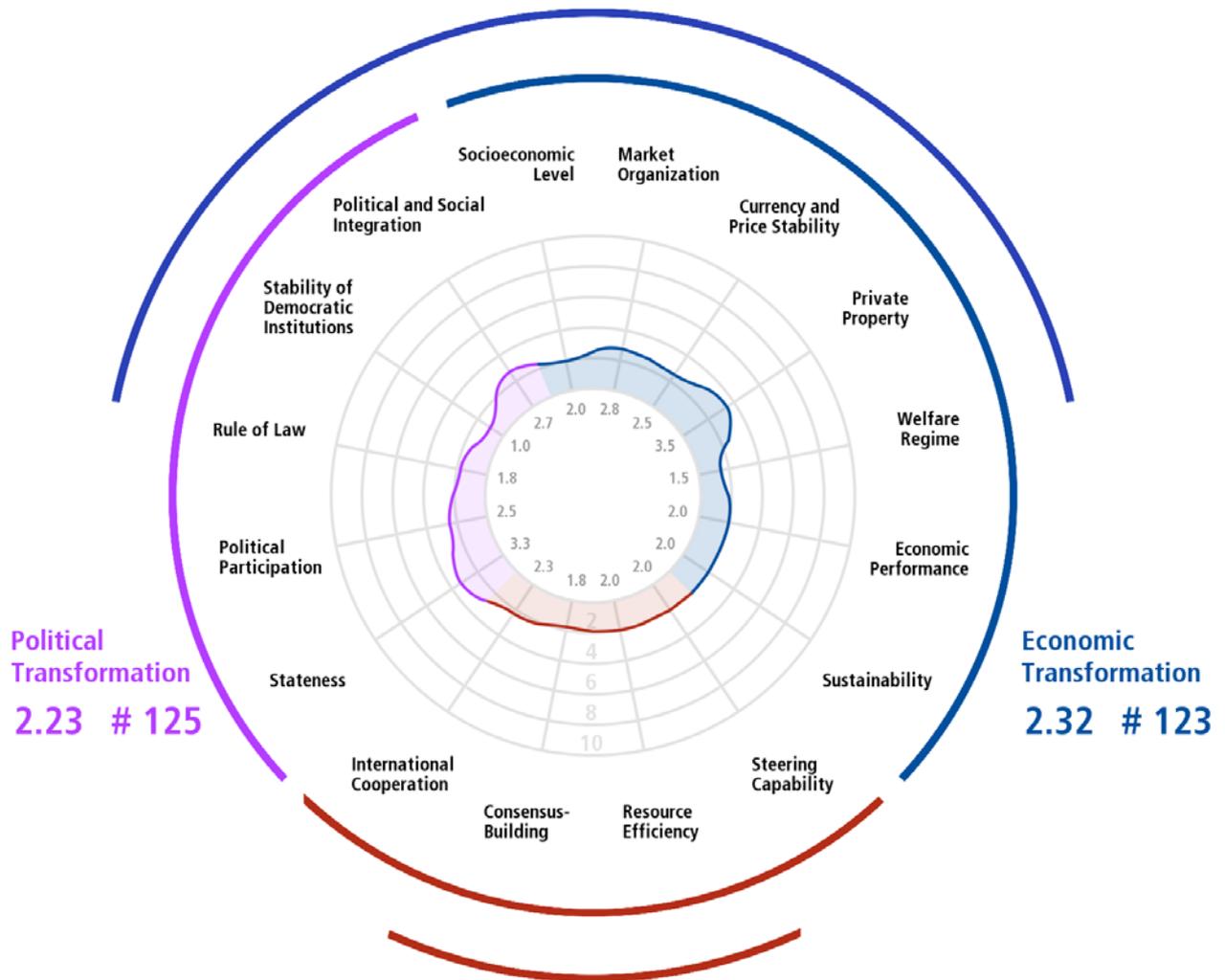


Sudan

Status Index

2.28 # 123

on 1-10 scale out of 129



Political Transformation
2.23 # 125

Economic Transformation
2.32 # 123

Governance Index

1.97 # 124

on 1-10 scale out of 129

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2018. It covers the period from February 1, 2015 to January 31, 2017. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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Key Indicators

Population	M	39.6	HDI	0.490	GDP p.c., PPP \$	4730
Pop. growth ¹	% p.a.	2.4	HDI rank of 188	165	Gini Index	35.4
Life expectancy	years	64.2	UN Education Index	0.338	Poverty ³	% 40.5
Urban population	%	34.0	Gender inequality ²	0.575	Aid per capita \$	22.4

Sources (as of October 2017): The World Bank, World Development Indicators 2017 | UNDP, Human Development Report 2016. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

The Comprehensive Peace Agreement (CPA), signed in 2005 by the government of Sudan and the Sudan People's Liberation Movement with strong international backing, began a process of democratization and economic transformation, based on Sudan's burgeoning oil industry. However, since the CPA, Sudan's political and economic situation has deteriorated, and events between 2015 and 2017 have been a continuation of that trend.

A significant, recent political failure was the flawed election of 2015. The 2010 elections, the first attempt at a national democratic election in Sudan since 1986, were boycotted by the major opposition political parties. As a result, President Bashir won an easy victory, which was rejected by many observers. By the elections of 2015, the situation had further worsened. The government's use of force to suppress the largest popular demonstrations since it came to power (against tightening austerity and cuts to government subsidies in 2013) resulted in up to 200 people being killed. Consequently, there was little confidence in, or enthusiasm for, the elections of 2015. The opposition parties were even more committed to boycotting the election, in spite of government efforts to win over moderate opposition parties, such as the Democratic Unionist Party.

Since 2015, the autocratic and repressive behavior of Bashir's government, which is dominated by military and security figures, has intensified. Harassment of opposition politicians and the press, including the regular seizure of newspapers as they come off the press and detention of journalists, has increased. At the same time, the government has continued to use force in Darfur, the Blue Nile and the Nuba Mountains.

The government claims that it is seeking to negotiate with its opponents through a national dialogue process, which it has pursued since the widespread boycott of the 2015 elections. However, as of early 2017, most opposition parties are refusing to participate in the process demanding greater involvement in specifying the terms of the national dialogue process to ensure a return to democratic government. Some international actors, notably leading European countries,

are urging opposition parties to participate, which the opposition parties have so far resisted. Sudan's political center is stuck in a fragile deadlock.

Regarding civil conflict, the government claims to have sought talks with rebels, especially in Darfur. Yet, at the same time of writing, the government is also claiming to be making military advances in the region. Peace remains somewhat off and could be precarious if achieved.

On the economic front, there has been little sign of reform. The large drop in oil revenues in recent years, caused by the separation of South Sudan and a fall in world oil prices, has left the government doing little more than pursuing an agenda of austerity and repression, while hoping that the slight economic improvement since 2015 will continue through 2017.

History and Characteristics of Transformation

Sudan has been independent for over 60 years. In that time, Sudan has failed to evolve a system of democratic government capable of creating a sustainable and dynamic economy.

Sudan became an independent, unitary state with a simple Westminster-style parliamentary system of government in 1956. However, after two years of political instability within the ruling coalition, a military coup seized power in 1958. Six years later, a successful popular uprising led to a return to a democratic system. Yet, further government instability led to a second military coup in 1969. In 1985, yet another uprising led to a return to a democratic system. Only for a third military coup to seize power in 1989. The leader of the third military coup, Bashir, became president and remains in power today as head of an autocratic regime. The only major change since 1989 has been the creation of a separate, independent state of South Sudan in 2011, which was hoped would end decades of conflict in southern Sudan.

The key focuses in Sudan involve regional conflicts, the politicization of Islamic identities and the uneven character of economic development.

Sudan's major area of regional conflict has been in the south. Often ascribed to the differences between the predominately Muslim and Arab north, and the African and Christian south. There is also a record of imperialistic behavior by successive northern-dominated governments, both civilian and military, which incited southern resistance. After decades of conflict, southern Sudan was offered a referendum that resulted in an overwhelming vote for independence in January 2011.

However, regional resistance has not been confined to the south. In the western region of Darfur there was also a growing sense of political and economic marginalization, with claims that Sudan was dominated by ethnic groups from the central Nile area. Similarly, in the area of the Nuba mountains and southern Blue Nile areas, indigenous and local people have protested against government repression and. In all three areas conflict persists.

Islamic identities in Sudanese politics go back to the nineteenth century and the rise of the movement led by the Mahdi, which overthrew Egyptian rule and led to the short-lived rule by the Mahdists. Under British rule from 1898, the British constantly sought to accommodate the threat of a Mahdist revival as well seeking to offset it with Sufi sects, especially the Khatmiyya. These rival groups underpin political parties, including the National Umma Party and the Democratic Unionist Party. The Democratic Unionist Party is under the patronage of the Khatmiyya sects' dynastic leaders, now Sadiq al-Mahdi and Mohamed Osman Mirghani. Though the two largest parties, neither could secure an overall majority in the three brief democratic eras and both were forced into a series of unstable coalition governments. Both parties have been challenged by the rise of a more modernist Islamic movement, inspired by Egypt's Muslim Brotherhood, which became known as the National Islamic Front and was led by Hasan al-Turabi. Turabi engineered the military coup of 1989, which brought Bashir to power. However, Turabi and Bashir fell out in 1999, and Bashir's military strength ousted Turabi. The present regime calls itself Islamic and uses an Islamic identity to justify its autocratic rule.

Economic development initiatives ever since nineteenth century have focused on the central areas of the Nile Valley, neglecting or exploiting outlying areas including conflict areas.

A stable government in Sudan, able to promote democratic and economic reform, would need to be more ethnically and regionally inclusive, more secular in practice, and aim to develop a more balanced national economy.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

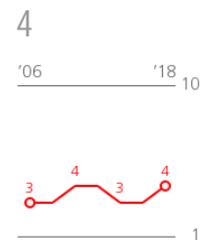
The separation of South Sudan in 2011, following decades of conflict, has not brought about an end to conflict in Sudan. Three regions in particular, which had hosted rebel movements for some years prior to 2011, continue to experience some degree of conflict. These regions are Darfur, the Nuba Mountains and the Blue Nile. In an attempt to strengthen their position, major rebel groups formed an alliance in 2014, the Sudan Revolutionary Front (SRF). However, in practice the SRF fragmented with competing rebel groups, especially in Darfur. The Sudan People's Liberation Movement - North (SPLM-N) fighting in the Blue Nile and South Kordofan regions has also been linked with the SRF. In response, Sudan's government has continued to exercise force in all three areas. While there has been some reduction in the level of conflict and attempt to negotiate with rebel groups, the government has not committed to any significant power sharing arrangements. The government's degree of control on the ground has extended, but fluctuations continue.

Following the separation of South Sudan in 2011, the government announced its intention to create an Islamic, Arabic state. Major groups in Sudan have challenged both the Islamic and Arabic concepts enunciated by government. Competing Muslim identities have long been a feature of politics in Sudan. These identities have included several differing interpretations of Islam from the neo-Salafist interpretation adopted by the present government when it seized power in 1989 to the more secularist interpretations of traditional Sufi sects. In addition, after the separation of South Sudan, there remains a significant minority of Christians in Sudan, mainly in southern Sudan.

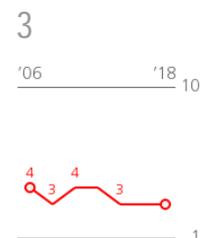
This minority regard themselves as of African rather than Arab descent. Similarly, many Muslims in Sudan consider themselves Afro-Arabian. Furthermore, some communities, especially in Darfur, regard themselves as specifically African, sometimes in opposition to local Arabs.

Question
Score

Monopoly on the
use of force



State identity



These differences have affected citizenship, especially for people in southern Sudan following the separation of South Sudan and Muslims who feel persecuted by the government's interpretation of Islamic law. Women have been particularly affected by government's harder neo-Salafist interpretation of Islamic law.

In addition, ethnic differences exist, especially in outlying regions. For instance, conflict in Darfur, the Nuba Mountains and the Blue Nile reflects tribal discontent with state dominance by ethnic groups from northern areas of the Nile.

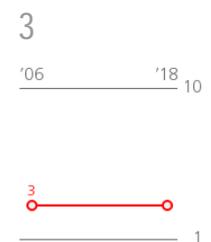
In Sudan, Islam has long been incorporated into family law, although other areas of law were predominantly secular. In 1983, the former military regime introduced a far broader set of Islamic laws. This was further extended by the later military regime that seized power in 1989, which introduced a constitution heavily influenced by Islamic law. The enforcement of this Islamic code has increased, especially when popular opposition toward the regime increased. Following the split between President al-Bashir and the prominent Islamist ideologist Hasan al-Turabi in 1999, the regime tried to present itself as less repressive in its enforcement of Islamic law. Though in the view of many of its critics, the regime had already achieved control over the legal system.

In recent years, the regime has come under pressure from Western countries to reform the legal system, especially with regard to human rights. However, the regime has demonstrated little willingness to do so in practice.

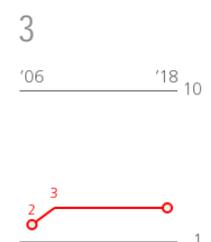
Under the present constitution, Sudan is a federal republic. The federated states have substantial responsibilities for administration and the provision of services. In practice, the quality of public administration varies. In central areas of the country and along the Nile, the administrative structure functions well. However, in outlying areas, public administration and service provision is much more limited. Qualified and experienced public officials often seek positions in more central locations. In outlying areas, local government revenue sources are limited, and central government funding is often inadequate or even fails to arrive. Likewise, law enforcement is more effective in central areas of the country.

Communication services have become more widespread, especially mobile phone networks that now reach out well beyond central areas. At the same time, the road network has continued been expanded, with an improved link between the center of the country and Darfur in the far west. Access to education has increased with the growth of state universities supplementing a network of primary and secondary schools. However, facilities and staffing remain a problem at all levels of the education system, and the quality of education is comparatively low. Public health services are generally poor, and private health care is expensive and limited to central areas. Health outcomes have not been helped by the lack of improvement in sanitation

No interference of religious dogmas



Basic administration



and clean water. According to the World Bank, 56% of people in Sudan have access to improved water sources and only 24% to sanitation in 2014.

Public administrative structures are also deeply affected at all levels by political affiliations. Accessing resources and the legal system are widely perceived as requiring political connections, especially to the ruling National Congress Party, which involves nepotism and corruption.

2 | Political Participation

In 2015, Sudan held its first general election since the secession of South Sudan in 2011. In the run up to the elections, there was widespread speculation concerning participation. Initially, it appeared as if President Bashir, president since the 1989 military coup, might stand down. However, he confirmed his participation in the election as the ruling National Congress Party (NCP) candidate. There was also uncertainty about the participation of the main opposition parties, which the government had sought to draw into a national dialogue. However, all the major opposition parties ultimately withdrew from the elections, claiming that the process was neither free nor fair. The opposition parties cited various constraints placed on them by the government, such as arbitrary interference in the freedom of the press.

In the end, President Bashir won the election with 94.5% of the votes, defeating several candidates none of whom represented a major opposition party. In the National Assembly elections, the NCP won a similar victory, winning 78% of seats. Overall turnout was low, with the main opposition parties calling for a boycott.

While some African observers thought the elections were clean, most Western observers have rejected the election results for several reasons, including the continuation of civil conflict in several outlying areas. Further criticism included the electoral management body's lack of independence, the deliberate confusion regarding voter registration, the discriminatory media access for independent candidates and opposition parties, and the opaque management of the elections that failed to ensure effective participation.

Sudan's political representatives are not democratically elected. The president is the highest executive officer in the country and has the power to select ministers. As such, ministers are more accountable to the president than to the National Assembly. Though in any case the National Assembly is controlled by the ruling National Congress Party (NCP). Parliamentarians do not play a significant role beyond guaranteeing the NCP's hegemony. President Bashir has a military background, and regularly engages with the senior military and security officials who he appoints. A number of key figures from within the military and security forces are believed to have substantial control over politicians, including cabinet members.

Free and fair elections

2

'06 '18 10



Effective power to govern

2

'06 '18 10



There are a number of wealthy and influential businessmen in Sudan. Though they operate with the consent of the president and his ruling clique. The ruling clique have themselves built up their own business activities since seizing power.

In recent years, the government has restricted the ability of citizens to exercise their constitutional rights. The government's main instrument of control is the National Intelligence and Security Service (NISS), which was granted extensive powers by the National Security Acts of 1999 and 2010. NISS is believed to be very well funded, although no official figures have been released. NISS officers operate across the country to frustrate protest or assemblies, and online to police social media. Sudan's exiled opposition is a particular target of the NISS's policing of social media.

The government's increasingly restrictive approach to public assemblies has coincided with a deterioration in the economy, which was a key factor in the substantial public demonstrations in 2013 that resulted over 200 deaths. Since 2013, several attempts to organize strikes and demonstrations by, among others, workers and students have been prevented at an early stage. Campus security rather than protecting students have been used to restrict students' ability to organize. Trade unions are effectively under the control of the government.

Independent civil society groups are closely watched and occasionally harassed by the security authorities, especially civil society groups with links to Western sources. The government has in effect set up its own Islamic groups to engage in charitable activities.

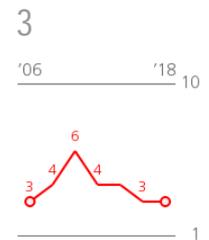
Government suppression of opposition was further indicated by the arrest in 2014 of Farouq Abu Eisa, Amin Mekki Medani and Farah al-Agar, leaders of the National Consensus Forces. The three leaders were released after four months, and have joined the African Union initiative seeking a political agreement between the government and opposition.

Sudan has long had a relatively large number of newspapers and magazines, but they operate under increasing restrictions. While the press seeks to reflect a range of opinion, it is those outlets associated with opposition parties and groups that are most frequently subject to harassment. Security forces enter the offices of publishers suspected of critical reporting, and confiscate newspapers and magazines as they come off the press. This not only prevents publication, but causes the publisher to lose money.

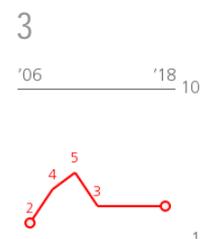
The extent to which journalists practice self-censorship is uncertain, although opposition publications continue to have large readerships.

Individual journalists have also suffered harassment and imprisonment, and there have been numerous unresolved deaths.

Association /
assembly rights



Freedom of
expression



TV and radio stations are state-owned, though public access to the internet and e-mail servers is widespread.

In 2015, a new Freedom of Information Law was introduced, though critics pointed to the number of restricted subjects. Subsequently, two independent editors, Osman Mirghani and Ahmed al-Tay, were arrested and charged with abusing their positions in 2015, and Ahmed Daoud, another journalist, was detained without charge in 2016.

3 | Rule of Law

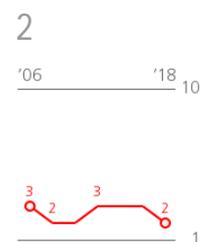
Despite a formal separation of powers, there is little de facto separation. There have been two substantial developments in the introduction of Islamic law into secular law. The first was in 1983 when President Nimeiri introduced the “September laws”. Following Nimeiri’s overthrow in 1985 and the return of a democratically elected government in 1986, there was some pressure to reverse the September laws. Initially, the new prime minister, Sadiq al-Mahdi, resisted this pressure. Though by 1989 it seemed possible that peace negotiations between the democratic government and non-Muslim rebels in southern Sudan might see the removal of Islamic laws. However, this was prevented by the second development, the military coup of 1989. There has been some speculation that the 1989 military coup was staged to defend the principle of Islamic law.

The mastermind behind the coup was Hasan al-Turabi, a leading ideologist and Western-trained lawyer, whose family is linked to the limited Islamic courts that operated in Sudan under British rule. In his writing on constitutionalism, Turabi appeared to reflect Western ideas such as a need for the separation of powers and decentralized rule. Although it was Turabi who created the new Islamic constitution. In practice, it soon became clear that under the new military regime Sudan’s traditions of an independent judiciary would be undermined. Independent judges were replaced by Islamic judges and the use of military courts with strict interpretations of the new legal system became more common.

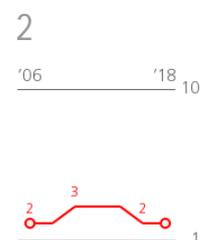
Over the past 25 years, the central state has increasingly dominated all aspects of political life, including ensuring that there is in effect no independent judiciary or separation of powers.

Sudan became an independent country in 1956 with a widely respected, independent judiciary. Indeed, the legal profession was at the center of the October Revolution of 1964, which brought down the country’s first military regime. However, from the start of the second military regime in 1969, the independence of the judiciary was steadily eroded. The present regime, in power since 1989, introduced a new Shariah constitution. This constitution was applied in a way that would be driven by the government, as it sought to impose a new political-legal culture with the aim of

Separation of powers



Independent judiciary



legitimizing itself. This included extending state control over everything from legal education to the appointment of senior judges.

The quality of legal education has declined under the present regime, resulting in a judiciary that is heavily dependent on state patronage and widely perceived as corrupt.

The break between ideologist Turabi and President Bashir in 1999, which saw the sidelining of the Turabi, left the executive firmly in control of the judiciary and ever more ready to use the law as a form of repressive control, especially as public discontent grew following the economic downturn that started in 2010.

Political corruption is widespread and conflict of interest is common in Sudan. Government ministers openly own private businesses that benefit from government patronage. There have been few successful prosecutions for corruption and, where prosecutions have been successful, punishments have occasionally been suspended. Such corruption cases have generally been perceived as political shows rather than significant attempts to tackle corruption, despite government claims. Politicians found guilty of abusing their office are often simply transferred to a different position and rarely obliged to return any stolen money. Consequently, the rule of law is increasingly perceived as conditional on political connections.

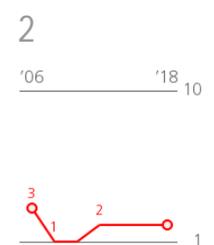
An anti-corruption agency was established in 2012 and in 2014 the government expressed renewed concern. However, nothing of significance has been achieved and Sudan remains one of the most corrupt countries in the world.

Since Sudan became an independent country in 1956, civil rights have been increasingly undermined. The first major restriction of civil rights centered on race, ethnicity and religion. In the south of Sudan, people largely identify as African, while successive rulers of the country have commonly identified as Arabs. At the same time, an increasing proportion of people in the south of Sudan identify as Christian, while the majority of the population identify as Muslim. In outlying areas of the country, even some Arabs have reported civil rights abuses citing ethnic discrimination.

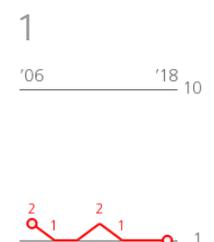
Abuse of civil rights was a significant factor in widening the conflict in southern Sudan, which led to the independence of South Sudan in 2011 and continues in other outlying areas. Women, especially poorer women working in public places, have often experienced harassment and civil rights violations. Across Sudan, homosexuality is illegal.

Human Rights Watch has accused Sudan's National Intelligence and Security Service of arbitrary detentions, ill-treatment and torture. Despite the courageous efforts of some human rights lawyers, who have suffered harassment and even detention, little headway has been made. Some Western countries have also voiced criticism, especially with regard to Darfur, though again little change or redress has been

Prosecution of
office abuse



Civil rights



achieved. The government bodies that have been established are regarded as little more than superficial attempts to improve the government's reputation, with little substance.

4 | Stability of Democratic Institutions

While the National Assembly continues to exist, its limited influence over the government has further declined.

With the relative decline in the economy, following the separation of South Sudan and the drop in global oil prices, popular pressure on the government has increased, especially in urban areas. In response, the government has introduced severe austerity measures, increased its use of repression and further marginalized the National Assembly. Dominated by the ruling National Congress Party, whose legitimacy was further weakened by the elections of 2015, interest in National Assembly deliberations is lower than ever.

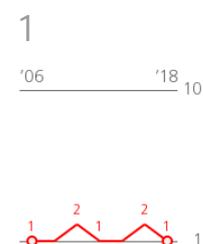
Despite the claims of the ruling National Congress Party (NCP), there are few signs that the wider population perceives the National Assembly as a significant democratic institution. Opposition political parties and armed movements in contested areas have rejected government attempts to draw them into the National Assembly via the National Dialogue. Furthermore, several NCP offices across the country were reportedly attacked by local populations during the widespread riots of 2013, suggesting popular frustration with the government and National Assembly.

Within the government, the president and his powerful security organization have shown little concern for the National Assembly.

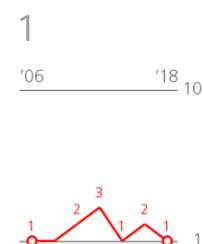
5 | Political and Social Integration

Sudan's party system is dominated by one party, the National Congress Party (NCP), with a number of weaker parties. The NCP is the creation of the ruling military-backed regime's attempt to build a popular support base, especially among young people. The regime's attempt did have a measure of success between 2000 and 2010 when the economy went through an oil-driven boom. However, since 2010, oil revenues and the popularity of the NCP have declined significantly, and several NCP offices were reportedly attacked during the riots of September 2013 (the worst riots since the regime took power in 1989). However, the NCP secured victory in the subsequent presidential and legislative elections. Though several opposition parties refused to participate in the elections, claiming that the elections would not be free and fair.

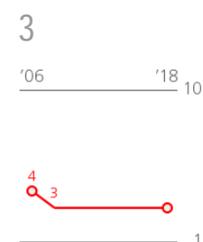
Performance of democratic institutions



Commitment to democratic institutions



Party system



Among the oldest political parties in the country are the National Unionist Party and the National Umma Party. Both parties are under the leadership of prominent Islamic sects, which were central to the country's political life until 1989. The extent of their remaining strength is hard to gauge, since neither party has contested an election in recent decades. However, the government continues to try to win their support.

Other parties include the Islamist Popular Congress Party, whose leader Hassan al-Turabi died in 2016, and the Sudan Communist Party, which has limited popular appeal.

With the decline in economic conditions, the government has become ever more determined to restrict the activities of social groups. This is especially the case for groups, especially human rights organizations that have contact with or receive funding from Western NGOs. Harassment has been used against Sudanese activists, while access to foreign funding may be restricted.

Government oppression of civil society actors increased following the protests of 2013, peaking during the 2015 general election campaign. The government crackdown continued into 2016, when the offices of the Khartoum-based Centre for Training and Human Development (TRACKS) were raided twice. The government's proposed national dialogue excluded independent NGOs from the beginning. Though the December 2016 decision by the Court of Appeal to lift the ban on the Sudanese Writers Union was a positive step.

The government's preferred alternative is to encourage Islamist NGOs, known locally as GONGOs (government organized non-governmental organizations). Citizens are encouraged to make Islamic donations (zakat) to these organizations. However, with real incomes for many people falling, the need for donations is generally greater than the amount of donations received.

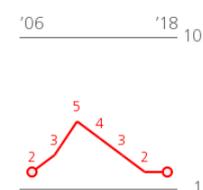
Established parties, which had contested elections before 1989, did not to participate elections after the 1989 coup, claiming that the elections were neither free nor fair.

It is now 30 years since the last widely contested election in Sudan and, since the majority of the population are under 50 years of age, it is hard to predict the attitudes of most voters.

There were no protests in Sudan concurrent with the Arab Spring. However, whether this reflects a lack of popular concern for democracy or government repression of popular demonstrations is hard to judge. Such questionnaires as have been carried out in the country over recent years appear to indicate widespread dissatisfaction with the government.

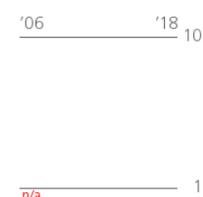
Interest groups

2



Approval of democracy

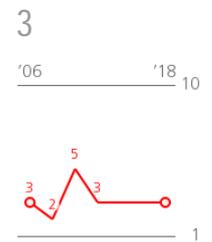
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Trust appears to be limited. In public opinion surveys, a high percentage of young people in Sudan express a wish to leave the country. In the past, a significant number of people could find work in the Gulf. However, opportunities in the Gulf countries for Sudanese workers have become scarcer in recent years. Consequently, a significant proportion of people in Libya or Egypt trying to reach Europe are from Sudan.

However, in times of emergency, social traditions of informal assistance in Sudan still survive. Social media has played an increasingly significant role in social networking in recent years, including among expatriated Sudanese communities.

Social capital



II. Economic Transformation

6 | Level of Socioeconomic Development

There is significant regional variation in the level of social exclusion. While the central areas of the country along the Nile are comparatively developed, outlying areas in the west, south and east are relatively deprived. This has contributed to, and been enhanced by, the growth of conflict particularly in the west and south. In Darfur, rebel movements have for several years explicitly referenced their political and economic exclusion due to ethnic and racial discrimination by central Nile ethnic groups. The last available Gini index, 2009, scored Sudan 35.4.

Public health care provision is limited and of poor quality. While education provision for all age groups has expanded, the quality has declined. In both health care and education, there is some limited, but expensive provision beyond the reach of the majority of the population. Living standards remain low for many people. Sudan scored 0.490 and ranked 165 out of 188 countries in the 2016 HDI.

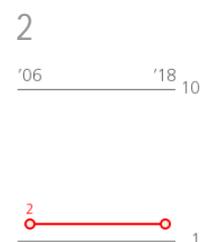
The number of women in work has increased. Though this was largely driven by necessity and on average women earn less than men. Women now comprise 29.4% of the labor force and, in some universities, women comprise a higher percentage of students than men. However, Sudan scored 0.591 points in the UNDP's 2014 Gender Inequality Index. While this is a slight improvement over previous years, Sudan is still on a same level with Mozambique and the Democratic Republic of Congo.

Overall poverty remains above world averages and living standards for most of the population have declined since the 2011 economic downturn.

Question

Score

Socioeconomic barriers



Economic indicators		2013	2014	2015	2016
GDP	\$ M	72065.9	82151.6	97156.1	95584.4
GDP growth	%	4.4	2.7	4.9	4.7
Inflation (CPI)	%	30.0	36.9	16.9	-
Unemployment	%	13.0	12.9	13.2	13.3
Foreign direct investment	% of GDP	2.3	1.5	1.8	1.1
Export growth	%	2.9	3.0	3.5	4.1
Import growth	%	63.8	-11.0	2.5	-1.0
Current account balance	\$ M	-5822.1	-3545.5	-5933.5	-
Public debt	% of GDP	89.9	77.3	72.6	66.5
External debt	\$ M	22471.6	21762.2	21403.6	21082.0
Total debt service	\$ M	295.1	259.8	521.1	296.6
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	7.2	6.0	4.6	5.9
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	1.9	1.8	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	-	-	2.4	2.8

Sources (as of October 2017): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

The market is opaque, making precise analysis of market-based competition difficult. While areas of the market appear to be competitive, such as local produce markets, in many other areas there is a lack of transparency. Licenses for imported goods are generally regarded as linked to personal contacts and account for a significant proportion of corruption in the country. At the same time, the military and security are widely believed to be directly or indirectly involved in commercial activities, although little information about their commercial activities is publicly available. Much of the country's economic activity is informal.

Market-based competition

2

'06 '18 10



In the formal sector, the government cut subsidies on fuel and electricity in 2016, arguing that it needed to cut government expenditure. However, the cut provoked further public criticism of the government and had the effect of increasing inflation. Such price instability is by no means uncommon and makes investing in the country difficult, in spite of efforts by the government to attract foreign direct investment. Another notable feature was the recent attempt to control the exchange rate. With the official rate around \$1 to 6.50 SDG, well below the black-market rate of \$1 to 15 SDG, the government introduced a new incentive system nearer to the \$1 to 15 SDG rate. Though the black-market rate increased to \$1 to 20 SDG in response.

During Sudan's oil boom from 1999 to 2010, the government attempted to develop a functioning regulatory system largely to encourage foreign investment. However, various obstacles to investment limited the government's attempts and regulations had little impact. Following the economic downturn since 2011 even these outdated regulations are little enforced. As a result, monopolistic structures and conduct persist in a worsening economic climate, and the government appears to have few constructive answers.

There have been some attempts to liberalize trade. However, in practice the impact of these attempts has been very limited. The government has attempted to intervene in possible trade deals and foreign investment arrangements to protect Sudanese interests. At the same time, little has been done to improve local infrastructure and financial institutions in a way that would create a friendlier investment environment. Meanwhile potential investors in Sudan are aware of U.S. sanctions against Sudan, which were imposed in response to connections between Sudan and international Islamist terrorist organizations, and were renewed in 2016. These are a major deterrent to Western-based firms in particular, since investing in Sudan risks the status of companies listed on the New York stock exchange.

Sudan has a two-track banking system. Following independence, Sudan adopted a secular Western international banking model. However, from the 1980s Sudan began to develop a separate Islamic banking sector, which grew steadily and has proven popular with small investors and depositors in particular.

Data on the banking system is difficult to obtain in certain areas (e.g. bank disclosure rules or capital adequacy ratios are not made publicly available). Though the share of on-performing loans was 7.4% in 2014. Budgetary provisions are also obscure. The government's austerity program includes plans to reduce and eventually eliminate subsidies, such as the recent cuts to petroleum and pharmaceutical product subsidies. However, the levels of government expenditure on the military and security are not made publicly available, though are widely believed to be high.

U.S. sanctions on Sudan has been a deterrent to external capital investment from the West, especially after U.S. authorities fined the French bank BNP Paribas \$8.9 billion

Anti-monopoly
policy

3

'06 '18 10



Liberalization of
foreign trade

4

'06 '18 10



Banking system

2

'06 '18 10



for violating U.S. sanctions in 2014. This move caused Arab investors in the Gulf, who have been keen to support Islamic banks, to become more cautious as well.

8 | Currency and Price Stability

Efforts have been made in recent years to gain more control over inflation and foreign exchange, though with limited success.

In 2015, inflation was 16.9%. However, the most recent estimates suggest that the inflation rate is creeping up once more due to shortages and is currently around 20%. However, in November 2016 the government cut subsidies on petroleum and pharmaceutical products, which led to a further increase. This cut was in line with the government's austerity agenda to reduce government expenditure.

Meanwhile, the foreign exchange rate has continued to fall. Officially 6.40 SDG is worth \$1, but on the black market the Sudanese pound is worth only approximately a third of this figure. The government's ability to control the foreign exchange rate is hindered by the scale of the black market and lack of confidence in the Sudanese pound.

The government is trying to maintain stability through an austerity agenda. The government aims to reduce government consumption, which is currently around 7% of GDP. However, a large proportion of economic activity occurs in the informal economy. At the same time, the current account balance is -\$5,933.5 million and public debt reached 72.9% of GDP in 2015 (World Bank data). Sudan's total external debt, which has long been a drag on the economy, is estimated to be around \$21,758.6 million, while debt service in 2015 was \$521.2 million. Meanwhile total reserves are low at \$173.5 million. Figures for the total cash surplus or deficit are not available.

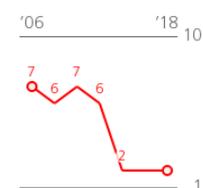
9 | Private Property

Property rights are legally defined in accordance with existing Islamic law. The time required to register a property is 11 days is short in comparison to the international average, while the 6 procedures required are the same as the international average. The complexity of registering a property was made relatively easy to encourage comparatively high-earning Sudanese expatriates living in the Gulf and Saudi Arabia to invest in Sudan whether for themselves or their families. Many families receive vital remittances from expatriated family members.

However, in a country with a high level of corruption, it is quite common for arrangements for buying properties to be "helped" by the removal of bureaucratic obstacles.

Anti-inflation /
forex policy

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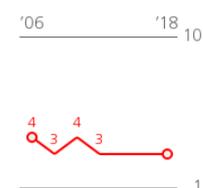
Macro-stability

3



Property rights

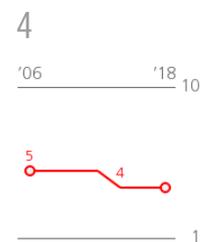
3



Historically, the government has been keen to privatize state-owned businesses, particularly in the 1990s. However, it is sometimes unclear whether a business is privately or state owned. For instance, the military and security forces appear to have spun off a number of companies, yet the state appears willing to protect these companies if necessary. Similarly, major businesses in the private sector are widely believed to have informal connections to senior government officials.

Some private businesses experienced government harassment, especially businesses producing strategic commodities. Nevertheless, Sudan has been eager to attract business start-ups due to the country's weakening economic performance and U.S. sanctions. As a result, the average number of days to set up a new company has been reduced to 36.5, still above the international average of 23.8 days. The average number of procedures is 10.5, also above the international average of 7.3 days.

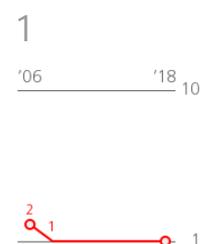
Private enterprise



10 | Welfare Regime

Sudan has long had a very low social safety net and, following Sudan's recent economic decline, public expenditure on health remains below 1.8% of GDP. Sudan's Islamist regime gives much higher concern for security forces of all kinds than public health. Indeed, the regime regards health care as a private issue, including the use of Islamic charities often using payments of zakat (a religious requirement to contribute to charity). Islamic charitable institutions are run by the state with support unevenly distributed, sometimes on a political basis. Many families depend on remittances and it is common for at least one family member to work abroad.

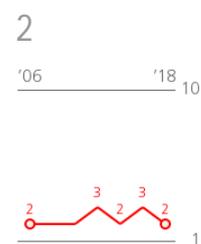
Social safety nets



There is a small private sector, but affordable only to a minority of the population. Sudan's social elite generally go abroad for major health treatments. As a result, life expectancy is comparatively low at 63.5 years, though this is higher than the 2004 figure of 59.4 years.

Sudan's literacy rate is 58.6%, which is comparatively low by international standards. Literacy rates are generally higher in urban compared to rural areas, although the rate of urbanization is very high. The literacy rate for women is still lower than for men, 53.1% compared to 64.1%. However, there has been a rise in the number of literate women, which has led to an improvement in the social and working conditions of women in recent years. This development has been encouraged, in theory at least, by the regime's more liberal Islamic view of women compared to more conservative Islamic interpretations of several neighboring countries. The ratio of women to men in tertiary education is 1.1 to 1 (Gender Parity Index), although the ratio of girls to boys in primary education is 0.9 to 1.0. In secondary education, both sexes are equally represented. Overall, educational enrollment is low. Though there has been a rise in the numbers of students in higher education, especially among women. However, the

Equal opportunity



quality of education at all levels has generally fallen, which has encouraged the growth of private education for those able to afford it.

Women comprise 29.4% of the labor force, with women comprising a smaller proportion of the public sector labor force and a larger proportion of the informal sector labor force.

Access to public office is generally uneven with people from Sudan's western and southern regions generally discriminated against in favor of those from Arab groups. Many private soldiers are from marginalized western and southern areas, but few officers.

11 | Economic Performance

Official figures show a slight recovery, but overall the economic performance is poor. In the 2000s, a rapid growth in Sudan's new oil sector led to a period of fast economic growth, but the separation of South Sudan in 2011 and the subsequent disputes over oil hit Sudan's economy very hard. By 2014, matters were improving but at a slow speed.

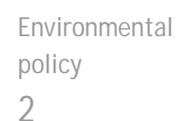
In 2015, the GDP growth rate increased to 3.4%, while GDP per capita at PPP was fairly healthy at \$4,173. However, there is high inequality and many people continue to live in poverty. The inflation rate for 2015 was 17%, comparatively high in international terms, and recent cuts to government subsidies are believed to have further increased the inflation rate. The unemployment rate remained just under 15% in 2015.

Foreign direct investment was 2.1% of GDP in 2015, but has been restricted by U.S. sanctions. Most FDI comes from Asia (especially China) and the Gulf. Gross capital formation was estimated to be 19.1% of GDP in 2015.

Public debt was quite high at 72.9% of GDP, while the current account deficit was nearly \$6,000 million in 2015. This situation was partially eased during 2016 by emergency funds from Saudi Arabia.

12 | Sustainability

The government has paid lip service to environmental concerns for many years, but in practice little has been done. The most obvious failure has been in the area of desertification as the southern fringe of the Sahara Desert has expanded. This has intensified tensions over land ownership, which has contributed to the fighting in Darfur that has continued for more than ten years. Eastern Sudan is another area that has suffered from environmental degradation.



Efforts to implement environmental policies have been limited by a lack of adequate resources and effective control. Mining companies, for instance, frequently break environmental regulations, contributing heavily to pollution, but rarely face any legal consequences. Federal states are required to develop and monitor their own environmental policies, within the national framework. However, the states face similar problems to those of the government.

Over the years, the education system has expanded. Current gross enrollment is reported to be 70.4%, but the quality of education could be significantly improved. The growth in gross enrollment across the country is uneven, with higher participation in urban and central Nile areas of the country, and lower participation in outlying, rural areas. Much of the responsibility for education has been devolved to state governments. However, all state governments have complained about the lack of resources from made available by central government, which particularly effects outlying, poorer states that have very limited capability to raise their own local income. Official figures for public expenditure on education or R&D have not been made publicly available for several years.

There has been a mushrooming in the number of universities in the country. However, the quality of university education is low. Though the number of female students attending the better universities is increasing and, in some cases, female students outnumber male students. The Gender Parity Index reports that the ratio of female to male students is 1.1 to 1.0 in tertiary education, 1.0 to 1.0 in secondary education and 0.9 to 1.0 in primary education.

Some private schools and universities are available for the elite. Though many prefer to educate their children, especially young males, abroad.

Research in the country is generally weak, and available resources go more to the natural sciences than to the social sciences or humanities.

'06 '18 10



Education policy /
R&D

2

'06 '18 10



Governance

I. Level of Difficulty

Structural difficulties constrain government capabilities. Once the largest country in Africa, Sudan remains a very large and comparatively thinly populated country following the independence of South Sudan. This limits the effectiveness of central government support for poorer areas of the country. The government has attempted to reach outlying areas, especially in the far north of the country and to Darfur in the far west, by extending the network of hard roads. However, distance remains a substantial problem to reaching the poorest sections of the population who largely live in outlying areas.

Climate change also appears to have caused environmental changes in Sudan. Rainfall has become more unpredictable, making it harder to manage agricultural production whether commercial or subsistence.

While education has expanded the quality is generally low and the development of a skilled labor force has been limited. Furthermore, high skilled workers, such as medical professionals, frequently emigrate. Developments of this kind affect the ability of the government to tackle problems, such as HIV, which are spreading.

Sudan has established civil society traditions, but these traditions have weakened in recent years. Civil society played a particularly significant part in the popular national uprisings of 1964 and 1985, which brought down military regimes. Legends of these uprisings persist and, since seizing power in 1989, the present leadership has attempted to contain civil society.

At the local level, rural communities have their own local traditions, often reflecting the particularities of ethnicity. However, popular movements, especially in the urban areas, have tended to weaken these local traditions. Furthermore, in outlying areas still experiencing conflict, civil society has been marginalized.

Several NGOs, including some human rights organizations, have been active in Sudan for several decades. However, the current Islamist military regime has sought to constrain the activities of many NGOs by, for example, encouraging rival NGOs,

Structural
constraints

9



1

Civil society
traditions

7



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sometimes referred to as GONGOs (Government-backed Non-Governmental Organizations).

Sufi movements have also traditionally acted as social organizers mobilizing large popular movements, often associated with support for particular political parties. However, 25 years of military rule is likely to have weakened many religious-based networks, though firm evidence is limited.

These trends together with the increasingly repressive actions of the government, including the government's increasing harassment of the press, has weakened social trust.

President Bashir has ruled Sudan for 27 years. When President Bashir took power, following the military coup in June 1989, the primary division in the country was between the predominately Muslim, Arabic north and the minority Christian, African south. Today, the political scene in Sudan is characterized by divisions between the military and security forces, and the rest of the population. The confrontation between the north and south of Sudan largely ended following the agreement to allow the south of Sudan to hold a referendum on independence in 2011.

However, conflict between the government and outlying, marginalized communities spread to Darfur, in the west of Sudan, in 2003 and has continued with varying degrees of intensity ever since. Furthermore, after South Sudan seceded in 2011, armed resistance in the Blue Nile and South Kordofan areas, on Sudan's new southern border, increased.

Until 2011, the main urban areas, mostly along the Nile valley, were comparatively peaceful due to a combination of government patronage and force. However, a decade of relative economic growth ended in 2011, as Sudan's oil revenues declined following the separation of oil-producing South Sudan and a fall in world prices. Consequently, the incomes of much of the population stagnated or declined, which led to a period of urban unrest. This unrest peaked in 2013 when widespread demonstrations were countered by severe government repression, with up to 200 people killed.

Since 2015, the government has attempted to open a national dialogue with opposition parties. However, these efforts have been received by many in the opposition with skepticism and are yet to have any impact.

Conflict intensity

9



1

II. Governance Performance

14 | Steering Capability

The military and security regime around President Bashir appears to have little long-term strategy. The regime's leaders are widely perceived to be a corrupt and self-serving group, who give little thought to much more than their own self-preservation. Following the economic decline caused by the separation of South Sudan and sharp drop in oil revenue, the government has made no serious attempt to develop a strategic plan for Sudan or address the shortage of basic goods in many peripheral areas.

The government has endeavored to draw opposition parties into a national dialogue process, including the armed opposition in marginalized areas. However, there is a widespread perception that the government's attempts to develop a national dialogue are little more than an attempt at window dressing, while the government continues to suppress any opposition. There has been some support for the government's national dialogue from European countries, but without much impact.

The government appears unable to develop or implement new priorities following the decline in oil revenues caused by the separation of South Sudan in 2011 and fall in world oil prices.

Since 2015, the government has tried to pursue a national dialogue policy. This policy endeavors to develop a dialogue between the government, opposition parties and even armed opposition in the marginalized areas. The policy has received some support from European governments in an attempt to stabilize the country and restrict the flow of migrants entering Europe from Sudan via Libya.

However, the opposition parties and forces appear reluctant to engage in the government's national dialogue, regarding the process as little more than window dressing and a distraction from the government's continued repression. Opposition groups see the government as a corrupt and self-serving clique, concerned primarily with its own protection and unwilling to contemplate any meaningful sharing of power arrangement.

By the end of 2016, there were signs that the government was recognizing the scale of its unpopularity and negative effect of U.S. sanctions on economic growth. The government responded positively to European overtures in support of its national dialogue process and appeared willing to respond to at least some of the opposition,

Question
Score

Prioritization

2

'06 '18 10



Implementation

2

'06 '18 10



notably the Democratic Unionist Party and its Khatmiyya support. Though this effort had failed in the past.

The government endeavors to give the impression of being flexible in developing its national dialogue policy. The government has organized some public events to demonstrate its flexibility. However, participants from outside the ruling military and security clique are often seen as selected supporters of the ruling National Congress Party (NCP) rather than representatives of the wider population. Meanwhile, many influential, independent community leaders, especially political party leaders who held power before 1989, doubt the government's sincerity. Though these leaders have contact with government figures inside and outside Sudan, they remain reluctant to participate in the government-led initiative, despite many previously arguing for the idea of a dialogue.

Policy learning

2

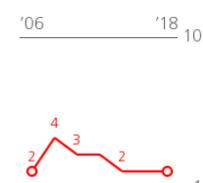


15 | Resource Efficiency

The military and security forces receive the largest proportion of government expenditure by far. Though the exact amount is not revealed. In contrast, public services, such as education and health care, receive comparatively limited resources, with public health care regarded as particularly underfunded.

Efficient use of assets

2



Public service recruitment is controlled and is generally of poor quality, with many high school and university graduates failing to find work in the area of their training. A notable example is the agricultural sector, where few graduates are recruited in spite of the importance of the agricultural sector to Sudan's long-term economic growth.

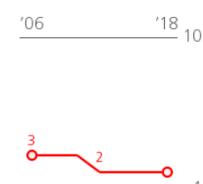
Much has been made of the country's federal system. However, while public service provision has been devolved, state revenues have been inadequate. Central government funding has been erratic, while in most states the local tax base is inefficient and inadequate.

In an effort to control government expenditure, the government cut subsidies for basic provisions, such as pharmaceutical and petroleum products, in 2016. In response, public protests were organized, which were suppressed by the government.

The large proportion of government expenditure received by the military and security forces indicates that other objectives are less important to the government. Though the government has attached importance to external affairs, particularly with regard to countries that may contribute to Sudan's economic recovery following the secession of South Sudan and drop in oil revenue.

Policy coordination

2



The government has also attempted to improve the transport infrastructure and has sought international support to do so, a field in which China has been particularly active for the last 20 years.

Development in other areas, such as agriculture, has been limited, though again the government has sought to encourage foreign investment in the sector.

Ministers not involved in security or finance have little leverage with the core group around the president. Their departments receive few resources and tend not to be perceived as significant politicians.

Corruption is a subject on which firm information is difficult to attain. Levels of corruption in Sudan have been high for much of the time since the country's independence in 1956. The government is aware of the damage that the country's reputation for corruption has on foreign direct investment and has introduced a number of anti-corruption measures. However, investigations remain ineffective and there have been few successful prosecutions, especially regarding allegations against leading government and business figures.

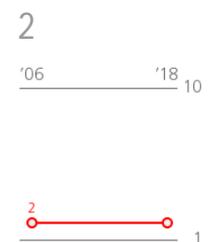
The ruling National Congress Party, which was created by the government, is widely seen as corrupt, while several attacks by the public on party branches have been reported in recent years.

The government has adopted a number of measures in recent years, which appear to be aimed at addressing corruption. In practice, however, Sudan's reputation has not improved and the country remains one of the most corrupt in the world. Though the government occasionally expresses frustration at being so described.

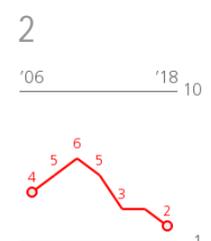
16 | Consensus-Building

On paper it appears that democratic consensus in Sudan should be possible and there are few major differences regarding a market economy. With regard to democracy, a major problem has been the development of free and democratic elections in Sudan. Since 2015, the government, dominated by senior military and security figures, has attempted to lead a national dialogue process involving other parties and groups. However, the process has received varying degrees of support. The regime established the ruling National Congress Party, which is backing the dialogue process. Some Islamist groups have been prepared to cooperate in the process, including the Popular Congress Party previously led by the late Hasan al-Turabi. However, the position of the Democratic Unionist Party (DUP) is more uncertain. The DUP has considerable support and is led by Mohamed Osman Mirghani, leader of the Khatmiyya Sufi sect. Mirghani is ambivalent about joining the dialogue, as the DUP contains a number of different factions and views. The National Umma Party, led by former Prime Minister Sadiq al-Mahdi, is more critical of the dialogue, as are

Anti-corruption
policy



Consensus on goals



several smaller parties, including the Sudan Communist Party. The majority of other parties and groups do not believe that the regime is prepared to make any real concessions toward sharing power or allow free and fair elections. Instead, most parties think that the government is stringing them along, while continuing in reality to remain in power.

There are few major differences in practice with regard to a market economy. Most recognize that only a market economy can attract much needed foreign investment and achieve economic prosperity. The opposition parties, however, believe that the government currently controls the economy in the form of corrupt crony capitalism, while the Communist Party questions the effectiveness of the privatization programs introduced by the government in the 1990s.

The present government is regarded by most of the opposition as an obstacle to democratization. The government seized power through a military coup from a democratically elected government and the government's critics argue that it has never seriously contemplated sharing power.

In its defense, the government argues that it signed the Comprehensive Peace Agreement of 2005 with the southern opposition force, the Sudan People's Liberation Army, which facilitated the implementation of democratic elections in 2010. However, the 2010 election was a managed "victory" for the ruling National Congress Party. The Sudan People's Liberation Movement and the Umma Party abstained from campaigning in the election, claiming that the election was being unfairly conducted. The main opposition parties also refused to participate in the 2015 elections.

At the start of 2017, there was a deadlock between the increasingly authoritarian government and opposition parties demanding a restoration of democracy.

The government claims that, by initiating a national dialogue process and being prepared to negotiate with armed opposition groups, it is demonstrating a willingness to build a broad consensus for political reform. However, the main opposition groups argue that the government is not serious about reform, but is instead seeking to divide the opposition by engaging with select opposition groups. Thus, regional tensions and competing opposition visions persist, while the government has failed to win wider support for its reform program.

By 2016, the government was becoming ever more reluctant to engage with the rebel groups and instead vigorously suppressed opposition in the three main areas in which armed resistance persisted, namely Darfur, South Kordofan and the Blue Nile. The success of the government's change of strategy remains unclear.

Anti-democratic actors

2

'06 '18 10



Cleavage / conflict management

2

'06 '18 10



The regime's leadership is generally suspicious of civil society. Registration is required and surveillance is constant, especially of NGOs advocating for humanitarian issues or connected to Western countries. The negotiations leading to the Comprehensive Peace Agreement in 2005 happened mainly without any civil society involvement. While the negotiations to the 2009 Doha Agreement involved some input from civil society, Munzoul Assal from the University of Khartoum argued in a 2016 study that there is "the potential for romanticizing what these entities can achieve."

The government has also encouraged Islamic groups to form their own organizations, seeking to present Islamic organizations as more legitimate than liberal organizations.

For many people, the current political leadership is responsible for widespread injustices. In 2013, government security forces were responsible for killing up to 200 people, who had been demonstrating against government austerity policies. These deaths have not been independently investigated and no action has been taken against any personnel involved. While these killings have had the effect of discouraging further demonstrations, they have done nothing to diminish popular feelings of injustice.

Historical acts of injustice have been particularly evident in Darfur. The official response is generally to deny injustices or, if there is clear evidence, to brush them under the carpet. This was the case regarding reports of mass rapes by army and militia personnel, yet without satisfying response from the Khartoum government.

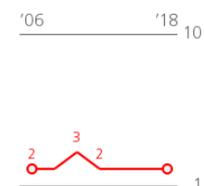
17 | International Cooperation

The current political leadership uses the support of international partners in different ways. Its closest support in terms of development has come from China, and to a lesser extent India and Malaysia. China, India and Malaysia have provided support to Sudan since in the late 1990s, largely focused on the development of oil in what was then southern Sudan. China led in opening the oil wells, and developing the necessary infrastructure (e.g. refineries and pipelines to the Red Sea coast) to extract and transport the oil. However, the significance of oil revenues to Sudan's economy has declined following the separation of South Sudan in 2011 and fall in world oil prices.

Sudan's political leadership has also tried to secure international support for agricultural development and has been prepared to lease land to investors from the predominately Arabic Gulf region. However, the extent to which this land has been developed is limited and Sudan has sought further financial support from the Gulf region.

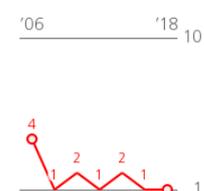
Civil society participation

2



Reconciliation

1



Effective use of support

2



The involvement of Western businesses in Sudan is limited due to the continuation of U.S. sanctions. U.S. sanctions were imposed on Sudan after the country was designated a terrorist-supporting state. The sanctions mean that international companies listed on the Wall Street Stock Exchange risk heavy fines for operating in Sudan.

One notable breakthrough has been in Sudan's relations with the European Union. The European Union has long given support to humanitarian and development programs, though the positive impact of these programs is questionable. However, the issue of migration to Europe from the Horn of Africa, with many migrants travelling from Sudan, led in 2014 to the development of a new initiative, the Khartoum Process. The Khartoum Process aims to facilitate cooperation between the European Union and the African Union to address the issue of migration. The impact of the process remains open to debate, with some critics noting that some of the would-be migrants are refugees from Sudan's unresolved conflicts in, for example, Darfur.

Sudan is not seen as a credible and reliable partner by the international community. This was most clearly demonstrated by the International Criminal Court's indictment of President Bashir on charges of war crimes and crimes against humanity connected to the government's suppression of the uprising in Darfur that began in 2003. President Bashir has long denied these charges, which have forced him to restrict his international visits.

International humanitarian organizations also regard the political leadership as lacking credibility due to the government's actions in conflict areas and use of force to suppress urban discontent in, for example, the capital.

However, in 2017, as the number of refugees and migrants to Europe from various countries in north-east Africa increased, the European Union initiated discussions with Sudan to restrict the flow of migrants toward the Mediterranean coast line.

The current political leadership mainly cooperates with the country's immediate neighbors concerning security and economic issues.

Sudan's domestic conflicts have long been linked to neighboring countries, sometimes reflecting mutual hostility or fears of Sudan's Islamist agenda. However, some of these hostilities have improved in recent years. Notably, the governments of Sudan and Chad have long supported rebel groups in the other country, either Darfur or eastern Chad. However, in 2008, the two countries came to an agreement, which has held and reduced the threat to both governments. Sudan's cooperation with Eritrea has also been significant in reducing the danger of conflict in eastern Sudan, which provides the country's vital link to the Red Sea. Relations with Ethiopia in recent years have centered on economic developments notably oil exports from

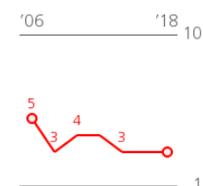
Credibility

2



Regional cooperation

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Sudan and the development of Ethiopia's hydro-electric capacity some of which is to be sold to Sudan.

However, since South Sudan's independence from Sudan in 2011, relations between the two governments, politically and economically, have been difficult. Politically, the governments of Sudan and South Sudan have accused each other of supporting rebels, while the governments have even clashed militarily over the border area of Abyei. But both governments backed down somewhat in 2016. Economically, the two governments have clashed over oil production, which led South Sudan to temporarily close its oil wells shutting down the major source of oil flowing through Sudan. This has now been reversed, but the continuing conflicts in South Sudan have restricted oil output so that the revenues of both countries have suffered.

Historically, Sudan has had a special relationship with Egypt, whose nineteenth-century imperial ambitions carved out the territory of Sudan. Until 1955, Egypt claimed sovereignty over Sudan. Since Sudan's independence, relations between Egypt and Sudan have fluctuated, and, since Ethiopia dammed the Blue Nile and exacerbated Egypt's fears about water supplies, Sudan has to balance its relations between Ethiopia and Egypt. Nevertheless, Sudan's president, Bashir, has recognized the similarities between his regime and that of President al-Sisi in Egypt, and the need for the two countries to cooperate in areas of common interest.

Sudan's poor relations with neighboring countries have affected Sudan's relations with the regional Inter-Governmental Authority for Development (IGAD). Relations with the African Union have been affected by Sudan's non-compliance with the International Criminal Court's indictment of President Bashir. Though, in spite of this, the African Union has been involved in efforts to negotiate peace in Sudan.

Strategic Outlook

Sudan must tackle longstanding issues regarding regional conflicts, politicization of Islam and uneven economic development.

Democratic reform will involve an overhaul of the country's constitution, which will require a more consensual approach to the writing of the constitution. The Comprehensive Peace Agreement (CPA) of 2005 appeared to herald a new democratic era, starting with the elections of 2010. However, demands by opposition political parties to participate directly in the CPA process were rejected by, among others, the United States, United Kingdom and Norway who sponsored the process. In practice, this has meant the CPA represented an agreement between two armed forces: the military government of Sudan in the north and the guerrilla army of the Sudan People's Liberation Movement in the south. Opposition political parties were consulted, but were prevented from directly participating in the CPA process. The main opposition political parties refused to participate in the 2010 and 2015 national elections. Consequently, there will need to be wider participation in democratic reform.

Stability across all regions of the country will need to be strengthened by a stronger federal system. Individual federal states are subject to significant political and financial control from the federal government. As a result, democratization will require greater devolution of powers to federal states.

The legal system will need to be reformed. In the name of Islamization, the government has effectively taken over the legal system and made it an instrument of repression. The legal codes will need to be liberalized and the independence of the judiciary restored.

Some effort has been made to grant women greater representation, including the introduction of a quota system for the National Assembly. But much more needs to be done to tackle gender inequality.

Economically, the government must improve the national tax system and promote regional economic growth to tackle economic inequality. The government has been accused of following the "Hamdi triangle" strategy, advocated by a former finance minister. The strategy promotes the development of the core area of the country at the expense of outlying areas. To create a free market economy, the current crony capitalism and widespread corruption will also need to be addressed.

If the international community is to assist reform in Sudan, it will need to look beyond its immediate issues and focus on deep-seated underlying issues. For example, the United States' concern with opposing Islamic terrorism, in which Sudan has not been a major player since the 1990s, and the European Union's concern with preventing migrants entering Europe from northern Africa would need to be overcome.

There is little reason to believe that serious reform is possible under President Bashir or indeed any likely successor from within the regime. (President Bashir has stated that he intends to resign in 2020.) However, it is also not clear whether there is a viable alternative candidate to be president within the current opposition parties or rebel movements.