembly which sought to limit the power of the President and remove his faculty to appoint and dismiss State Governors. On December 12, 1999 al-Bashir set Sudan on a new course by declaring a three-month state of emergency and suspending the National Assembly. At-Turabi accused al-Bashir of having carried out a coup d'état, although a legal challenge – mounted against the measures – was rejected by the Constitutional Court in February. To stop his principal opponent in the Government, al-Bashir took a further step against at-Turabi by suspending him as Secretary-General of the ruling National Congress. According to al-Bashir this action would help to unify the National Congress

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and preserve the country's security. So, in late June, at-Turabi responded to his dismissal by creating a new political party called the Popular National Congress.

Presidential and legislative elections were held concurrently over a 10-day period in mid-December 2000, although they were boycotted by the main opposition parties. As expected, al-Bashir was re-elected President, securing 86.5% of the votes cast, according to results released by the General Elections Commission (GEC). The OAU observer team indicated that the election had been 'an important step towards democratisation'. Observers from the Arab League and the Non-Aligned Movement also endorsed the election. On January 3, 2001 al-Bashir extended the state of emergency for a further year. However, during that month heavy fighting was reported in the Upper Nile State between Government troops and rebel forces.

On February 21, 2001 at-Turabi was arrested at his home in Khartoum after it was announced that the PNC and the SPLA had – two days earlier – signed a memorandum of understanding in Geneva which called for the Sudanese people to participate in 'peaceful popular resistance' against the al-Bashir regime. Meanwhile – the day after at-Turabi's arrest – al-Bashir implemented a major reorganization of the Cabinet and replaced many of the country's State Governors. Several new Ministers were created and – although the new 32-member Cabinet was dominated by National Congress members – al-Bashir incorporated four members of two major opposi-

tion parties into the Government.

Initiatives to Improve Foreign Relations

As soon as an internal power-sharing structure had been secured by al-Bashir by the end of 1999, the Sudanese Government sought to repair its broken international relations.

Khartoum took several steps in that direction, in particular as far as relations with the United States were concerned. The main efforts were aimed – in particular – at lifting the UN embargo, imposed as of 1996, following the attempted killing of Egyptian President Hosni Mubarak in Addis Ababa in 1995, for which Sudanese responsibility had been claimed. Al-Bashir proposed in 1996 – on several occasions – to arrest or consign Osama Bin Laden (who had found shelter in Sudan) to the Clinton Administration, which repeatedly refused such exchanges: Bin Laden was later expelled, but sanctions remained. Anti-terrorism measures have been put in place, hence; during April 2000, as an example, the Council of Ministers approved a draft anti-terrorism Bill; in May, the Government ratified the Arab Agreement on Combating Terrorism. Following terrorist attacks on New York and Washington – in September 2001 – the Sudanese Government pledged to support the global "war on terrorism" by providing intelligence about Osama Bin Laden and the al-Qaeda organisation, which the USA held responsible for the attacks. US officials welcomed these developments and tacitly approved the United Nations Security Council lifting the sanctions in that

same month, but unilateral US measures were extended for a further year in November. These included Sudan being put on the “Rogue State” list; this was only reversed in 2003, following bilateral dialogue. Relations with the European Union were following the same path. It was inevitable for Sudan to direct efforts at regional partners.

In Eastern Africa, Sudan focused on ending its disputes with Eritrea, Ethiopia and Uganda. Since 1999 al-Bashir and President Museveni have joined in tackling terrorism; in March 2002 – moreover – the two countries signed an agreement whereby Sudan temporarily authorized Ugandan troops to pursue the Lord’s Resistance Army (LRA) rebels within their own territory.

In January 2002 Sudan and Eritrea restored diplomatic relations and agreed to reopen the land route between the two countries and to adopt procedures for issuing travel permits to those wanting to cross the common border. The two Presidents met in February in Khartoum and declared that they would not allow opposition groups located in their respective countries to launch cross-border raids. Despite initial success, the process seems to have stopped and has to date bore no more noticeable results.

Although Sudan had restored its links with Eritrea, diplomatic relations with Ethiopia did not suffer as a result of Khartoum’s stance. In April 2002 Ali Osman Mohammed Taha – Sudanese First Vice-President – visited Ethiopia; at the end of his four-day visit, he announced that a “new era” in relations with

Ethiopia had begun, and that the two countries had concluded a preferential trade agreement, as well as accords on the economy, commerce, infrastructure and telecommunications. Both for Ethiopia and Eritrea good relations with Khartoum are critical; this is true from an economic and political point of view. If commercial and financial issues are more evident as far as oil supplies are concerned, it is also true – more specifically – that receiving support from such an influential neighbour could be the key in the Ethiopian–Eritrean common border dispute.

Peace Agreements and Recent Political Evolution

The most recent and noticeable political development in Sudan has been the signature of a Comprehensive Peace Agreement with the SPLM/A in January, 2005, and with East Sudan Front (ESF) in October, 2006. The former – in particular – required a three-year long negotiation between the Sudanese Government and the SPLA; talks have been held between May 2002 and December 2004 in Kenya, under the auspices of the Inter-Governmental Authority on Development (IGAD) and of the Government of Kenya.

In particular, the CPA focuses on Sudanese Governmental acceptance of the right of the South to seek self-determination after a six-year interim period; SPLA leader John Garang de Mabior became Sudan’s First Vice-President in the new Government of National Unity (GNU), thus attaining the second-highest rank in the State. Southern

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rebels accepted – in turn – that Shari’a law be applied in northern Sudan States. Garang died a few months later – on July 30 – but was immediately replaced by Salva Mayardit Kiir, number two of the SPLA/M. Contrary to early fears of failure, the accident did not harm the development of peaceful implementation of the agreement.

Similar arrangements have been concluded in Asmara with the ESF; they include six parts regarding political issues; economic, social and cultural issues; comprehensive ceasefire and security arrangements, a conference on the Eastern Sudan peace agreement; implementation modalities and timeline and general provisions. Finally, some attention must be dedicated to the Darfur situation. This region was historically detached both from medieval and modern Sudanese States, but became eventually included in contemporary Sudan under British administration, following a Treaty between Great Britain and Belgium in 1916. Its very name hints at an ethnic diversification: Darfur means – in fact – “House of the Fur people”, one of the numerous Sudanese indigenous tribes.

The roots of the present conflict can be found, moreover, in characteristic clashes – particularly common in desert borders – between nomadic and sedentary populations for the use of natural resources. As elsewhere, farmers and shepherds have fought bitterly and this history of tension has lasted uninterrupted until 2003, when international public attention has been dedicated to the

region. In that year – in addition to the situation prior – Western Darfur rebels rose up against the central Government, claiming that the region was being neglected by Khartoum.

The State Army – in January 2004 – has moved into the area, to quell rebel uprising but forcing, recently, thousands to flee to neighbouring Chad. It is officially acknowledged that Arab warrior militias (“*Janjaweds*”) have carried out systematic killings of African villagers in the region, as of March of that year; some observers believe that central authorities have granted their support to such actions, which have continued hitherto and remain an open issue to date.

Despite the fact that vested interests – the willingness to avoid irreversible detachment of the region – do exist, Khartoum seems keen to improve relations with local rebels within a medium-term perspective, as shown during peace talks with both southern and eastern rebel groups.



INSTITUTIONAL STRUCTURE

The main components – from an economic point of view – of the first National Unity Government (as of September 20, 2005); the President also avails himself of the efforts of his Special Advisers, who are considered to be part of the Government. Some Ministers are supported by Ministers of State, which assist them in their action.

NATIONAL UNITY GOVERNMENT (AS OF SEPTEMBER 20, 2005)	
POSITION HELD	NAME
PRESIDENT	Omar Hassan Ahmed al-Bashir
FIRST VICE PRESIDENT	Salva Mayardit Kiir
VICE PRESIDENT	Ali Osman Mohammed Taha
MINISTER OF THE PRESIDENCY	Bakri Hassan Saleh
MINISTER OF AGRICULTURE AND FORESTRY	Mohammed al-Amin Issa Kabashi
MINISTER OF ANIMAL RESOURCES	Galwak Deng
MINISTER OF CABINET AFFAIRS	Deng Alor Kol
MINISTER OF DEFENCE	Abdel Rahim Mohammed Hussein
MINISTER OF ENERGY AND MINING	Awad Ahmed al-Jaz
MINISTER OF FINANCE	Hassan El Zubair Ahmed
MINISTER OF FOREIGN AFFAIRS	Lam Akol
MINISTER OF FOREIGN TRADE	George Boreng Niyami
MINISTER OF INDUSTRY	Jalal Yusuf al-Dugair
MINISTER OF INFORMATION	El-Zahawi Ibrahim Malek
MINISTER OF INTERNATIONAL COOPERATION	Al-Tigani Saleh Fedail
MINISTER OF INVESTMENT	Malek Agar Ayar
MINISTER OF TOURISM	Josef Malwal
MINISTER OF TRANSPORT	Kuwal Maniang Ajok
MINISTER OF WATER RESOURCES	Kamal Ali Mohammed

President of the Government of Southern Sudan is Lt. Gen. Salva Mayardit Kiir – First Vice President of Sudan and President of the GoSS, Commander-in-chief of the SPLA and President of the SPLM; Dr. Riak Mechar is the Deputy President of the GoSS and Minister for Housing, Land and Public Service.

Main components – from an economic point of view – of the Government of Southern Sudan:

GOVERNMENT OF SOUTHERN SUDAN, ANNOUNCED OCTOBER 22, 2005	
POSITION HELD	NAME
POLICE AND SECURITY	Daniel Awet Akot
FINANCE AND ECONOMIC PLANNING	Arthur Akuien Chol
REGIONAL CO-OPERATION	Nhial Deng Nhial
INDUSTRY AND MINING	Albino Akol
TRADE AND SUPPLY	Anthony Lino Makana
TRANSPORT AND ROADS	Rebecca De Mabior
AGRICULTURE AND FORESTRY	Martin Elia Lo muro
IRRIGATION AND WATER RESOURCES	Joseph Dair Joakok

OTHER SIGNIFICANT POSTS

POSITION HELD	NAME
GOVERNOR OF THE BANK OF SUDAN	Mohammed Hassan Sabir
DEPUTY GOVERNOR, CENTRAL BANK OF SUDAN	Elijah Malok
SUDAPET (SUDANESE NATIONAL OIL COMPANY) PRESIDENT	Hassan Mohamed Ali



**ANALYSIS
OF
ECONOMIC SECTORS**
(Matteo Guglielmo)

PART III



CHAPTER 3

General Economic Situation in the Country

The signing of the Comprehensive Peace Agreement (CPA) between the North and the South of Sudan, which took place on January 9, 2005, put an end to over twenty years of conflict. The progressive application of the Agreement – therefore – encourages hope for the maintenance of peace and the stability of the country and for an improvement of the general economic performance of Sudan. The death of the SPLM leader, John Garang, only three weeks after his election to the office of First Vice President – and the consequent disorder in Khartoum as well as in other areas (Juba, Malakal, Port Sudan) in the days that followed – risked compromising the work of the past months. However, both the Sudanese Government and the SPLM knew how to react promptly and, maintaining close and profitable collaboration, managed to bring briefly the situation back to normality.

The nomination of Salva Kiir as Garang's successor and his speedy official instalment as First Vice President avoided a dangerous relapse into the spiral of conflict and a slowdown of the economic initiatives.

The much-hoped-for signing of the Peace Agreements between the Government of Uganda and the rebels of the LRA will contribute indirectly to increase the stabilization of southern Sudan. Today – in fact – Kampala is aware of the fact that if it intends to fully exploit the immense resources (petroleum, natural gases, minerals, timber) present in the State, it will have to work

principally on political before economic stabilization. It seems – therefore – that the latest political events permit us to hope for future economic growth in the area, taking into account also the enormous potential that it has to offer to foreign investors.

Since 1997 Sudan is following a programme of reform monitored by the International Monetary Fund. It is centered around macroeconomic stability, through which stable growth can be reached and the level of poverty in the country – which is still high today – be reduced.

More specifically, the Programme for Structural Adjustment put forward by the IMF is to reinforce the growth of GDP (Gross Domestic Product), reduce inflation and strengthen the position of Sudan on the international markets.

With the adoption of the new Constitution, the priorities of Sudan are directed towards reintegration and reconstruction of the South. The Government – with the aim of implementing the reforms – uses primarily the sale of petroleum and international donations as a lever. In order to do this, reform of the tax system will be required, a measure that is very difficult to apply in sub-Saharan Africa due to the high measure of efficiency needed for the entire administrative mechanism. It is not by chance – then – that the Government has already informed the IMF of the costs that transition towards peace implies and, therefore, of the difficulties involved in reaching the objectives expected by the Fund in the short run (in particular the reduction of the budget deficit to 1% of the GDP).

ECONOMY (CIA WORLD FACTBOOK)

GDP (PURCHASING POWER PARITY):	US \$ 85.65 billion (2005 est.)
GDP (OFFICIAL EXCHANGE RATE):	US \$ 22.75 billion (2005 est.)
GDP – REAL GROWTH RATE:	7% (2005 est.)
GDP – PER CAPITA:	US \$ 2,100 (2005 est.)
GDP – COMPOSITION BY SECTOR:	Agriculture: 38.7%; Industry: 20.3%; Services: 41% (2003 est.)
LABOUR FORCE – BY OCCUPATION:	Agriculture: 80%, Industry: 7%, Services sector: 13% (2005 est.)
UNEMPLOYMENT RATE:	18.7% (2002 est.)
POPULATION BELOW POVERTY LINE:	40% (2004 est.)
INFLATION RATE:	9% (2005 est.)
INVESTMENTS:	16.3 % of GDP; (2005 est.)
BUDGET (US\$ BILLION):	Revenues: 6.182; Expenditure: 5.753; Including capital expenditures of 0.304 (2005 est.)
PUBLIC DEBT:	107% of GDP (2005 est.)
AGRICULTURAL PRODUCTS:	Cotton, groundnuts, sorghum, millet, wheat, gum arabic, sugarcane, mango, papaya, bananas, sweet potatoes, sesame
INDUSTRIES:	Petroleum, cotton, textile products, sugar, footwear, gasoline, pharmaceutical products
ELECTRICITY – PRODUCTION:	3,165 billion kWh (2003)
ELECTRICITY – CONSUMPTION:	2,943 billion kWh (2003)
PETROLEUM – PRODUCTION:	401,300 barrels/day (2005 est.)
PETROLEUM – CONSUMPTION:	70,000 barrels/day (2004 est.)
PETROLEUM – EXPORTS:	275,000 barrels/day (2004)
PETROLEUM – RESERVES::	1.6 billion barrels (2005 est.)
NATURAL GAS RESERVES:	84.95 billion cubic metres (2005 est.)
CURRENT FINANCIAL STATEMENT:	US\$ 3,013 billion (2005 est.)

ECONOMY (CIA WORLD FACTBOOK)

EXPORTS:	US\$ 6,989 billion (F.O.B. 2005 est.)
EXPORTS – COMMODITIES:	Petroleum and gasoline, cotton, sesame, groundnuts, gum arabic, sugar
EXPORTS – PARTNERS (BY VALUE):	China 71.1%, Japan 12%, Saudi Arabia 2.8% (2005)
IMPORTS:	US\$ 5,028 billion (F.O.B. 2005 est.)
IMPORTS – COMMODITIES:	Foodstuff, manufactured goods, medicines, chemicals, textiles, transports products
IMPORTS – PARTNERS (BY VALUE):	China 20.7%, Saudi Arabia 9.4%, United Arab Emirates 5.9%, Egypt 5.5%, Japan 5.1%, India 4.8% (2005)
FOREIGN CURRENCY AND GOLD:	US\$ 2.45 billion (2005 est.)
EXTERNAL DEBT:	US\$ 27.34 billion (2005 est.)
CURRENCY:	Sudanese dinar (SDD)
EXCHANGE RATE:	1 Sudanese dinar/US dollar – 243.61 (2005), 257.91 (2004), 260.98 (2003), 263.31 (2002), 258.7 (2001)
FISCAL YEAR:	Calendar year

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Agriculture

Rich in natural resources, Sudan is characterized by a predominantly agricultural economy, which is reflected by its social structure. Despite the increased quota reserved to the mining industry – as a matter of fact – the agricultural sector still remains the strongest of the country. It represents 43% of the Gross National Product and is, at the same time, a source of maintenance for 69% of the population. Furthermore, looking at the volume of Sudanese exports, one can see how no less than 90% is made up of agricultural produce: cotton, gum arabic, sorghum, fruit and vegetables, oil seed, livestock/meat; these were estimated in 2002 to total 106,000 tons. Within the framework of the new Government policies in the various sectors of economy, a large part of the efforts are aimed at promoting agricultural development (i.e. those who intend to invest in this sector are not subject to customs duty or profit taxes). In fact, the Sudanese State has planned an agricultural policy tending towards diversification of the products so as to satisfy domestic needs and – at the same time – to try to gather a surplus that can be exported. The period after the Revolution in 1989 was characterized by notable attention towards certainty in the foodstuffs sector; on that occasion, in fact, the lands destined to the cultivation of cereals and sorghum – especially in the irrigated areas – have been increased. At the same time the State announced the launch of policies that would encourage the enlargement of the cotton fields in

the areas prone to more rain. During the same period there was a focus on small producers, in order to increment the agricultural development. Likewise, efforts were made to intensify the diversification of the production and to introduce other cultivations – such as fodder, sunflowers and maize. During the same period an attempt was made to update the system of financing by banks and specialized funds for agricultural activities, such as the *Farmer's Bank* and the Animal Resources Bank. The State decided also to implement price liberalization of agricultural products with the intention of boosting the producers to keep a high level of output.

In the last few years the sector has been modernized by some important reforms such as: preservation of the environmental balance through the allocation of a number of areas exclusively to stock raising and yet others to cultivation and farming; implementation of additional water supplies; increase of production through the development of new, advanced technologies; support for production to guarantee food supply throughout the country; diversification and improvement of the quality of exports; encouragement of small producers unions as a basic network of agricultural development and social justice.

Among the possibilities production in the irrigated areas of Sudan we list: cotton, cane sugar, spices, grain, leguminous plants and a list of fruit and vegetable products such as tomatoes, bananas, dates, mangoes, lemons and grapefruits.

The most fertile zones are today open to

various types of investment. Irrigation is one of these (financing the network of canals that exploits the waters of the Nile), without forgetting the mechanical engineering (tractors and other types of equipment), as well as pesticides and machinery for sowing.

Industry

Analysis of the industrial sectors is centred on three particularly interesting specific areas: the foodstuff and animal products industry, the textile industry and the building sector. The mining industry – that today is certainly the most developed and profitable among them all – will be handled in a separate section.

- The foodstuff and animal products industry. The foodstuff industry represents one of the key sectors for economic growth and industrialization of the country. Considering the size of the Sudanese territory, its environmental diversity and the variety of agriculture cultivation, it is important today that harvests and agricultural products are employed in the best way in order to conserve them and thus increase their value.

The Sudanese foodstuff industry is not yet able to cover its own domestic food requirements and – in many cases – the companies work at a lower level than their potential or maximum output.

The Government policy for incentivizing and attracting investments in the foodstuff industry provides the local input from the agriculture sector – as well as from other sectors – and supplying the aid necessary for preferential treatment for currently operating industries which may produce vertical development rather than

horizontal. At the same time they are favouring packaging and food processing industries, as well as investments in several connected sectors such as those of transport, conservation and water.

Thanks to its enviable geographical position, to the dimension of its territory and to the variety of climates as well, Sudan can boast a large number of breeding animals. According to data that goes back to the first months of 2000, the livestock in Sudan totalled 132 million heads (48 million sheep, 41.3 million goats, 39.4 million oxen and 3.3 million camels). To this we must add the fish resources in 42 million square metres of water resources of the Nile and its affluents, the 700 km of the Red Sea coastline and the lakes behind dams that provide 100,000 tons of freshwater fish and about 10,000 tons of saltwater fish.

Exports in this sector have reached about 450,000 units in 2003, at a total value of 34,000 dollars (source: ICE – Italian Institute for Foreign Commerce). A specialised bank called the *Animal Resources Bank* has been created to ensure the consistent development and now also extensively handles the sector. This new institution has in fact as its principal aim the incentivization of production and exploitation of animal resources.

- The textile industry. The first modern textile factory was a private factory established in the Equatoria State in 1945. It was designed to produce from 4 to 5 million yards of cotton annually (between 3.9 and 4.9 million metres), using seed wool to be found locally.

For a long period of time the Sudanese textile industry made use of locally produced cotton.

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After all, the Sudanese raw material is internationally known for its good quality. One only has to think that cotton actually represents 20% of Sudan's exports. Historically, Great Britain was the first nation to import Sudanese cotton for its mills in Yorkshire.

On the basis of data acquired by the Government for the five years following 2000, there are about 17 textile mills in Sudan, only 4 of which are functional. At the present time the public sector manages 8 plants, 3 of which are specialized in cotton spinning and the other 5 in the production of finished products. The private sector – on the other hand – manages 9 big plants and 75 smaller ones scattered throughout the different regions of the country.

It is in the interest of the Sudanese State – as is specified in the National Strategy Plan – to develop the textile sector, so as to satisfy not only domestic demand, but to set aside a certain quota for exportation.

- The building sector. In a nation that is in a state of great expansion, such as Sudan, the building sector and – as a consequence – that of building materials (including cement, lime, plaster, porcelain, marble, granite and other natural stones) are of particular importance.

The scarcity of factories in the sector is slowing down the building programmes, and likewise the development and economic growth of the country. The industry that produces building materials at this time can offer only a limited amount of the necessary products – so much so they cannot even satisfy domestic demand – and, what is more, at very high prices.

Currently there are only two factories in Sudan

that supply cement: the *Atbara Cement Factory*, in the River Nile State and the *Rabak Cement Factory* in the White Nile State. The production of these two factories covers only 30% of the domestic requirement. The State has proposed the sale of shares of these two factories to restructure them through private funding.

When policies related to the industry of building materials are concerned, it must be pointed out that the State gives priority to the urban sector, from civil buildings to infrastructures and public services. These projects require a great amount of materials. In fact the national strategy is to develop the production of bricks and lime, expand the cement industry and promote the exportation of marble and granite. This requires major attention to the raw materials and their exploitation, still at levels far below their real potential.

- The mining industry. Within the mining industry, special mention must be made about marble and granite. Sudan is rich in these raw materials and within a range of 100 km from Khartoum there are numerous quarries that are under-exploited by Sudanese companies, due to the lack of adequate technologies. Extractions are still done with methods that are now obsolete and which also place the quarrying itself at risk. In particular, extracted granite and marble are exported to countries of the Persian Gulf where they are processed, re-imported and sold on the Sudanese market. The principal companies in the mining sector are the following

- “*Nile Marble Co*” founded in 1986, which has a concession for the black marble quarry of

Kassale (East Sudan);

- “*Omdurman Factory for Marble and Granite*”.

This company possesses several concessions for Sudanese quarries although it is unable to exploit them to their full;

- “*Mudank Marble and Granite*”;

- “*Makkawi Granite, Marble and Mosaic Factories*”. It began its activity in the '70s and expanded considerably until the '90s, thanks also to financing by the Sudan Development Corporation;

- “*Sam Stone*”. This company uses mainly Italian equipment (Pedrini e Barsanti) for quarrying and processing marble.

Production and Refining of Hydrocarbons

With the discovery of considerable reserves of petroleum and gas, the increase of production to as many as 450,000 barrels per day, and with the target of reaching an output of 1.2 million barrels per day for the year 2010, Sudan is potentially one of the principal alternatives to the Persian Gulf nations for the production and sale of crude oil. In fact at present, the country – which is exploiting only 20-25% of its petroleum reserves – is the third major petroleum producer in sub-Saharan Africa, after Nigeria and Angola. However, in 2005 and 2006 production should increase. In fact, according to a statement by Sudanese authorities of this sector during 2005, production should have reached almost 500,000 barrels a day by the end of 2006. After all, crude oil and its by-products represent 80% of the value of Sudanese

exports, so much so that in 2003 they were worth 2.4 billion dollars, equal to three times the total exports of the country in 1999, the year in which Sudan opened up to international commerce and began to export petroleum.

Since Sudan has entered the petroleum market, the Greater Nile Petroleum Operating Company (GNPOC) – a consortium of companies with massive Chinese and Malaysian presence – handled the extraction and production of this raw material. However, in the Government's new projects for the extraction and production of crude oil, only a minimal part will be entrusted to GNPOC, since other consortiums are making themselves active on the Sudanese market. PETRODAR, in particular, has made large investments during the last three years in this sector and will handle petroleum production in Blocks 3 and 7 (the oilfields of Nasir and Adar/Yale situated near the boundary with Ethiopia), bringing its level to 200,000 barrels per day. 41% of PETRODAR is the property of the China National Petroleum Corporation (CNPC), another 40% is owned by the Malaysian company PETRONAS, while 11% is in the hands of two companies from the Persian Gulf and the remaining 8% is in the hands of SUDAPET, the State-run Sudanese oil company. CNPC operates also in Block 6 (western Kordofan State) whose daily produce is to the tune of 10,000 barrels per day, but which should have reached 50,000 and 150,000 per day respectively by the end of 2005 and the

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end of 2006. This block – the reserves of which have been estimated to be one billion barrels – should manage to produce 300,000 barrels per day within 2010.

Instead, the production of Block 5A is handled by the White Nile Petroleum Operating Company (WNPOC), a consortium led by the Malaysian PETRONAS and the Indian ONGC and which should become productive in 2006, with Block 5B commencing in 2007. Both oilfields are situated in the centre of the country. From the analysis of the

petroleum exploitation in Sudan, two pictures emerge very clearly: on one side the notable expansion and growth that the sector is meeting, on the other side the strong interest of Asiatic nations in Sudanese petroleum. Nations such as China, Malaysia and India, in fact – through State-owned companies – are making massive investments in this sector, in order to acquire Sudanese petroleum and thus assure themselves the supply of this raw material of which today they have notable need to support their own domestic growth.





CHAPTER 4

Economic Policy and Programming

The economic prospects for 2006 forecast a rise of 8.5% of GDP and an average inflation of 7.5%. Growth of 7% is also expected in the non-petroleum sector, but the production of crude oil will grow to a figure almost equal to 70% (about 492,000 barrels per day), thanks also to the additional exploitation of new oilfields lying in the South.

The new tax regulations for 2006 aim to sustain macroeconomic stability. Therefore the total fiscal deficit seems destined to drop from 1.8% of 2005 to 0.9% with respect to GDP forecast for the end of 2006. Such a result would be due to increased income from the petroleum sector, as indicated in Table 1 (the new tax regulations should - in fact - be based upon an adjustment of the revenue tax from the petroleum sector with respect to the original budget of 2006).

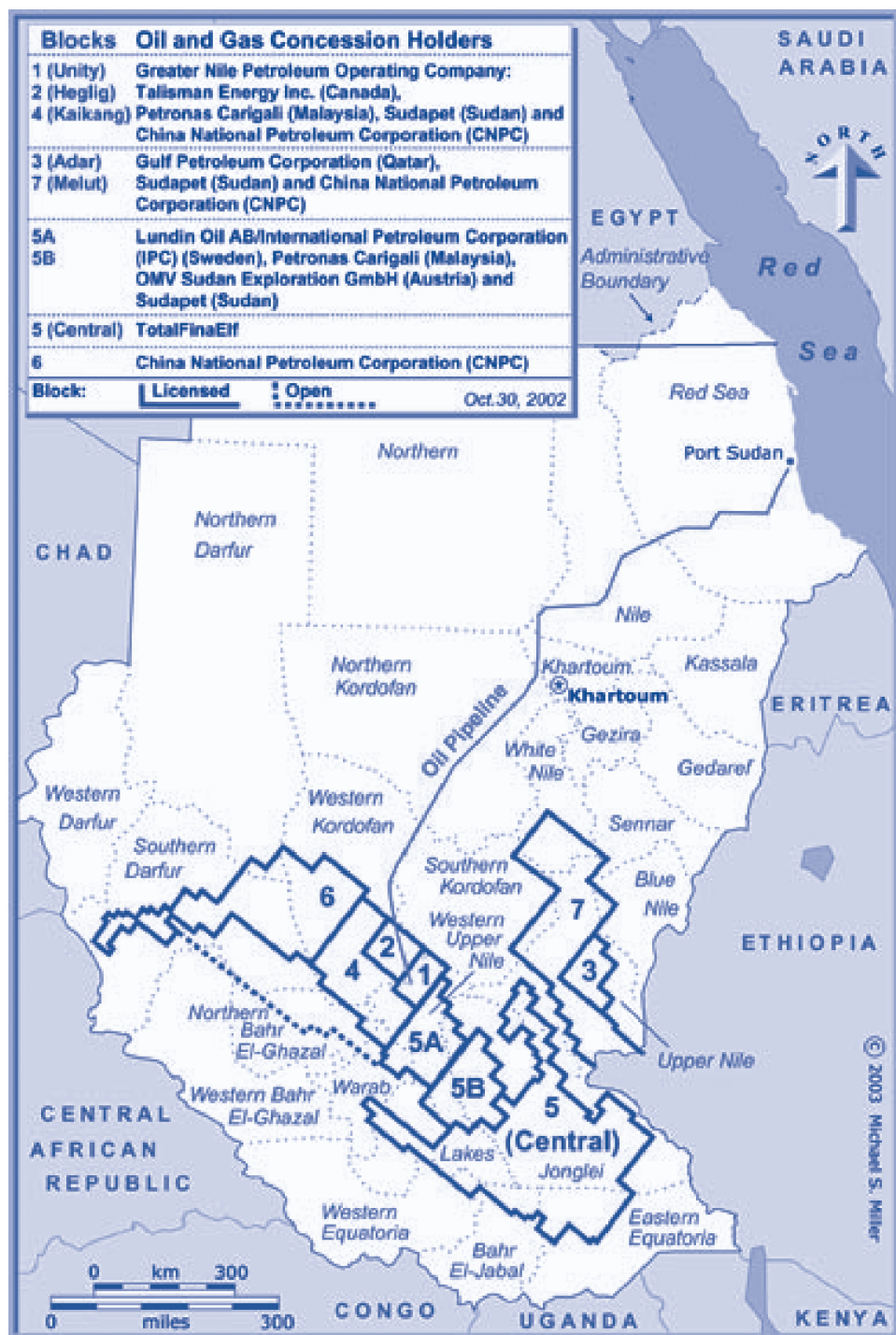


TABLE 1: SELECTED FISCAL INDICATORS, 2004-2006

	2004	2005	2006
		EST.	PROJECTED
	(IN PERCENT OF GDP)		
TOTAL REVENUE	19,8	21,8	24,0
OF WHICH: OIL	10,4	13,4	14,3
TOTAL EXPENDITURE	18,3	23,6	24,9
OF WHICH: FUEL SUBSIDIES	0,0	3,5	1,8
TRANSFERS TO THE SOUTH	0,4	2,8	4,0
TRANSFERS TO OTHER STATES	1,1	3,6	4,2
OVERALL BALANCE	1,5	-1,8	-0,9
MEMORANDUM ITEMS:			
CONSOLIDATED CAPITAL EXPENDITURE	5,0	5,5	6,9
PRO-POOR SPENDING	...	2,8	5,1

Sources: Sudanese authorities, and IMF staff estimates and projections.

The financing of the domestic deficit is expected to be around 0.3% of GDP (compared to 1.6% 2005), aiming at bringing inflation to 7.5% and reaching a sufficient accumulation of international reserves.

The authorities intend to reinvigorate income of the past few years from the non-petroleum sectors, with the intention of continuing to maintain the income from the petroleum sector. Profits will continue – furthermore – to rise due to the growth of the level of extractions. The same is expected from the non-petroleum sector; this because of the improvements made during the most recent period due to the efficiency of public administration (including internal revenue from the South) added to a rationalization of tax exemptions.

Because the country needs to preserve the macroeconomic stability, fiscal authorities have scheduled for 2006 a re-orientation of expenses required outside the sectors that are of lower strategic interest. The fiscal structure foresees a slight growth in expenditure for salaries, goods and services, as well as a decrease in fuel benefits. The authorities recognize that such a policy could penalize the poor classes and – notwithstanding numerous protests from various interested groups – the Government intends to launch internal negotiations before the end of the current year. A rise in fuel prices, even if slight, would in fact be counterproductive, but in that case the Government has undertaken to supply due information about the validity of the policy.

The authorities' plan to undertake a public works policy – to boost economic development on one side and national unity on the other – will bring in the next few years a progressive increase in public expenditure. It will be directed prevalently to the sectors of health, education and water, especially in

the most needy areas. The authorities recognize that the political ability to penetrate these areas will condition the effectiveness of such expenditure, but – at the same time – this has been unanimously acknowledged to be the most appropriate method of reducing poverty in depressed areas and preventing the consequent dismemberment of several regions.

The full success of decentralization will require careful budget preparation and a healthy, transparent and punctually monitored financial management.

A fair co-ordination of public expenditure and income of the northern and southern States with the Central Government will be therefore crucial for macroeconomic stability. The new Fiscal and Financial Allocation and Monitoring Commission (FFAMC) as stated in the Comprehensive Peace Agreement, will in fact require co-ordination and guidance in these areas.

The authorities' plan is also addressed towards reaching a level of monetary reserves sufficient for a flexible exchange system. Reserves and wide development of the currency are at present compatible with the growth of GDP and with inflation projections. These go hand in hand with an increase of the currency demand, guided by an intensification of financial operations and by the progressive integration of the South into the general economy of the country. The monetary policy guidelines will therefore require the flexible use of all instruments (in particular operations to open the home market as well as foreign markets) in order to face up to a number of uncertainties such as the fiscal behaviour of the various regional Governments, the currency demand from the South and inflows of currency from foreign trade.

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Indicators of Economic Performance

As far as the current economic situation is concerned, the growth of GDP in 2004 reached levels estimated at around 7.3%, remaining at 6.2% in 2005. Data currently available from the International Monetary Fund place the growth of GDP at 8.5% for 2006 (Table 2).

In 2005 an increase of about 30% in the production of petroleum was registered (from 312,000 to 402,000 barrels per day; estimates for 2006 predict a further increase, to as much as 492,000 barrels per day); also, the volume of exports went up in such a manner as to partially compensate the increase of imports.

The non-petroleum sector also registered good results, with an expansion of over 5% per annum in real terms. The direct consequence of this particularly favourable period is in part explained by the increase in the pro capita income, which if confirmed, will reach 903 dollars in 2006 (IMF data) with a general rise of over 50% during the last five years.

As said before, as well as fiscal pressure, Sudan will continue to use international aid as leverage; during the Oslo donors' conference in April 2004, the International Community undertook to provide aid to Sudan totalling 4.5 billion dollars for the 2005-2007 period.

Equally important will be the revenue from the petroleum sector, now sustained by the high price for crude oil and for a possible further increase in production in the next two years. It is highly probable, however, that – thanks to the increase in public expenditure – the rise in domestic demand, and the high cost of imported goods (determined by the

relative weakness of the dollar) there could be likewise a rise in inflation.

A percentage of the quota of inflation might be “imported”, which means generated by the strong influx of foreign currency, which if not properly controlled, could cause a further explosion of the general level of prices.

The increase in the price of crude oil will sustain tax revenues, raising them about 30% to a value of 5.7 billion dollars. It is probable that current expenditure will go up by 50% and – in spite of the Government's efforts to reduce capital account expenditures – it is likely to expect a 40% rise in public expenditure in the coming years.

In its monetary policy, Sudan's principal objectives remain the reduction of the inflation rate and the stability of the currency. In order to reach these targets the Bank of Sudan has raised the level of the banks' minimum reserves and has extended its open market operations in order to manage liquidity more adequately and – at the same time – strengthen interbank markets. This policy has contributed to the reduction of inflation with respect to the high levels experienced in the 90's. In the same way, a policy was launched in order to augment the granting of credit to the private sector: the latter benefited in 2004 and in the first four months of 2005, from loans worth 51% more than in preceding years. It is therefore likely that this trend will continue.



TABLE 2: ECONOMIC AND FINANCIAL INDICATORS. 2001-2006

	2001	2002	2003	2004	2005	2006
(ANNUAL EXCHANGE BY PERCENTAGE, OTHERWISE SHOWN)						
PRODUCTION, POPULATION AND PRICES						
NOMINAL GDP (\$ USA BILLION)	13,369	15,109	17,680	21,610	28,050	36,030
CRUDE OIL PRODUCED (THOUSAND BARRELS/DAY)	209	232	262	288	312	492
POPULATION (MILLION)	31,9	32,7	33,6	34,5	35,4	36,3
REAL GDP	6,1	6,4	5,6	5,2	6,2	8,5
OIL	21,6	24,7	13,0	9,9	8,2	71,0
NON-OIL	5,0	4,9	4,8	4,7	8,2	7,2
PRICES/END-CONSUMER (AVERAGE)	4,9	8,3	7,7	8,4	10,5	7,5
PRICES/END-CONSUMER (END OF PERIOD)	7,4	8,3	8,3	7,3	9,1	6,0
(IN PERCENTAGE ON GDP)						
INVESTMENTS AND SAVINGS						
TOTAL INVESTMENT	17,6	19,4	20,0	22,5	21,9	25,3
GOVERNMENT INVESTMENT	23	3,0	2,9	5,0	4,9	6,9
NON-GOVERNMENT INVESTMENT	15,3	16,4	17,0	17,5	17,8	18,4
TOTAL SAVING	8,2	13,4	15,3	18,7	16,9	20,1
GOVERNMENT SAVING	1,4	2,2	3,9	6,1	4,7	6,1
NON-GOVERNMENT SAVING	6,8	11,2	11,4	12,6	12,2	14,1
CENTRAL GOVERNMENT OPERATIONS						
TOTAL REVENUE	10,7	11,8	16,1	19,8	22,4	24,0
TOTAL EXPENSES	11,6	8,7	15,4	18,3	23,0	24,9
TOTAL FINANCIAL STATEMENT (CASH)	-0,9	3,1	0,7	1,5	-0,6	-0,9

Sources: Sudanese authorities; and IMF staff estimates and projections.

In 2004 the inflation level was 8.5% up from 7.3% in 2003. In particular this affected the prices of consumer goods. This rise is partly a consequence of the expansion of domestic demand, but also largely due to the high cost of imported goods.

The monetary authorities do not appear – at the moment at least – to seriously intend to intervene in order to contain liquidity. As a result, inflation in 2005 was 9% and the estimate for 2006 is for 10.5%. Although the target fixed by the Government (equal to about 5%) is still a long way away, inflation is still contained with respect to the levels registered in the previous ten years.

Foreign Trade

Data supplied by the Sudanese Central Bank related to the international trade evidences how the nation has improved its performance in the field of foreign commerce. The price rise of crude oil and the increase of petroleum production are the driving elements in the increase of exports, which have reached the value of almost seven billion dollars. Among the merchandise sectors that have contributed to the increase of exports, we must mention agricultural products, and in particularly sesame,

gum arabic and cotton. According to the latest estimates, exports of non-petroleum products amount to some 20% of the total of products exported. Furthermore it is important to underline that while a great portion of income from petroleum exports are re-exported by the foreign oil companies operating in Sudan, the total income from the exportation of non-petroleum products remains in the country, therefore representing an effective source of economic growth and development.

Imports have grown considerably during the past few years, registering values of around 5 billion dollars. Therefore, the trade balance has a surplus of about 1.5 billion dollars. However, this surplus must be reduced by the deficit registered by other items. Economic and commercial penetration in Sudan by other new countries has remodelled the historical international collaboration balance in Sudan. Today – in fact – many of the nations that have enjoyed an important position in the past in the import-export trade with Sudan (above all Germany, the USA and Italy) have progressively moved away from the country, while other States, be they emergent or not, have appeared forcefully on the economic scene of the new Sudan.

APPENDIX 1: RECENT COMMERCIAL AGREEMENTS CONCLUDED WITH ITALY

November 19, 2005 – During the visit of Alfredo Mantica – Italian deputy Foreign Affairs Minister – to Khartoum, a Memorandum of Understanding has been signed between the two States. It aimed at improving and strengthening political bilateral relations between the Italian and Sudanese Ministries of Foreign Affairs. Dialogue and mutual cooperation constituted the basis of bilateral exchanges.

On the same day, Mr Mantica concluded an agreement about mutual protection and promotion of Investments, which is currently being ratified.

June 24, 2005 – A Memorandum of Agreement to promote and develop farming techniques and live-stock breeding was signed in Rome. The Agreement was reached between the Italian Minister of Agriculture and Forestry – Gianni Alemanno – and his counterpart, Mohammed al-Amin Issa Kabashi.

China and Saudi Arabia are the principal trade partners of Sudan, which absorb respectively 24% and 20% of the volume of exported Sudanese goods, while they import to the African country goods that are respectively 19.2% and 7.6% of the total. Exportation towards Egypt is increasing and – in the near future – they will tend to increase further thanks to an agreement initialled between the two countries as regard the sale of meat and livestock.

- **China:** Beijing is foremost among the trade partners of Sudan above all for its leading role in the sector of petroleum exploitation. China National Petroleum Corporation (CNPC) – an industrial State holding giant – has already invested around 14 billion dollars in this sector (the new oil refinery in Khartoum cost about 612 billion dollars). The Chinese presence appears particularly relevant also in the building sector, both as regards large public works (the dam of Meroe and bridges over the Nile) as well as housing.

- **India:** import-export trade with New Delhi has shown constant growth during the past few years. Since 2000 to the beginning of 2005, exports from India to Sudan have practically doubled, while imports to India have increased five times.

- **France:** from the trade point of view, bilateral trade has seen a slight improvement in 2004 (French exports went up 11.3% in 2004 compared with the previous year, while imports during the same period showed an increase, from 13 million euros in 2003 to 21 million euros in 2004). This trend was confirmed even during 2005, thanks to a strong increase of French exports (in particular automobiles, food-stuff and industrial machinery sectors).

- **Germany:** trade relations with Khartoum are on

the whole modest though a constant improvement has been registered during 2005–2006. German companies have shown great interest in penetrating the Sudanese market, especially in the branches of telecommunications, in the construction of electrical power stations and in the infrastructure sector.

- **Persian Gulf Countries:** Sudan is strongly bound to the Gulf countries, with which it entertains strong relations in all fields (economic and commercial, political, social and cultural). After the signing of the peace agreements a new phase began and most of the Gulf countries have paid great attention to the dynamic development of finance, economy and trade in Sudan. At present – in fact – a significant amount of bank loans destined for development and reconstruction projects in Sudan are bestowed by Gulf banks (UAE, Kuwait and Saudi Arabia), which have also put themselves forward as the principal partners in city planning and building sectors.

Financial and Banking Sectors

The state of the banking sector improved notably in 2005. Total unpaid loans dropped from 8.9% in 2004 to 6.9% at the close of 2005. During the same period the state of capital adequacy for the banking system went up from 10.8% to 12%.

Authorities are furthermore making progress in financial and fiscal reforms, recently introduced to the country. An average unit of contribution has been outlined to raise the income from the non-petroleum sector. Furthermore, there has been the recent introduction of an “Automated System for Customs Data” for the public as well as reinforcement of the management of cash through a plan to

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better coordinate the activities of the Ministry of Finance and the Central Bank. As far as monetary and financial reforms are concerned, the Central Bank has introduced an “auction” of State bonds, implemented a new finance office for banks using security certificates, and finally, privatized a large number of banks, including the Khartoum Bank. The Government has furthermore conceived a new federal structure for the banking system (requested by the CPA) approving laws regarding the restructuring of the Central Bank and credit activities, opening a branch office for the latter in the South. Furthermore, the Central Bank has just formulated a strategy for the regulation of mergers and acquisitions and – in this manner – opened the banking market to foreign credit institutions (foreign banks such as the *National Bank of Abu Dhabi* and the *Habib Bank*, are already present in the country, as well as several mixed-capital banks like the *Sudanese French Bank* and the *Saudi Sudanese Bank*).

Reforms Agreed upon with the International Monetary Fund

Authorities recognize in general the need to reinforce the process of reform, originally agreed upon in 1997 with the IMF. Discussions are presently concentrated in the following areas: fiscal and administrative policy, management of expenditure, transparency in the field of mining and restructuring of the financial system.

- **Fiscal and administrative policy.** Further to the efforts of the past few years, aimed at streamlining exemptions and improving the administrative apparatus, the authorities feel the need to resume their undertaking in these areas by means of several “ad hoc” measures, such as the introduction of an

added value tax – so as to reduce gradually the privileges of the major petroleum distribution companies – and the gradual cataloguing of wide groups of tax-payers, by means of the Automated System for Customs Data. The aim of these two measures will thus be that of raising the level of fiscal revenue from non-petroleum sectors to 7% of the GDP of 2002 to the 9.9% forecast for 2006.

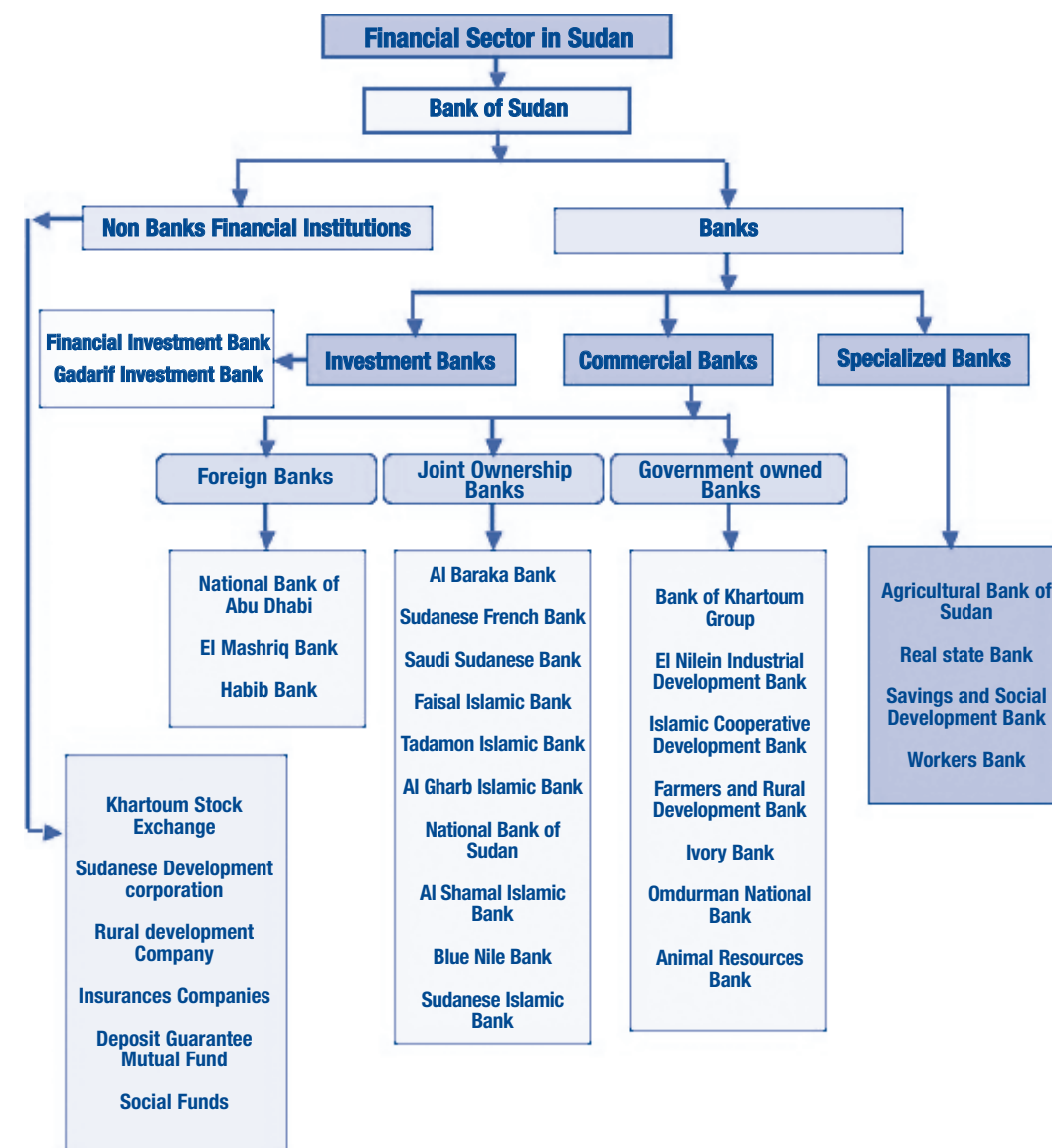
- **Management of expenditure.** Authorities recognize that the success of a rapid movement towards a decentralized system of public finance depends essentially upon several factors, such as: appropriate regulation and allocation, good capacity for implementation, transparent accounting and effective mechanisms of monitoring. At the present – however – capacities in the South and other States are lower compared with the central Government, also placing the emphasis upon the urgent need for investments in public administration with the addition, wherever possible, of adequate training courses for the staff. An important key that could assure – initially at least – an important step in this direction could well be the new FFAMC. At the same time, operations coordinated by the federal Government, the Government of Southern Sudan and the Government of the other States of this nation will be essential for the laying down of a joint plan for macroeconomic development. With regard to fiscal accounting, authorities intend to pursue an ambitious plan for the compilation of a “budget execution report”. Finally, the Khartoum Government has undertaken to monitor public expenditure in consultation with the World Bank, which will also include members of the IMF.

- **Transparency of the mining sector.** In this sector the Government's reforms in the short run

include the monthly publication of detailed data of the petroleum apparatus, transparency through rendering public the accounts relative to SUDAPET and the regulation of the transfer of its profits to the Treasury, something that has been – until now – totally devoid of any regulation. To do so, the Government will have to clarify the position and role played today in the country by the National Petroleum Commission, a structure originally created to manage the economic policy of the petroleum sector.

- Restructuring of the financial system. Well aware of the urgency for reform in the financial sector, authorities intend to proceed initially – in agree-

ment with the IMF – in restructuring the Central Bank and introducing a new currency on the market. They must, however, necessarily take into account the risks such an operation may cause; providing, for example, an adequate anti-fraud system. In agreement, furthermore, with the Financial System Stability Assessment (FSSA), prepared in 2005, the Government is proceeding – again together with the IMF – to restructure the ~~Central Bank~~ Bank. This reform is to be based upon a growth of the need for capital required by companies to undertake any kind of suitable economic activity, with the aim of prudence and also to maintain the security of the major banks.



MAJOR BANKS OPERATING IN SUDAN

AGRICULTURAL BANK OF SUDAN

AL-BARAKA BANK

AL SHAMAL ISLAMIC BANK

ANIMAL RESOURCES BANK

ARAB BANK FOR ECONOMIC DEVELOPMENT IN AFRICA

BANK OF KHARTOUM

BLUE NILE MASHREG BANK

BYBLOS BANK AFRICA

EL NILEIN INDUSTRIAL DEVELOPMENT BANK

EMIRATES BANK

EMIRATES & SUDAN BANK

FAISAL ISLAMIC BANK

FARMER'S COMMERCIAL BANK

FINANCIAL INVESTMENT BANK

HABIB BANK

ISLAMIC CO-OPERATIVE DEVELOPMENT BANK

ISLAMIC DEVELOPMENT BANK

IVORY BANK

MASHREG BANK PSC

NATIONAL BANK OF ABU DHABI

NATIONAL BANK OF SUDAN

OMDURMAN NATIONAL BANK

SAUDI SUDANESE BANK

SUDANESE FRENCH BANK

SUDANESE ISLAMIC BANK

SUDANESE SAVINGS BANK

TADAMON ISLAMIC BANK OF SUDAN

UBAE, ARAB ITALIAN BANK SPA

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CHAPTER 5

Incentives and Guarantees

Any product whatsoever imported into Sudan is subjected to a whole series of taxes that range from 20% to 100% of the initial cost of the goods. To avoid payment of such tariffs, many companies set up their own special company in Sudan, thus taking advantage of legislation that provides for investments. The text of the law, which was promulgated in 1999 but amended in 2003, provides for a series of privileges and exemptions aimed at encouraging Foreign Direct Investments. In particular this measure takes in to account exemption from the payment of custom duties on goods imported for the implementation of the investments.

As well as tariff barriers, the rules that regulate Sudan's foreign trade also include a series of non-tariff restrictions on imports based upon the protection of health and environment and the protection of local animal and vegetable species.

The Sudanese Government, with the Investment Act of 2003, intended on one side to favour the influx of Foreign Direct Investments (FDI) in the country and on the other aimed at identifying a series of "strategic" sectors for the economic development of Sudan.

In particular, investments in the following sectors are considered "strategic": infrastructure (roads, harbours and dams), energy, transport, communications contracts, education, health, tourism, information technology and water.

The advantages enjoyed by investment projects for the strategic sectors concern exemption from the payment of taxes on profits for a period of ten years from the date of the com-

mencement of the commercial activity (or from the production activity proper) as well as customs exemption for all products imported and related to the investment. As far as the privileges for the realization of a project in a "strategic" sector goes, the act authorizes free concession of the land required, or at least at a very advantageous price to investments made in a sector considered "non-strategic".

Furthermore – and according to the same legislative text – the relevant authorities may concede further privileges to projects that satisfy the following conditions: direct investments in less developed areas, assistance in the development of the capacity for exportation from the country, investments aimed at promoting rural development, investments that contribute to the increase in employment and those relating to local investment of profits

Principal Foreign Investors

As well as the healthy expansion that the sector of private investments is now enjoying, the recent contracts and concessions of the Government to foreign companies for the supply of essential public utilities – especially those companies coming from the Persian Gulf – show how the Government is open to foreign investment playing a fundamental role in the economy of the

country. Projects in the energy and telecommunications sectors that are being carried out at the present are guided by foreign companies that have undertaken to supply not only the financing but also the know-how.

PRINCIPAL FOREIGN DIRECT INVESTMENTS (FDI) 2004

COUNTRY	VALUE (\$M)
CANADA	1
CHINA	25
EGYPT	122
FRANCE	1
GERMANY	1
GREECE	13
INDIA	9
IRAN	2
IRELAND	3
ITALY	0,769
JORDAN	342.6
KENYA	1
KUWAIT	155,6
LEBANON	229,6
LIBYA	8
LUXEMBOURG	1
QATAR	1
SAUDI ARABIA	432.6
SYRIA	98
SOUTH AFRICA	2
SWEDEN	0,19
TURKEY	115
UAE	213.6
UK	38
USA	0,211
YEMEN	36

Sources: Ministry of Investments – Sudan

On the basis of data supplied by the Sudan Central Bank, the country has successfully succeeded in attracting FDI, which in 2002 reached a level of 173 million dollars and, in 2003, the record amount of 1.3 billion dollars. In 2004, according to estimates made by the IMF, Sudan attracted foreign investment of over 1.5 billion dollars equal to 8% of GDP of 2005.

A propos, it might be interesting to note that before Sudan began exporting petroleum, the value of FDI was zero. It is equally useful to compare Sudanese data with data from Egypt, a country that has an economy that is unquestionably more developed. In fact – in the 2001-2003 period – Egypt attracted on average FDI for a value of 460 million dollars, against the average of 880 million dollars of Sudan in the same period. In 2004 furthermore, FDI attracted by Egypt was inferior to Sudan's by 250 million dollars. The biggest investments were in the petroleum sector, where countries like China, Malaysia and India represented the principal foreign investors.

Sectors of Interest for Foreign Investment

Sectors in which the opportunities seem to be most advantageous are the agricultural sector, those connected to the latter (foodstuff industry, sugar refineries), as well as the textile industry, building (including the production of building materials) and oil industry.

In these sectors – rather than in others – one can make profitable investments for the increase of production and productivity of the companies that are already active on the market, or for creating new technologically-advanced produc-

tion plants, by means of joint ventures with Sudanese companies.

The advantage that one could enjoy from the realisation of investments in the above-mentioned sectors is evident, if one considers that at present national production is unable to cover the country's domestic demand, which in turn has to take recourse to importation.

In order to give a more specific picture of the opportunities for investment in Sudan, we would like to supply some information inherent to the principal production sectors of the country:

- **Agricultural sector.** One type of investment that could be advantageous, without requiring a great amount of capital, is that of inserting the raising of livestock in the rotation of crop-raising, according to the most modern schemes of production. It is not an expensive investment because it is already partly in existence.

Projects for irrigation should also be mentioned – among various interesting sectors from an investment point of view – meaning: maintenance of aqueducts, maintenance of the electric and manual pumps, supply of spare parts. In the rainy regions we find the production of sesame, sorghum, beans, sunflowers, cotton, millet, maize and karkadè. In these areas it is also possible to cultivate acacia trees from which gum arabic is extracted, an important cultivation for the economy of the country. In this sector the most profitable investments concern the vertical expansion of the foodstuff production through rehabilitation and re-definition of projects in progress, with the introduction of the raising of livestock, utilizing the waste from the harvests as fodder; the horizontal expansion by the establishment of new projects in areas not yet exploited to increase the

production of seed oil, cotton and a range of varieties of sorghum. Other initiatives could concern the protection of harvests from epidemics and infections and – lastly – the improvement of the quality of the seeds and transport and stocking services. The climatic diversity of Sudan and its natural resources permit production of various crops all year round, even in the winter. This guarantees the country a notable advantage in the production of fruit and vegetables, especially in those periods in which these crops cannot be cultivated in Europe for climatic reasons. On the other hand the foreign market – especially European and Arab ones – has a great need for fruit and vegetables (lemons, mangoes, grapefruit, onions, cucumbers and peppers in particular).

- **Textile sector.** There is a wide gap between the supply and demand of textile products on the domestic market. Therefore investments in this sector could be particularly profitable. In particular, investors could handle the rehabilitation of those plants whose productivity is not at present sufficiently exploited. The presence of new investors would also help the State in its policy of privatization; small industries and groups of factories could be given over to the private sector for management. Also, new textile factories could be financed which could answer the demand – be it internal or foreign. In order to diversify production, one might give a thought to the establishment of industries that produce cotton bags and sacks, as well as products for medical use and the production of correlated products such as spare parts and accessories.

- **The building sector.** Opportunities for investment in this sector concern the necessity of filling the gap existing between demand and

supply of goods (lime, cement, building materials) necessary in these activities. In particular, one might think of building factories for the production of lime and burnt lime, as well as factories for plaster, baked bricks and sand, and the production of glass, sanitary wares and porcelain. This context could be extremely favourable if well exploited, since Sudan is rich in raw materials, and can offer skilled labour at reduced costs. Due to the strong demand, the domestic market of all of these products is very interesting.

- Petroleum sector. This sector is at present in full expansion and could therefore offer notable investment possibilities to those companies interested. The region for a new opening-up for the FDI

will surely be the South. The peace agreements between the SPLM/A and the Central Government, as well as the peace treaty now being negotiated between LRA and the Ugandan Government, will make the whole region more stable and ready to receive new capital.

Furthermore one must also consider the opportunities opened by the subordinate activities created by the petroleum sector.

These opportunities involve various kinds of companies, and in particular the building of pumping and extraction stations, the implementation of oil pipelines for petroleum transportation, and the telecommunications required, with the added involvement of companies operating in the telecommunications sector.

ACTS FOR INVESTMENT ENCOURAGEMENT

The aim of the "Investment Encouragement Act" enacted in 1999 and amended in 2003, is that of favouring FDI (Foreign Direct Investments) in the belief of the Sudanese Government that those investments could assist the economic growth of the country. Concerning this, the integral text of the above-mentioned act is reported below

CHAPTER I

Title and commencement

1. This Act may be cited as the, "Investment Encouragement Act, 1999" Amended (2003), and shall come into force, as from the date of signature.

Repeal and saving

2. The Investment (Encouragement) Act, 1996 shall be repealed; provided that the regulations and orders made, and measures taken thereunder, shall remain in force, as if they have been made, under the provisions of this Act, until revoked, or amended.

Provisions of the Act to prevail

3. The provisions of this Act shall, in case of inconsistency with the provisions of any other law, prevail to the extent of removing the inconsistency between them.

Application

4. (1) The provisions of this Act shall apply, as to such extent, as may achieve the objects thereof; provided that the provisions of the same shall not prejudice such privileges, exemptions and otherwise of guarantees, as may be prescribed to the projects existing at the time of coming into force of this Act.
(2) Notwithstanding the provisions of sub-section (1), all the exemptions granted to imports of the projects, in accordance with the provisions of the previous Investment Acts, shall be revoked, and there shall apply, with respect thereto, the provisions of section 11, hereof; provided that there shall be excluded, from the same, such projects, as may be existing, at the date of coming into force of this Act, which are organized by special agreements, concluded with the Government of the Republic of the Sudan.

Interpretation

5. In this Act, unless the context otherwise requires:
"Competent Minister", means any of the Federal Ministers;
"Invested money", means:

- (a) the local currency paid by the Investor and used in the establishment, operation, of the project;
- (b) the foreign convertible currency converted through one of the banks registered with the Bank of Sudan, which is used in the establishment, operation, of the project;
- (c) the local currency, by which satisfaction, upon the approval of the competent bodies, is made to meet obligations due for payment to the Investor, in foreign currency, where the same is used in the establishment, operation, of the project;
- (d) the corporeal capital and any other corporeal rights, such as mortgages, debt securities and all the similar rights, dividends, shares and debentures pertaining to companies, and any form of participation therein, the machinery, equipment, apparatuses, materials and other requisites and the means of conveyance imported, from abroad, or the local ones, for the establishment, operation, of the project;
- (e) the incorporeal rights and intellectual property rights, and include copy rights, trade marks, patents, industrial designs, which are used in the project; provided that such rights shall be registered, in accordance with the provisions of the law pertaining to each, and owned, by the Investor, or licensed to use the same, on the part of the proprietor thereof;
- (f) such profits, as may be achieved by the project, where the capital of the project is completed therewith, or invested into any other project;

"Investor", means the person who invests his funds, in accordance with the provisions of this Act, into any project , whether he is Sudanese, or non- Sudanese;

"Minister", means the Minister appointed by the President of Republic of Sudan;

"Ministry", means the Ministry of Investment;

"Project", means any economic activity, whatever the legal form thereof, which is included into any of such fields of investment, as may be set out in this Act, and such , as may be prescribed by the Council of Ministers, in accordance with the objects of encouragement of investment provided for in section 6, and the project is approved in accordance with the provisions of this Act;

"State Minister", means the State Minister, who is specified, by the State Council of Ministers , to have competence as to investment.

CHAPTER II

Objects of encouragement of investment

6. This Act targets encouragement of investment into such projects, as may achieve the objects of the development policy, and the investment initiatives, on the part of the Sudanese and non-Sudanese private sector, the co-operative, mixed and public sector. Without prejudice to the generality of the foregoing, it aims at encouragement of investment into the projects of any of the fields set out in section 7.

Fields of investment

7. This Act encourages investment, into the fields of agricultural, animal and industrial activities, energy and mining, transport, communication, tourism and environment, storage, housing, contracting, infrastructure, economic, administrative and consultative services, information technology, education, health, water and culture and information services and any such other field, as the Council of Ministers may specify.

Discrimination between projects prohibited

- 8. (1) For the purposes of this Act, no discrimination shall be made between invested money, by reason of its being local, Arab or alien, or by reason of its being public, private, co-operative or mixed sector.
- (2) No discrimination shall be made between such similar projects, as may be specified by the regulations, with respect to granting privileges or guarantees.

CHAPTER III

Branch I

Strategic projects

- 9. (1) Investment, in the following fields, shall be deemed strategic investment, namely:
 - (a) relating to infrastructure, roads, ports, electricity, dams, communications, energy, transport, contracting business, education, health and tourist and information technology services and water projects;
 - (b) relating to extraction of subterranean and deep seas wealth;
 - (c) agricultural, animal and industrial production;
 - (d) crossing more than one state;
 - (e) any such other fields, as the Council of Ministers may prescribe.
- (2) The regulations shall specify the strategic projects in the fields provided for in sub-section (1).

Branch II

Exemption from taxes

- 10. (1) Subject, to the provisions of section 19, and without affecting any privileges, as may have been granted to any of the investment projects, in accordance with such conditions and safeguards, as may be in use:
 - (a) the strategic project, specified in the regulations, shall after its registration, in accordance with the organizing laws, enjoy exemption from the business profits tax for a period of ten years, the effect of which shall commence, as of the date of commercial production, or practice of activity;
 - (b) the Minister may grant the non-strategic project exemption from the business profits tax, for a period, not exceeding five years, the effect of which shall commence, as of the date of commencement of commercial production, or practice of activity.

- (2) Notwithstanding the provisions of sub-section (1)(a), the Council of Ministers, upon a recommendation, from the Minister, may extend the exemption of strategic and non strategic projects, as to such conditions and safeguards, as the regulations may specify.

Exemption from customs duties

11. (1) Subject, to the provisions of section 19, each of such strategic and non-strategic projects, as may be specified in the regulations, after registration thereof, in accordance with the laws organizing the same, shall enjoy such customs privileges, as the Council of Ministers may prescribe.
- (2) Notwithstanding the provisions of sub-section (1), customs privileges shall, with respect to cars, salon cars, box cars and station wagons, be granted as the regulations may specify.
- (3) The Council of Ministers may, upon the recommendation of the Minister, amend the prescribed customs privileges, as he may deem fit.

Project granted the privileges of allocation of land and depreciation account

12. The Minister may grant such strategic and non-strategic projects, as may be specified in the regulation:
- (a) the land necessary for the strategic project free of charge, and at the encouragement price for the non-strategic project, in co-ordination with the bodies concerned, from such lands, as may have been planned by the competent bodies;
- (b) the privilege of depreciation account of the assets, as to such renewal value, as may be specified by the regulations, and in accordance with the circuits of operation work;
- (c) deeming any such loss, as may have occurred, during the period of exemption, provided for in sections 10, as if it is such loss, as may have occurred during the last year of such period.

Grant of privileges to State projects

13. The State Minister may grant such state project, as may be specified in the regulations, the following privileges:
- (a) total, or partial exemption, from such taxes and fees, as may be levied by a state, or local law, for a period not exceeding five years; provided that he may, upon the approval of the State Council of Ministers, extend such exemption for another similar period;
- (b) any such other state taxes, or fees, as may subsequently be levied on the project;
- (c) allocation of the land necessary for the state project, at the encouragement price, in co-ordination with the bodies concerned, from the lands allocated by the competent bodies.

State projects granted federal privileges

14. (1) The Minister, upon the recommendation of the State Minister, may grant a state project the privileges provided for in section 11.
- (2) The State Minister, upon delegation by the Minister, may grant a state project the privileges, provided for in section 11, as to such conditions and safeguards, as the Minister may deem fit.

No taxes or fees levied on federal projects

15. No state, or locality shall levy any state, or local taxes, fees or rates, on any investment project federally licensed, during the period of the tax exemption, provided for in sections 10 and 11, save in consideration of such services, as may be of public nature, performed by the state, or the locality.

Preference privileges

16. (1) The Minister, upon the approval of the Minister of Finance, and in consultation with the Competent Minister may grant preference privileges to such projects, as may satisfy any of the following features:
- (a) direct investment towards the least developed areas;
- (b) assist in the development of export capabilities of the country;
- (c) contribute to achievement of integrated rural development;
- (d) create great chances of work;
- (e) strive to encourage charitable trust;
- (f) strive to develop scientific and technological research;
- (g) re-invest the profits thereof.
- (2) For the purposes of sub-section (1), privileges mean any of the privileges provided for in section 10, or 11, with respect to the size, extent, or term thereof, as the regulations may specify.

Branch III

Guarantees

Investment guarantees

17. (1) An Investor shall enjoy the following guarantees:
- (a) the non-nationalization, or non-confiscation of his project, non-acquisition of all, or part of the estates of the project thereof, or his investments, for public interest, save by law and in consideration of just compensation;
- (b) the non-attachment, non-confiscation, non-custody or non-sequestration of the property of his project;
- (c) the re-remission of the invested money, in case of the non-execution of the project, at the outset, liquidation, or disposal of the same, in any of the ways of disposal totally, or partially, in the currency, in which it has been imported; on condition of satisfying all the obligations legally due thereon, and in the case of non-execution of the project, at the outset, machinery, equipment, apparatuses, means of conveyance and other requisites, which have been imported for the project, may be re-exported, whenever all the obligations, mentioned in this paragraph have been satisfied;
- (d) the remission of the profits and the cost of financing for the foreign capital, or loans, in the currency in which the capital or loan has been imported, at the date of accrual, after payment of the obligations legally due on the project;

(e) the import of such raw materials, as the project may need, and the export of the products thereof, after the automatic registering; of the investment project, onto the Exporters and Importers Register.

(2) For the purposes of paragraph (c) of sub-section (1), the invested capital shall be specified in foreign currency; and the elements of the capital in kind shall be evaluated by the customs authorities by the customs certificate of value (CCV), or the import form (IM).

Privileges and guarantees of protected projects

18. Notwithstanding the provisions of any other law, no administrative body shall refrain from implementing the Privileges and guarantees, granted under the provisions of this Act.

CHAPTER IV

Investor licensed to establish a project

19. (1) Subject to the provisions of section 4, no person shall establish any project, in the Sudan, save after obtaining a licence therefor, from the Minister, or the State Minister, as the case may be, in accordance with the provisions of this Act.

(2) Subject to the provisions of sub-section (1), no licence shall be granted, for mixed or foreign investments, by states, save after approval of the Minister.

Feasibility study of the project presented

20. No project shall be granted licence, nor shall it be granted any such privileges and guarantees, as may be set out in this Act, save after presenting a technical and economic feasibility study of the project.

Grant of licence and privileges requested

21. An application, for the grant of licence, for any project, or of any of the privileges provided for in this Act, shall be presented, on the prescribed form as follows:

- (a) strategic and non-strategic federal projects, to the Ministry;
- (b) strategic and non-strategic state projects, to the State Minister.

Grant of licence

22. (1) The Ministry, or the State Ministry shall, upon receipt of a satisfied licence application, for any project, transfer the application to the federal Competent Minister, or the State Minister, as the case may be, within one week, to obtain the primary approval of establishing the project.

(2) The federal Competent Minister, or State Minister, as the case may be, shall determine the application for primary approval, and send the same, to the Ministry, or State Ministry, as the case may be, within seven days, of the date of receipt of such application.

(3) In case of not sending the primary approval, in the period provided for in sub-section (2), the Minister, or the State Minister, shall determine the application, after lapse of such period.

(4) In all cases, the Minister, or the State Minister, as the case may be, shall determine the licence application, within a period not exceeding thirty days, of the date of receipt of the satisfied application, from the Investor.

(5) Every applicant, for licence, shall be entitled to grievance, to the Federal, or State Council of Ministers, as the case may be, against the non-determination of his application, in accordance with the provisions of sub-section (1), to determine his grievance, within the period of one month, of the receipt of the satisfied grievance.

Land allocated for the project delivered

23. The Federal, or State Competent authority, shall deliver the land allocated for the project, within a maximum period of one month, of the date of granting the licence.

Conditions of the continued enjoyment of the licence and privileges

24. No Investor shall take any of the following measures, during the period of validity of the licence and privileges, granted under the provisions of this Act, without obtaining a written approval, from the Minister, or the State Minister, as the case may be, the measures being to:

- (a) conduct any amendment, or alteration, of the size of the project, or the object for which the licence has been granted, or transfer the project, from the place thereof prescribed in the licence;
- (b) use, or sell any of the equipment, machinery, apparatuses, materials or spare parts, with respect to which privileges have been granted, for any other purpose, other than the purpose, for which the licence has been granted;
- (c) change the purpose of use of the land allocated for the project, sell, mortgage or hire the same totally, or partially.

Duties of the Investor

25. The Investor shall:

- (a) commence executing the project, within a maximum period of twelve months, of the date of receipt of the land, unless such period has been extended, on the part of the Minister, or the State Minister, for any such period, as he may deem fit;
- (b) submit, to the Minister, the Competent Minister and the State Minister, periodical reports, every six months, during the period of validity of privileges, on the progress of the operation of executing the project, up to the date of commencement of production, or practice of activity;

- (c) keep regular books, and maintain records, whereon shall be entered the assets of the project exempted from customs duties, and the exempted imported materials;
- (d) present, to the Minister, the Competent Minister and the State Minister, annually, during the period of validity of the privileges, a copy of the annual accounts of the project, approved by a certified auditor;

The Investor contravening the provisions of this Act

26. (1) An Investor shall be deemed to have committed a contravention of the provisions of this Act, where he:
- (a) contravenes the provisions of sections 19, 24 and 25;
 - (b) delivers false, or misleading information , or uses such unlawful methods, as may result in obtaining any benefit, in accordance with the provisions of this Act, for himself, or any other person;
 - (c) suspends the project, without reasonable cause;
 - (d) contravenes the laws of the country, in such way, as may endanger the security and safety thereof.
 - (e) Contravenes licence condition.
- (2) Without prejudice to any such penalty, as may be provided for in any other law, the Minister, or the State Minister, as the case may be, may in case of commission, by the Investor, of any of the contraventions, provided for in sub- section(1), impose any of the following sanctions, in accordance with the size of the contravention and the circumstances of commission thereof, and the extent of such damages, as may affect the national economy:
- (a) warning him, to remove the grounds of the contravention, if the same is required, within such period, as he may specify;
 - (b) decrease the period of any of the privileges granted to the project, or the size thereof;
 - (c) not granting him any of the privileges and guarantees provided for in this Act;
 - (d) total, or partial revocation of the privileges, and the same shall result in binding the Investor to restitute the value of the material benefit gained thereby, from obtaining any previous privileges, where gaining such benefit results, from occurrence of the ground which led to the issue of the decision of revocation;
 - (e) revocation of the licence, and the same shall result in acquisition of the land granted to him under the provisions of this Act.
- (3) An Investor in respect of whom a decision, under the provisions of sub-section (2), has been passed may submit his grievance, to the Federal, or State Council of Ministers, as the case may be, within one month, of the date of his being notified of the decision, and the decision, in this respect, shall be final; provided that this provision shall not prevent the Investor from access to courts.

CHAPTER V

The ministerial committee

27. The Council of Ministers, upon the recommendation of the Minister , may constitute a ministerial committee under the chairmanship of the Minister, and membership of the Minister of Finance and the Competent Minister, and the regulations shall specify the functions thereof.

Constitution of the committee of commissioners

- 27A. The Minister shall constitute the committee of commissioners, from a chairman and a number of members, representing the competent bodies, having a relation to investment, from the ministries and competent government units; provided that the post of any of them shall not be less than the head of the unit, or whoever may deputize therefor, and shall fully be officially authorized, by the body which he represents, and the committee shall include representatives of the private sector.

Functions of the Committee

28. (1) The Committee of Commissioners shall have the following functions, to:
- (a) consider the extent of compatibility, by strategic projects, with the priorities of investment, in the strategic fields;
 - (b) consider the needs, by strategic projects, to infrastructure and basic services, needed by the project, and the extent of availability, or possibility of providing the same;
 - (c) consider the needs of the project, to manpower and the specialized one, procured from abroad, in accordance with the prevailing laws;
 - (d) achieve the sector investment plans, by the approved and proposed investment projects;
 - (e) co-ordinate, between the Ministry, and the Competent Ministries, and the states, in every such thing, as may concern investment projects, especially on the map of investment lands.
- (2) The Committee may call any person, or body of competence, upon discussing any such subject, as may fall within the competence of such Committee, and he shall not be entitled to vote.

Functions of federal ministries

29. Federal ministries, having connection with investment, shall have competence, as to the following:
- (a) specify priorities, and lay down the investment policies, at their ministries;
 - (b) prepare sector investment maps;
 - (c) approve, on point of principle, the establishment of the project, upon such primary feasibility study, as may be transferred thereto, by the Ministry; provided that the final feasibility study of the project shall be presented to the Ministry ;

(d) follow-up the execution of the projects concerning the Competent Ministry, and submit periodical reports, as the Minister may require.

State Investment

30. An investment Act in the states shall be promulgated, by a state law, as to the form of Federal Investment Encouragement Act, 1999.

CHAPTER VI

Investment maps

31. The Ministry shall lay down the national investment map, in accordance with the policies and directives of the National Economic Planning Council; provided that the same shall include particular percentages, of the federal projects, in the states, and submit the same, to the Council of Ministers, for approving the same; provided further that the investment map shall include such sector investment maps, as may be prepared by the federal ministries and ministries of investment in the states.

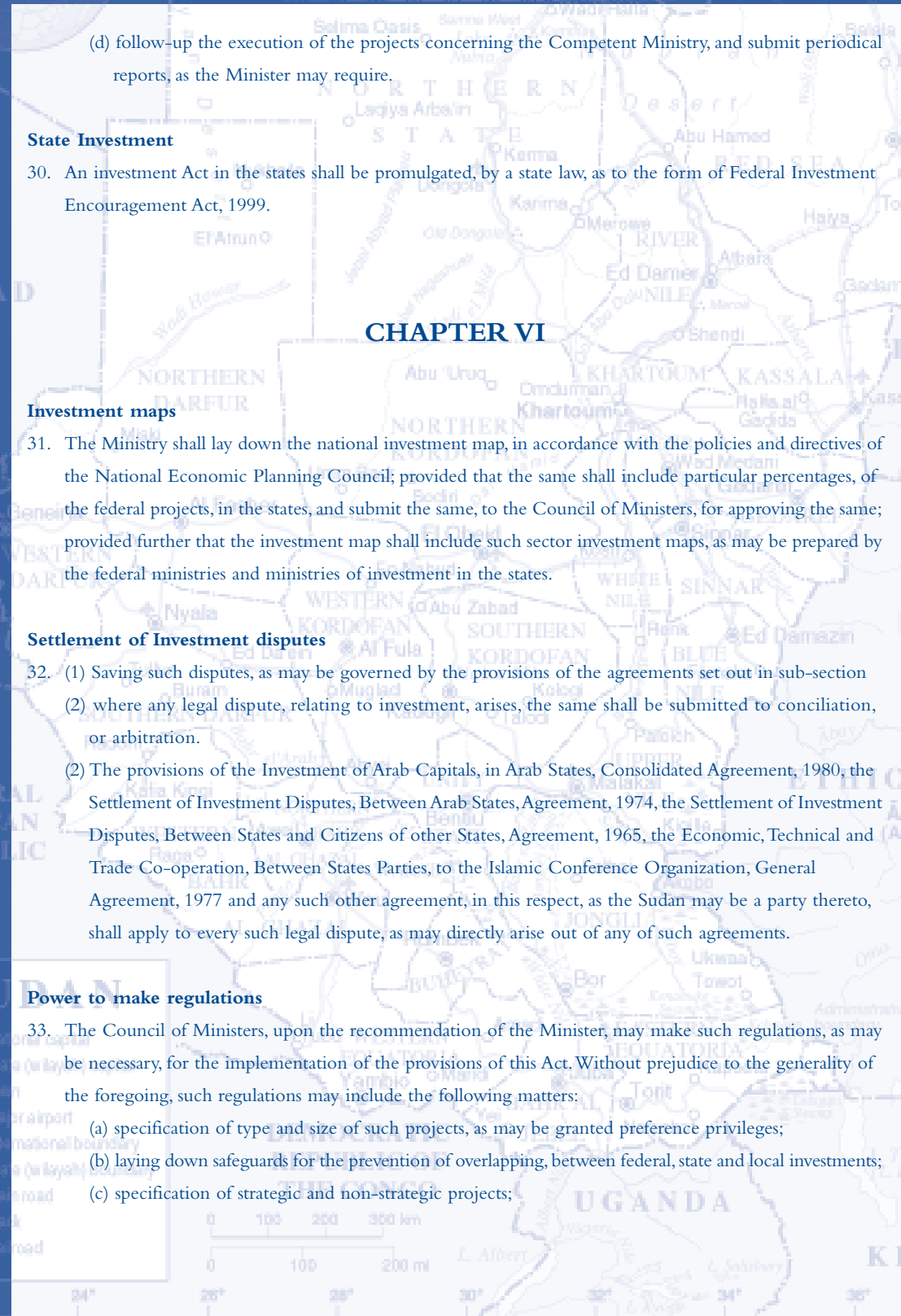
Settlement of Investment disputes

32. (1) Saving such disputes, as may be governed by the provisions of the agreements set out in sub-section (2) where any legal dispute, relating to investment, arises, the same shall be submitted to conciliation, or arbitration.
 (2) The provisions of the Investment of Arab Capitals, in Arab States, Consolidated Agreement, 1980, the Settlement of Investment Disputes, Between Arab States, Agreement, 1974, the Settlement of Investment Disputes, Between States and Citizens of other States, Agreement, 1965, the Economic, Technical and Trade Co-operation, Between States Parties, to the Islamic Conference Organization, General Agreement, 1977 and any such other agreement, in this respect, as the Sudan may be a party thereto, shall apply to every such legal dispute, as may directly arise out of any of such agreements.

Power to make regulations

33. The Council of Ministers, upon the recommendation of the Minister, may make such regulations, as may be necessary, for the implementation of the provisions of this Act. Without prejudice to the generality of the foregoing, such regulations may include the following matters:
 (a) specification of type and size of such projects, as may be granted preference privileges;
 (b) laying down safeguards for the prevention of overlapping, between federal, state and local investments;
 (c) specification of strategic and non-strategic projects;

(d) the procedure of applying, for the grant of licence and privileges, and specifying the type and size thereof;
 (e) specifying services fees;
 (f) the safeguards and bases, pertaining to control, and follow-up, of the projects licensed, under the provisions of this Act.





SECURITY

(Vincenzo Palmieri, Paola De Maio)



CHAPTER 6

Regional Context

Sudan has the characteristic of being a “hinge” country between Arab and African worlds; its geographical position, its size and history have made it a plurivalent geopolitical actor; it has woven high-level political relations with Mediterranean countries as well as with the Near and Middle East, with countries of central and equatorial Africa and lastly, with the Horn of Africa countries. The management of these relations has depended strictly upon the elitist composition of power: under the direction of the present President Omar Hassan Ahmed al-Bashir – an Arab soldier coming from the North of the country – it presents two distinctive elements in particular, due to the approach held vis-à-vis the Governments of the Arab States and by relations in the Horn of Africa. It is evident how al-Bashir has maintained privileged relations with nations of the Mediterranean basin and the Middle East – with Saudi Arabia and Libya in particular – while in central Africa and in the Horn, he has generally sustained the internal opposition movements of his neighbouring States. Saudi Arabia is now – together with China – one of the African countries' best trade partners; between Khartoum and Riyadh strong economic bonds have been woven and carried out into numerous investments. An important sphere of such relations is linked to the funding of Koranic schools by the Saudis. Once the bitter contest with Libya

was terminated – a characteristic of the '70s which lasted until the coup d'état by Swar ad-Dahab and the al-Mahdi Government in 1985 – relations have stabilized, finding a level of distinct mutual trust, particularly after the new change at the top level of the Sudanese Government which came in 1989. The following year the two Governments announced that they wanted to follow a policy of “unity” and a change of relations has been evident, although real administrative and diplomatic steps have never been taken. President Omar al-Bashir now maintains excellent personal relations with Colonel Muammar al-Qadhafi who has made a number of gifts to Sudan, including a luxury hotel built recently in the capital by an Italian firm.

Diplomatic relations are also good between Iraq and Sudan; here again, the theme of personal relations between the Presidents of the two States have been dominant, but the bonds established have survived the recent evolutions on the banks of the Tigris. After the kidnapping in Iraq of six Sudanese diplomats in December, 2005, the Iraqi Foreign Minister – Ali Karti – made an immediate appeal to the kidnapers to release “our Sudanese brothers, who have stood firm beside the Iraqi people during the crisis”. Such declarations testify the deep and positive imprint of relations between the Government of Sudan and all the Arab nations; this is true even regarding Egypt,

with which Khartoum shares a tormented colonial past. There remains an inevitable aftermath of that period – the dispute over the Hala'ib triangle for example – but by now, the relation with Egypt can leave behind the dynamics of the past centuries. In 1959 an agreement on the division of quotas of the Nile's waters was reached with the Government of Cairo, which satisfactorily settled the issue regarding the use of the river, and not even minor revisions to this agreement are envisaged. It has constituted the basis for wider governmental collaboration. Egypt has always sustained, for example, the importance of Sudanese unity, and it is also for this reason that Egypt is a good trade partner. Relations were spoiled due to the support Sudan gave to the Egyptian Islamic Jihad movement, but did not collapse even at the unsuccessful attempt on the Egyptian President's life, which took place in Ethiopia in 1995. Those events did – however – lead to sanctions against Sudan by the United Nations Security Council.

The general isolation that followed is the environment in which the “non-alignment” policy is framed, and which emerged especially in the '90s, leading the Sudanese Government to maintain diplomatic relations with nations such as Syria, North Korea and Iran, while on the contrary, it shunned intensification of relations with its neighbours in central and equatorial Africa. Though Sudan since 2000 has re-proposed a process of reconciliation with its neighbouring States, it has in practice been of benefit only to the

Democratic Republic of Congo. The only person to obtain support against his own rebels in the recent African geo-political scene has in fact been Laurent Kabila during the civil war. The support supplied by al-Bashir was – on the other hand – shared by Zimbabwe, Namibia and Angola; in other cases one saw a continuation of preceding policies: support to movements that opposed the Governments, especially if characterized by a common Islamic faith.

Relations with Chad suffered in particular from this approach, in a direction that was unfavourable to the Khartoum Government; the basic characteristic of relations with N'Djamena has been the support supplied by al-Bashir to FUC (Front Unique pour le Changement Démocratique), a movement that opposes President Deby's Government. Due to the strong influx of refugees from the Darfur region and various frontier incidents, a declaration of war was even made between the two countries in December 2005. With respect to the latter point – the lowest in the past few years – bilateral relations have markedly improved, but this is thanks above all to the decisive turn taken by the President of Chad in the management of internal and international relations.

In this case it seemed that Sudan was forced “into a corner” by international pressure related to Darfur; President Deby can therefore reinforce his role in the region, presenting himself as a mediator in the Sudanese civil war, while the FUC movement – no longer adequately sustained by Sudan – loses

position in the internal guerrilla war. An identical approach has been adopted by al-Bashir's Government with respect to the Central African Republic and Uganda; Sudan has favoured Islamic opposition movements in the first case, and particularly so in the second, according to a scheme of reciprocity: Khartoum sustained the LRA (Lord's Redemption Army), the armed movement led by Joseph Kony and the Allied Democratic Front (ADF) against Yoweri Museveni's Ugandan Government, while the latter was in contact with the SPLM/A of Sudan; only recently has there been an improvement in relations between the two capitals as witnessed by the peace talks between the Government and the LRA being held in the city of Juba in southern Sudan. For Khartoum reconciliation between the two parties signifies – in the future – the end of a regional economy that reduced the income from the sale of petroleum from southern regions; for Kampala it signifies the weakening of a difficult internal adversary. The level of support conceded to the opposition movements in the south of Sudan is the yardstick by which the uneasy relationship with Kenya can be measured. This is the seat of IGAD (Inter-Governmental Authority on Development), the United Nations offices for Africa and southern Sudan, as well as diplomatic representation for southern Sudan. The UN, in particular, has predisposed dual presence in Sudan with two distinct agencies: the UNDP (United Nations Development Programme) in the

North, with UNICEF active in the South; two different trusts have been set up in order to manage the reconstruction. At the end of the '90s the UN played an active part in the isolation of the country (by imposing an embargo) creating, therefore, the feeling that they were working against the Central – Islamic and Arab – Government of Sudan. Nairobi was therefore perceived as a rival of Khartoum. Sudan, for its part, sustained the Islamic factions within Kenyan territory, near the border with Somalia and – in 2001 – closed the frontier to prevent the sale of Sudanese petroleum through Kenya. The echo of frictions between the two States is still perceptible in the progressive estrangement of the positions of both Kenya and Sudan within IGAD, and in the parallel reinforcement of institutions such as the Arab League by the latter, during the reconciliation events in Somalia, as an example. Such consolidation constitutes, above all, the second characteristic aspect of Sudanese regional policy; relations in the Horn of Africa with the Governments of Somalia, Eritrea and Ethiopia make the strategy adopted by the Government of Khartoum even more evident. Here too, al-Bashir has sustained the internal movements of an Islamic matrix that have broken off from the central authorities and the result – as far as Somalia is concerned – had been the weakening of the transition Government born within the peace process conducted by IGAD. While not being the sponsor of such evolution, Sudan has had the advantage of re-con-

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ducting the pacification of the participants of Somali politics under the auspices of the Arab League: the Kenyan and above all the Ethiopian initiative (sustained by a large part of the international community up until June 2006) were instead greatly weakened. We had an example when the meeting summoned in Nairobi by the Governments of Ethiopia and Somalia – among the Heads of State of the seven member nations of IGAD – was deserted by Sudan, Eritrea and Djibouti, while Uganda and Kenya sent only lesser rank representation. IGAD was involved – moreover – with the rebels in the mediation process during the Sudanese civil war. Here Sudan sought confirmation of its regional role – in crisis due to international pressures regarding the Darfur matter – forming an alliance with the Islamic regimes in power in the region. The support supplied to the Governments of Eritrea and Djibouti – underlined by the exchange of numerous official visits and with an improvement of the situation along the Eritrea-Sudan border – and to the movement of the Islamic Courts of Mogadishu, goes hand-in-hand with the parallel frustration of the ambitions of the international community, of the UN and the African Union in intervening deeper in Sudanese internal matters. In the same way, this frustration is also a deterrent to the aspiration of Addis Ababa to free itself from the Islamic “sanitary cordon” that has been raised around it. Such policy, expressed primarily by the Eritrean Government headed by Afwerki, found support in al-Bashir.

Rendering relations with Meles Zenawi more rigid is not one of the priorities of Sudan; however, the growing difficulties in resuming relations with the southern and oriental African neighbours – who continue to perceive the country to be “racist” – explain the Sudanese return to positions of intransigence within the Islamic world. It is furthermore asserted that the President of Sudan did not deny his support and funding to movements such as Hamas and Hizbollah. Lastly, the position of Khartoum in the regional African context must be compared to that of the great international protagonists present in the area; the USA, the EU and China. The embargo imposed by the US has remained in force since 2001; the branding of “rogue State” up until 2003. From that point on, the improvement of bilateral relations was clear, even though critics suspect that well defined economic interests – all linked to petroleum – existed to justify the rapprochement. From a political point of view, the US have in fact, always upheld the opposition groups and the SPLM/A, which have control of the South and south-western areas, where prospecting for new oilfields is concentrated. Even the EU had broken off diplomatic relations until last year; then it opted to normalise relations, bringing also greater pressure for change in Sudanese Governmental strategies, with the problem of the Darfur populations in the front line. A much easier – and consequently interesting – relationship is that with the “Dragon Country”. Over two million Chinese citizens

live presently in Sudan, most of them in Khartoum; collaboration between the two nations ranges from mining to infrastructure, with a predominance in the sectors of building of roads and hydro-electric plants.

Security and Country Risk Assessment

The origin of the Sudanese civil war – the longest in the history of the African continent – lies in the deep disparities left as a legacy to the new State, no longer dependent upon Anglo-Egyptian administration, with a concentration of economic resources and decisional power of the Arab-Muslim North, to the detriment of the South inhabited by African tribes of Animistic faith and a minority of Christian faith. If the first 20 years of conflict found that the main factors were inequality and cultural differences, since 1983 a new element has proved key – after a period of peace lasting eleven years – for the resumption of the civil war: petroleum. The oil-fields – discovered in the '80s – are mostly concentrated in the southern regions of Sudan, and it is therefore difficult for the Central Government of Khartoum to manage them directly. The Government has reacted by unilaterally abrogating the regional self-government previously conceded to the South after peace was declared in 1972. This decision, added to the desire on the part of Khartoum to extend the Shari'a law throughout the entire territory, soon turned into the fuse that relit the civil war.

To the contrary, the origins of the conflict in

the Darfur area are to be found in the framework of usual interethnic tensions between the African tribes of Fur, Zaghawa and Masalit – sedentary and agro pastoral tribes – and the nomadic tribes of Arab origin. These historical and traditional factors are inserted into the context consequent to the peace process between North-Arab and South-African regions of Sudan which – after about 40 years of civil war – opted for a realignment and rebalance of power from which Darfur has been substantially excluded.

In this setting, in February 2003, three groups of African ethnic basis gave life to two different rebel groups – the Sudan Liberation Movement/Army (SLM/A) and the Justice and Equality Movement (JEM) – resorting to arms to protest against the exclusion from the peace negotiation under way between the North and South, the inadequate resources assigned by the Central Government to Darfur, and the lack of protection of African villages. The Khartoum Government replied by arming and militarily sustaining the *Janjaweed* militia (gangs of camel-riders of Arab origin, better known as the “Devils on horseback” armed with kalashnikovs) against the insurrection of the tribes of African ethnic origin. The civil war that ensued caused the most serious humanitarian crisis since 1998, and it was characterized also by persistent violation of human rights of the civilian population.

In the meantime, in the rest of Sudan important progress was registered in the peace process between the Khartoum Government in

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the North and the main group of rebels in southern Sudan, the Sudan People's Liberation Army (SPLA).

On January 9, 2005, an historic Peace Agreement (Comprehensive Peace Agreement – CPA) was finally signed in Nairobi, which laid the basis for the resolution of the conflict between the North and the South of the country, establishing the rules for the division of power between the North and the South, the achievement of the South's autonomy within 2011, the division of natural resources, security of the country and the withdrawal from occupied areas of troops belonging to both sides.

The peace agreement – however – continued to ignore Darfur, where the situation remains dramatic. In this region, the signing of the Humanitarian Ceasefire Agreement (HCFA) on April 8, 2004 between the two warring factions, had represented a decisive moment in the course of a conflict that has been under way for years.

This agreement permitted the creation, as of summer of 2004, of the African Union (AU) Contingent constituted by military units from Nigeria, Rwanda, Kenya, South Africa, Gambia and Senegal within the sphere of the so-called “African Mission in Sudan” (AMIS) that also consists of observers, police members and civilian personnel.

After its launch, and since last autumn, the Operation was reinforced and took on the official denomination of AMIS II, constituting DITF (Darfur Integrated Task Force). It is composed of Mission Headquarters

(Mission HQ), located in Khartoum, a Force Headquarters (Force HQ) situated in El Fasher in Darfur, and eight Sectorial Battalion Headquarters spread out throughout the region (El Fasher, Tine, Kutum, Kabkabiya, Nyala, El Daein, El-Geneina, Zallinge). Today AMIS II has about 2,500 men, of which 2,100 are military personnel (and of these 450 are Observers), 250 police personnel while the rest are civilian support personnel. The mandate of the AU Force is that of controlling the ceasefire and protecting the Observers.

Even the European Union contributes to AMIS II with funds and personnel utilized as Observers, within the Ceasefire Commission (presided over by a member of the African Union) or the planning staff of the AU in the context of the Darfur Integrated Task Force (DITF).

On March 24, 2005, the United Nations Security Council adopted resolution n. 1590 with which it established the United Nations Mission in Sudan (UNMIS) to support the implementation of the above-mentioned peace agreement signed in January 2005 between the Sudanese Government and the SPLA. UNMIS constitutes a classic multinational mission – under chapter VI of the United Nations Charter – based on the consensus of the parties and with the target of helping them implement the peace agreement (CPA).

Within the sphere of the mission, the use of 10,000 peacekeepers was foreseen (including 750 UN military Observers and 715 Military



Police), with the UN Headquarters located in Khartoum and, in reality, a deployment of troops provided solely by the African Union.

Today, the North-South conflict seems to have reached an end after the signing of a fragile peace between Khartoum and the SPLA. The signing of the peace agreement in January 2005 put an end to a conflict that had lasted 21 years in the South of the country, and created the conditions for the return of millions of homeless and refugees. Two decades of war left, however, southern Sudan to face serious difficulties. The UNHCR – the UN Refugee Agency – and its partner agencies are engaged in seeing that the repatriation is done in sustainable conditions, also supplying basic services. In collaboration with its own partners, the Agency has achieved more than one hundred reintegration projects, including the digging or rehabilitation of wells, the creation of public health centers, clinics and hospitals, primary and secondary schools, as well as assistance for road reconstruction and information activity regarding mine risks.

Since July of 2005, Sudan has a new Government of National Unity proclaimed by President al-Bashir, and a temporary constitution. John Garang, leader of the Sudan People's Liberation Army/Movement was elected National Vice-President and President of the southern Sudan Government, but he died in a plane crash only a few weeks after the commencement

of his mandate. Garang's successor is now his vice, Commander Salva Kiir.

Nonetheless, the agreement of May 2006 between the Government of Khartoum and the major group of Darfur rebels has certainly the merit of having made an important step towards peace.

Through this agreement the Sudanese Government promised to disarm the *Janjaweed* militias. The main rebel group has for its part, agreed to withdraw within set areas. Furthermore, its forces will be finally disarmed and some of its units will be integrated into the Army and the national police force. As well as the positive national declarations of intent, also on the international side, the West and the African Union have assumed an active role in the peacemaking in Sudan.

The hypothesis of direct intervention in order to increase the security on the Darfur territory is felt to be mainly a Western priority. In collaboration with NATO allies, the US commitment to sustain the African Union forces is constant, supplying immediate assistance in terms of planning, logistics and intelligence support.

Also the UN, especially during the last period, has demonstrated new interest in the region. The United States has often been considered the motor that presses for the adoption of a new UN resolution that can create a basis for expedition of international peacekeeping troops.

The Khartoum Government, however – as directly concerned – does not appear to be

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favourable towards such a plan of intervention by a multi-national UN troop force. Already reluctant to give an extension to the expiry date of the mandate of the African Union troops, Sudanese authorities have made it very clear that further international interference is not welcome.

They have underlined – furthermore – that the AU troops could remain only with the understanding that such forces will not be incorporated into a mission led by the UN. That was a further confirmation of rejection of the UN Resolution approved in September 2006 in the UN headquarters, which contains an allocation of 20,000 units of police and soldiers in Darfur that were going to substitute 7,000 soldiers employed by the AU.

Certainly, such a shut-down by Khartoum was not well received by the Western world. On the other hand – and in many others' opinion – the war is over, but the state of emergency persists. Sudan is going through a highly delicate moment and it may well be that the in coming months or years, the destiny of the country will be decided.

Armed Forces

The Sudanese People's Armed Forces numbered an estimated 105,000 including 20,000 conscripts, organized into 10 divisions, with 1 armored, 1 mechanized and 6 infantry divisions. The Navy, with bases at Port Sudan and Marsa Gwiyai on the Red Sea and in Khartoum, has 1,800 personnel, and the Air Force, 3,000, including air defense forces.

Irregulars, including former rebel militias and tribesmen, supplement the army's strength. Furthermore, The Popular Defense Force – the military wing of the National Islamic Front – consists of 10,000 active members, with 85,000 reserves, and has been deployed alongside regular army units against various rebel groups.

The Armed Forces are in charge of the defence of Sudan's external borders and the preservation of internal security. Sudan's military forces have historically been hampered by limited and outdated equipment, poor maintenance capabilities and inadequate training. These constraints are such that Sudan's army must rely on Arab militias and even former rebels as it campaigns against opposition forces in southern and eastern provinces and in Darfur. Since the late 1990s, the Government has used oil revenues to purchase modern weapons, most of which come from Libya, China and Russia. Other sources of modest military support include Syria, Iran and, in the past, Iraq. There is no evidence that Sudan has access to biological, chemical, or nuclear weapons.

Police

Sudan's police consists of a number of separate units known collectively as the United Police Forces. These include the State Police, who functions on the federal level as well as in each of the 26 States, and the Utilities Forces, who work to protect infrastructures, institutions and corporations. All are under the control of the Ministry of the Interior.



Overall Risk Assessment

While drawing a general analysis of security in Sudan, it is clear that after the 2005 CPA the situation in the country has experienced a relatively peaceful period, during which the state of emergency has been lifted in many regions. Nowadays, Darfur (the western States of Sudan) is the only Region recognized as a high risk zone, due to the ongoing friction between the central Government of Khartoum and the rebel groups.

Moreover – still in the west – it is important to underline the critical and precarious situation along the border with Chad, where the age-old problem of refugees continues to cause a high level of tension.

Nevertheless, in the region of Eastern Sudan – more precisely the State of Kassala – the Peace Agreement signed during October 2006 between Khartoum and the Eastern Sudan Front (as described in Chapter 2 “Historical Background and Political Structure”) has settled a new balance of power in a formerly high risk area. The cease-fire and a renewed security plan have now ended 12 years of insurgency. An estimated 1,800 former Eastern Front rebels ended their struggle and gathered in January 2007 in villages close to government-held Sudanese territory inside Sudan and in western Eritrea. This development falls in line with the October 2006 Agreement, thus showing the political goodwill of both parties to adhere to the provisions taken and is part of wider-ranging efforts to pacify the whole of Sudan.

The South-Centre area could be considered as a stable area, particularly the capital Khartoum,

the Red Sea Region and the State of Gezira (all of them having been open to economical relations with foreign investors) although one should still remain very cautious.

As already noted in chapter 2, the current Government has committed to combating terrorism. In 1996 President al-Bashir proposed to consign Osama Bin Laden to the US Administration and – in the spring of 2000 – his Government signed two important bills: one internal (the Anti-Terrorism Bill), the other international (the Arab Agreement on Combating Terrorism). During recent years, the Government has been engaged both in repressing terrorism and in providing intelligence to its allies.

In terms of crime, Sudan’s situation initially appears to be paradoxical: that of a Nation with a low crime rate and yet a high level of violence. The latter is, however, confined to certain regions, while cities enjoy a low level of crime, which is uncommon in other African countries. This relates both to personal safety and investments: Khartoum – for instance – is a safe city where one does not find the heavily guarded, gated communities of the upper class residential areas present in other regional capitals. Here, one can walk without fear of being attacked, just as in Cairo or Kuwait and that is possible without the need for a strong police presence. As far as the crime rate is concerned, Sudan shows a consistent and positive decline. The rate of intentional homicide decreased in recent years by 62.8%; sexual assault decreased from 2.77 to 2.34 per 100,000; petty theft decreased from 5.50 to 3.25, while robberies have remained steady overall.

MILITARY SYSTEMS (CIA WORLD FACTBOOK)

MILITARY BRANCHES:	Sudanese People's Armed Forces (SPAF): Army, Navy, Air Force, Popular Defense Force
MILITARY AGE:	Compulsory military service within 18 to 30 years; 3 years call up; (August 2004).
MILITARY MANPOWER:	Maschi (di età compresa tra 18 e 49 anni): 8.291.695; femmine (di età compresa tra 18 e 49 anni): 8.135.683; (stime 2005).
MILITARY MANPOWER FIT FOR MILITARY SERVICE:	Males (age 18-49): 8,291,695; females (age 18-49): 8,135,683; (2005 est.).
MILITARY EXPENDITURES DOLLAR FIGURE:	USD \$ 587 million (2001 est.); (2004).
MILITARY EXPENDITURES PERCENT OF GDP:	3% (1999); (2004).

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