

# Political Constraints and Opportunities for Agricultural Investment in Sudan

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## INTRODUCTION

This note reviews Sudan's contemporary political landscape and how it affects the viability of much-needed investments central to the country's agricultural transformation. It specifically focuses on livestock and horticulture value chains in Greater Khartoum and natural resource management in the Blue Nile and South Kordofan States.

Successive governments have largely neglected the agriculture sector even though it is the largest employment sector in Sudan and contributes about 56 percent to total exports (CBoS, 2020). Moreover, the sector has a high potential for tackling the twin challenges of food insecurity and improving the livelihoods of smallholder farmers. These two are critical priorities given high food price inflation and restricted access to agricultural inputs exacerbated by the Ukraine war.

An enabling political and governance environment is essential for adopting and implementing the policies required for agricultural transformation, especially in fragile states like Sudan. This Political Economy Assessment (PEA) exercise has highlighted that the military and paramilitary structures occupy a large market share of the State-Owned Enterprises (SOEs), private company partnerships, and land leases to foreign companies in the agriculture sector. Thus, this study forms a basis for deeper PEA and an opportunity for the exploration of the role of intermediaries and the rent seeking activities at the subsequent levels of agricultural value chains, and the extent to which they are linked to both formal and informal economic structures. We have highlighted how smallholder farmers are largely disadvantaged given the current distribution of economic rents.

## THE CONTEMPORARY POLITICAL CONTEXT

Sudan's current political landscape raises several challenges for agricultural investments. These challenges include a lack of legitimate governance structures at the national and subnational levels, a high level of mistrust among political elites and between the elites and the population, and a high level of military entrenchment in the economy (including within the agricultural sector). These challenges are the legacy of Omar Al-Bashir's 30-year dictatorship that finally ended via a popular uprising in April 2019.

Subsequently, a transitional government composed of military and civilian leaders was formed in August 2019, led by former Prime Minister Abdallah Hamdok in concert with General Al-Burhan, head of the Sudanese Armed Forces and General Mohamed Hamdan Dagalo "Hemedti," the leader of the paramilitary Rapid Support Forces. Despite the transitional government's achievements, especially the removal of Sudan's name from the United States' list of State Sponsors of Terrorism (SST) and engaging with the World Bank and International Monetary Fund debt restructuring under the Highly Indebted Poor Countries (HIPC) initiative, the government failed to manage high expectations of the people on several areas. For instance, peaceful resolution of conflicts through credible peace agreements, improvement of economic conditions and livelihoods of the most disadvantaged groups and reforming the security sector have not progressed as anticipated. Nonetheless, in 2020 the Juba Peace Agreement (JPA) was signed between the then newly formed transitional government and some of the armed groups.

The JPA sought to promote inclusive governance and a more decentralized structure of power distribution. However, certain armed groups, namely SPLM EI-Hilu and Abdelwahid EI-Nur's movements are non-signatories of the JPA. They remain in control of entire regions, particularly in the areas of Blue Nile and South Kordofan, and this has implications on agricultural investments in those states.

The underlying tensions between the military and the civilian components of the government led to a military coup on October 25, 2021. One of the key factors that exacerbated these tensions was a review of military and paramilitary owned enterprises and the suggestion to incorporate these institutions under the Ministry of Finance and Economic Planning (MFEP) and minimize their economic autonomy. After the coup of October 2021, all efforts towards economic and political relief by multilateral agencies and other development partners have been paused, depriving the country of nearly \$4 billion of economic assistance. Implementing a major investment program in such an environment without proper governance structures at both national and sub-national levels requires careful attention to potential sectoral bottlenecks, understanding the interests of different actors in the sector, and an awareness of the distribution of economic rents along relevant agriculture value chains.

The transitional government inherited a loose governance structure with prevalence of SOEs across all sectors. Particularly, Al-Bashir's 30-year reign coincided with an increased accumulation of SOEs and public corporations with ad-hoc ownership and oversight structures that disregard the principles of good governance. One recent report indicates that the overall number of SOEs may exceed 650; 431 of which are under the purview of the different ministries and civil agencies, and about 200 under the purview of the defense industries system (also referred to as the Military Economic Corporation (MEC)) and the different military forces (Cartier et al., 2022). Indeed, during Al-Bashir's 30-year reign, the Military and the Rapid Support Forces amassed extensive commercial holdings. In fact, upon taking office, Prime Minister Hamdok disclosed that 82 percent of the budget was allocated to military corporations compared with 18 percent for the Ministry of Finance and Economic Planning. Consequently, loosening the military's hold on the economy is essential to fund important social and economic services like health, education, and agriculture.

Following the aforementioned context, we examine the implications and opportunities for investments in three key areas to Sudan's agricultural transformation: livestock, horticulture and natural resource management in the next section.

## IMPLICATIONS OF THE POLITICAL SETTING FOR THE AGRICULTURAL SECTOR

Sudan is among the richest African countries in terms of size of its national livestock herds. The livestock subsector contributes about 12 percent of the total GDP and 33 percent of agricultural GDP (Ibrahim and Hatur, 2022; CBoS, 2020). Moreover, livestock is a critical livelihood component of the population. However, the livestock sector is largely dominated by SOEs, mostly under the ownership of the Multi-dimensions Company, a company operating under the MEC. The prevalence of SOEs ranges from ownership of large feedlots to abattoirs and export channels.

On the other hand, the horticulture subsector contributes approximately 4 percent of the total GDP and 12 percent of agricultural GDP and provides livelihoods to more than 65 percent of the population (Ibrahim and Hatur, 2022; CBoS, 2020). Horticultural crops play a significant role in Greater Khartoum State, both in terms of contributing to employment opportunities and in enhancing the dietary diversity of consumers. The implications of the political status quo on horticulture are not solely limited to SOEs as in the livestock subsector, but rather related to land grabbing, large land leases to foreign states, and corruption in access to finance and extension services, which is largely provisioned to military junta and well-connected businessmen.

Land and water management is fundamental to the agricultural sector both in the Blue Nile and South Kordofan states. These two resources are under increased pressure from climate change and ownership disputes. Moreover, due to the governance challenges in Blue Nile and South Kordofan, where there are some regions are under government control while others are under the control of armed groups, there exists complications to equitably promote the agriculture and livestock sectors.

### Livestock sub-Sector

As of 2020, the livestock population was estimated at about 110 million heads with an off-take count of approximately 41,000 head (Ministry of Animal Resources, 2022). Sudan has mainly three livestock production systems: 1) open grazing mobile tribal herds (about 75 percent of the total livestock production in Sudan); 2) closed grazing near urban centers and in mechanized rainfed sector areas, and 3) a mixture of both production systems (Ibrahim and Hatur, 2022). Some pastoral tribes utilize a strategy in which cattle and camels continue moving for grazing and water while the small ruminants remain around farming areas and near population settlements.

The livestock in these systems contribute to the export earnings. In 2021, livestock exports were estimated at USD 646 million (CBoS, 2021), with sheep composing the largest share of live animal exports. The domestic market is also a large consumer of livestock. Wholesale prices in the local market compete favorably with export market prices (Ibrahim and Hatur, 2022).

Greater Khartoum is a major source of livestock exports – mainly from terminal markets and feedlots. The largest abattoir in Khartoum State, the Multi-Directions Company, exports refrigerated meat and live animals to Egypt and the Gulf states. Notably, it is owned by the MEC. Several feedlots and terminal markets are likewise under military management. More than 90 percent of milk in Khartoum is supplied

by individual farmers in farmer cooperatives and small to medium sized private dairy farms. Additionally, there are also a few corporations like DAL group (Ibrahim and Hatur, 2022). Despite high levels of domestic demand, the supply of dairy products in Greater Khartoum remains insufficient. This is attributed to low milk yields, among other factors, despite efforts to match the regional yield levels seen in Egypt and Kenya (Ibrahim and Hatur, 2022). Although the local dairy cattle are characterized by low milk production, some of the breeds such as Kenana and Butana have considerably higher milking potential. High-yielding breeds like the Holstein and Norwegian Red have been introduced to increase milk yield. Recently, the Government and producers' associations imported 770 heads of goat breeds from Turkey to improve goat milk production (World Bank, 2020). In addition, Sudan has a limited number of modern large-scale dairy farms equipped with proper stable equipment and climate control in which crossbred cattle can reach productions of up to 30 liters/day. Commercial dairy farms exist around urban centers and new investments have made them competitive with the traditional milk producers and distributors. Overall milk production increased from 4.3 million tons in 2011 to about 4.62 million tons in 2019 (World Bank, 2020). While milk production is increasing it is still far from meeting the local demand.

Investments are needed in supporting logistics, refrigeration, and transportation. Additionally, the development of supportive rural administration and rural finance institutions can help small-scale farmers and producers to purchase inputs such as veterinary drugs and others, which is key to unleashing the sector's productivity potential. Access to market information is very limited, leaving primary producers at the mercy of traders. As a result, primary producers receive very low returns on their products, discouraging them from further investments in intensification and or productivity improvements.

## **Horticulture Sub-Sector**

Much of Greater Khartoum State's agriculture production is fodder and vegetables which occupy close to 90 percent of all land (50.5 percent and 36.4 percent, respectively). Fruits come next (8.4 percent) and less than 5 percent of the cultivated land is occupied by field crops (Khartoum Ministry of Agriculture, 2021). Field crops (sorghum, wheat, beans, etc.) are sourced from outside the state. Most of the crops grown in Greater Khartoum are cultivated with minimal use of technology. Although agro-dealers provide farmers with inputs, the use of technology remained limited, and the sector remained dominated by unskilled and low-skilled labor. Besides the limited use of technology and skilled labor, the domestic market lacks adequate facilities like storage and cooling rooms, weighing equipment, loading/unloading equipment, and processing, which contribute to crop losses.

The horticulture products in GK State are produced by small and medium scale farmers who usually grow one or two primary cash crops. Most of the horticulture production is consumed domestically, either on-farm or through domestic markets. Producers often depend on traders for transport to the markets and the selling price is thus dictated by these intermediaries. Producers generally have limited access to price information and therefore little bargaining power with buyers. Intra-regional (inter-state) trade represents a small percentage of total trade and a fraction of total production. The current export volumes of fruits and vegetables from Sudan are low – estimated as 2,000 tons of produce with a value of USD 2.4 Million in 2021 (CBS, 2021). Most of the exported produce consists of vegetables, with the key products being onions.

Agro-dealers are an important link in the horticulture supply chain, as they are the main provider of small farms with access to inputs such as seeds, fertilizers, and plant protection products. The network of agro-dealers is quite extensive and well distributed across the country. The estimated number of agro-dealers

active in GK is approximately 600 dealers. The bulk of their business (85 percent) is with small vegetable farmers.

There are about 230 farmers associations and cooperatives in Greater Khartoum. The cooperatives were established by the local government, and have a “top-down” structure, which does not adequately facilitate farmers’ agency and bargaining power in the domestic market. In recent years, there has been a mass movement of youth away from the agricultural sector to either outside of Sudan, or to the mining sector, particularly artisanal gold mining (Ibrahim and Hatur, 2022). The existing cooperatives lack the capacity to serve as a crucial interface between farmers, upstream technology suppliers, dealers, and other potential stakeholders because of their governance structure.

## **Land Policy and Natural Resource Management Framework**

In Sudan, land is administered by the Unregistered Land Act of 1970 and the Civil Transaction Act of 1984, both of which designated all unregistered land as State land. Customary tenure systems vary across the country with the practices of pastoralists differing from the semi-feudal systems that were developed on the land close to the Nile and the practices of Southern and Western tribes. Key elements of the laws include the notion that the land belongs to the people. Usufructuary rights instead of owner rights are in place, and land can be used by the tribe and is often not sold to outsiders (Hassan and D’Silva, 2023).

Land grabbing and land tenure issues in Blue Nile and South Kordofan states have been a key driver of conflict. The age-old conflict between sedentary farmers and pastoralists in both states manifested in the issuance of grazing routes to pastoralists which are required to move southwards at the end of rainy seasons. The negotiations among the different actors are complicated and require regular discussions which are made more difficult by in-state conflict, particularly in government-controlled areas. Henceforth, the delineation of customary land boundaries is a necessary first step in dealing with land and other resource use conflict.

These conflicts have been aggravated by the vast expansion of large-scale mechanized schemes since the 1960s. These schemes encroach on traditional grazing and subsistence small-scale farming areas, including Gum Arabic belts and natural wildlife habitats. It is estimated that no less than 4 million feddans have already been allocated to large-scale mechanized schemes in the BN State, in addition to another 2.5 million feddans approved for private investment companies (Hamid, 2006). During the Nimeiry regime, some of these large land holding leases included nearly 1 million feddans to Saudi Arabia. Similar leases took place during the Al-Bashir regime, and it is estimated that currently approximately 10 percent of all cultivable land in the country is under foreign control (Hassan and D’Silva, 2023). These schemes blocked traditional nomadic migratory routes and perpetuated conflicts between farmers and nomadic groups (Hamid, 2006). Moreover, nomads were denied access to some traditional grazing areas during the war, which worsened these local conflicts (Hamid, 2006). This calls for urgent reopening of the old migratory routes.

In the Blue Nile and South Kordofan states, the political dynamic is complicated. At the onset of the secession of South Sudan, the Customary Land Security Program (CLSP) funded by USAID, was a success. This program entailed land demarcation and reforms of the land commission’s structure. In SPLM-controlled areas, it was intended for the two states to have undergone a mixed-method governance structure following the 2005 CPA, whereby they were to be governed by mutual laws of both the governments of South Sudan and Sudan. However, implementation was halted due to political

complications and conflict that broke out following the secession, which left part of these regions partially in control of non-government troops like SPLM EL-Hilu and Abdelwahid El-Nur. Since then, the federal government's policy appears to be one of non-interference, while the state governments made efforts to demarcate livestock routes but with different standards in Blue Nile and South Kordofan.

Moreover, access to water is another resource that contributes to the conflicts between nomads and sedentary farmers in Blue Nile and South Kordofan states. In Blue Nile, people access water directly from the Blue Nile River, surface reservoirs (Hafeers), shallow wells, and seasonal riverbeds. The River tends to overflow causing major flooding during the rainy season. Recent years have witnessed depletion of groundwater resources in areas such as Kurmuk and Roseiris (UNICEF, 2022). In South Kordofan, the main sources of water supply are water yards, surface reservoirs (Hafirs), unprotected wells, and naturally formed sources. While data is lacking on sizes and distribution of these water resources in the state, Hafirs are the most important sources (Hassan and D'Silva, 2023).

During the 2021-2022 period, a multi-sector needs assessment was conducted in SPLM/ EI-Hilu controlled areas. In Blue Nile State, about 48 percent of the surveyed households have limited access to water compared to 70 percent of surveyed households in South Kordofan. The movement along grazing routes between the two states is partly driven by the search for water. Therefore, water is another factor contributing to the conflict between the nomads and sedentary farmers.

During the last decade of Al-Bashir's tenure, the secession of South Sudan in 2011 led to the loss of 75 percent of Sudan's oil revenues resulting in a shift towards other income generating sectors such as gold and livestock exports. Blue Nile and South Kordofan states are rich in other natural resources such as oil and minerals. Moreover, South Kordofan is also thought to have potash, which could assist in the development of the fertilizer sector. Petroleum is found in what is currently West Kordofan (negotiations will determine whether West Kordofan will once again become part of South Kordofan according to the JPA). An issue that persists and is yet to be addressed is the rights related to the "nature and ownership of subterranean resources", which has not been addressed during the CPA or JPA negotiations, as minerals are found in many parts of Sudan. Given the fact that in 2022, Sudan became a major gold exporter in Africa, this necessitates a better understanding and a clear definition of mineral resource rights, ownership, and distribution.

The evolution and stages of development of an integrated natural resource management system carried out in South Sudan holds valuable lessons for the Government of Sudan. Particularly, under the CPA, Blue Nile and South Kordofan are yet to develop an integrated land, water, and mineral resource management governance framework. On a national level, under Hamdok's government an attempt was made to develop an approach to natural resource management through the Higher Council of Environment under the leadership of Prof. Rashid Hassan. Unfortunately, the coup of October 2021 brought this initiative to an end.

## CONCLUSIONS AND RECOMMENDATIONS

This note has provided a broad perspective of the current political landscape, certain elements of the agriculture sector, and where they intersect, in Greater Khartoum, Blue Nile and South Kordofan States. To summarize, the military and paramilitary structures occupy a large market share of the SOEs and private company partnerships. This has implications for further development of the livestock and horticulture subsectors. Ownership of arable land by external actors will also be a challenge for

agricultural transformation, because of uneven government sovereignty in Blue Nile and South Kordofan states.

While the current political impasse exacerbates the challenges faced by the agricultural sector, there are potential windows of opportunity on the horizon that should be seized to advance substantial reforms. Specifically, on December 5, 2022, a new political settlement framework was signed by both the civilian and military leaders including Al-Burhan and Hemedti, with the aim of reviving Sudan's post-revolution transitional period and conclude the democratic elections after a period of two years. If this framework does ultimately translate into a significant change in political circumstances, there are several possible policy interventions.

For example, in the livestock and horticulture value chains, priority investments should target providing well-functioning extension services to farmers and livestock owners, as well as investing in facilities for safe storage and transportation. Additionally, strengthening horizontal groupings to increase the market and bargaining power for smallholder farmers will promote the creation of a "farmers market". Moreover, providing platforms for value-added processing activities alongside provision of basic training in cleaning and sorting of produce can improve livelihoods of small and medium scale farmers.

In South Kordofan and Blue Nile states, a key step would be expediting the land demarcation processes and mapping of customary land borders may help to mitigate conflict in regions where land issues persist. Land policies need to be part of a greater natural resource management framework that accounts for water scarcity to maximize agricultural productivity. The application of a comprehensive framework that incorporates the importance of water resources in the economy, particularly for agriculture, is mandatory for Sudan to unleash its agricultural sector potential.

Utilizing the Water Resource Accounting Framework (Hassan and D'Silva, 2023) should be initiated at this time as it is not directly connected to the political governance negotiations, and it would assist in development planning for the water resources sector once a political governance agreement is reached. For both these and other interventions, it will be essential to ensure that policies are aligned to the needs of small-holders and the urban and peri-urban poor rather than simply benefit large-scale producers and corporations owned by the army and the security forces.

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