

Supporting Sudan's Entrepreneurs in Crisis

Policy Insights from Micro, Small, and Medium Enterprises

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Introduction

The current conflict between the Sudanese Armed Forces and the Rapid Support Forces in Sudan, which began in April 2023, has had a profound impact on the nation's micro, small, and medium enterprises (MSME). Such enterprises are a vital part of the country's economy and important to the food security of many Sudanese households. All MSMEs, including those in the agrifood sector, have faced severe disruptions due to the instability, rising inflation, and supply chain breakdowns brought on by the conflict. These challenges have destabilized MSMEs, affecting their financial viability, operations, and capacity to support local food security and provide employment.¹

Agrifood MSMEs, in particular, serve as critical intermediaries between large firms and smallholders, supporting local economies and national food systems.² The conflict has disrupted every aspect of agrifood value chains in Sudan, from input supplies and production to market accessibility. Agrifood entrepreneurs—especially women—have borne some of the heaviest impacts. Female entrepreneurs already face significant gender-based barriers in operating successful businesses, such as more limited access to finance, restrictive social norms, and mobility constraints. In this period of conflict, they now confront even greater challenges.

This policy note draws on findings from two recent studies that collectively examine the challenges faced by MSMEs in Sudan during the current conflict. The first study provides a broad national overview of MSMEs, analyzing the economic pressures and operational disruptions they face across various sectors. The second study delves into the agrifood sector, providing a detailed look at how women and men agrifood entrepreneurs navigate disrupted supply chains, input shortages, and market access challenges. Together, the findings from these studies underscore the critical challenges facing MSMEs and the adaptive strategies entrepreneurs must employ to remain in business during this time of war. The results of the studies highlight the urgent need for targeted interventions to support Sudan's MSMEs.

Data source

This study utilizes data from the 2024 Sudan Micro, Small, and Medium Enterprises (SMSME) survey, which provides the first nationally representative data on MSMEs in Sudan since the start of the conflict. The survey was conducted by the International Food Policy Research Institute (IFPRI) in collaboration with CIMMYT's Sustainable Agrifood Systems Approach for Sudan project.³ Computer-assisted telephone interviewing (CATI) was used to interview a structured sample of over 1,400 MSME owners from a comprehensive database containing the names and contacts of 22,000 MSME owners across Sudan, supplemented with nearly 5,000 contacts from other sources. The survey, which captured information on both female- and male-owned enterprises across diverse economic sectors and regions, provides baseline data on how MSMEs are adapting to conflict-related challenges, offering insights that will inform policy strategies to support resilience and sustainable development in Sudan's MSME sector (Table 1). Most MSMEs are small, categorized as being in the micro category. Female-owned enterprises tend to focus on trade and services. However, the conflict has driven more women into agricultural enterprises.

Table 1 Micro, small, and medium enterprises sampled in the 2024 Sudan Micro, Small, and Medium Enterprises Survey, by size and sex of owner

Broad economic activity	TOTAL			Micro			Small			Medium		
	Male-owned, %	Female-owned, %	Total	Male-owned, %	Female-owned, %	Total, no.	Male-owned, %	Female-owned, %	Total, no.	Male-owned, %	Female-owned, %	Total, no.
Agriculture & Mining	75.0	25.0	240	72.8	27.2	213	100.0	0.0	19	75.0	25.0	8
Manufacturing	58.3	41.7	139	40.8	59.2	71	81.8	18.2	33	71.4	28.6	35
Construction	83.3	16.7	36	81.5	18.5	27	100.0	0.0	6	66.7	33.3	3
Trade	60.8	39.2	393	58.1	41.9	334	74.1	25.9	54	100.0	0.0	5
Services	67.1	32.9	599	62.1	37.9	435	78.3	21.7	143	95.2	4.8	21
Total	66.2	33.8	1,407	62.0	38.0	1,080	80.0	20.0	255	80.6	19.4	72

Source: Authors' analysis of 2024 SMSME survey data.

The second study focused on agrifood entrepreneurs in Kassala and Gedaref, two Sudanese states bordering Eritrea and Ethiopia and in proximity to Khartoum and Gezira, states where the conflict has been particularly intense. In the two states, war has led to markets closing, cross-border trade being blocked, displaced populations, and reshaping of local economies. Kassala and Gedaref, both of which have large intensive agriculture sectors, differ in gender norms and their ethnic composition, which influences women's participation in the local economy. The study in the two states involved 20 male and 20 female agrifood entrepreneurs selected using convenience and snowball sampling. In-depth interviews in Arabic were conducted with each in May 2024 to explore the entrepreneurs' activities, ambitions, war-related business challenges, and coping strategies. The results of the study were presented to the participants in September 2024 for feedback and validation and to collaboratively develop recommendations for how best to address the operational challenges faced by MSMEs during this period of conflict.

Critical challenges faced by micro, small, and medium enterprises

Economic and market disruptions

The conflict has exacerbated economic instability, leading to a surge in input costs, unpredictable market conditions, and a breakdown of essential supply chains. Particularly MSMEs in the agrifood sector reported high transportation costs, inflated raw material prices, and limited access to external markets. This instability, combined with asset losses, reduced workforce availability, and recurring business closures, has left many MSMEs operating at less than 50 percent capacity. These economic challenges strain the financial viability of MSMEs, reduce the number of workers they employ, and limit their contributions to local food security.

Gender-specific barriers and norms

Female-owned enterprises face unique challenges that restrict their business potential. Limited access to formal finance keeps most female entrepreneurs reliant on community savings groups and family loans. However, these informal sources of finance typically offer insufficient capital for enterprises to scale up their operations significantly. Gender norms further constrain women’s mobility and operational scope, often confining their businesses to lower-profit sectors, like small-scale food processing or home-based sales. The combination of restricted access to capital and markets reduces the income-earning potential of female-owned enterprises and reinforces economic disparities between male and female entrepreneurs.

These gender-specific differences are evident in the differences in business earnings between male-owned and female-owned enterprises—enterprises owned by women consistently earn less revenue than those owned by men (Table 2). Before the conflict, female-owned enterprises earned, on average, 43 percent less than male-owned enterprises, primarily due to differences in resources like capital and skilled labor. During the conflict, the sales gap narrowed to 29 percent. The reduction in the size of the gap could not be explained by capital and labor factors alone. However, it may be linked to conflict-induced uncertainties and changes in the significance of gender-specific vulnerabilities.

Table 2 Breakdown of the gap in monthly sales between enterprises owned by women and owned by men, before and during the conflict

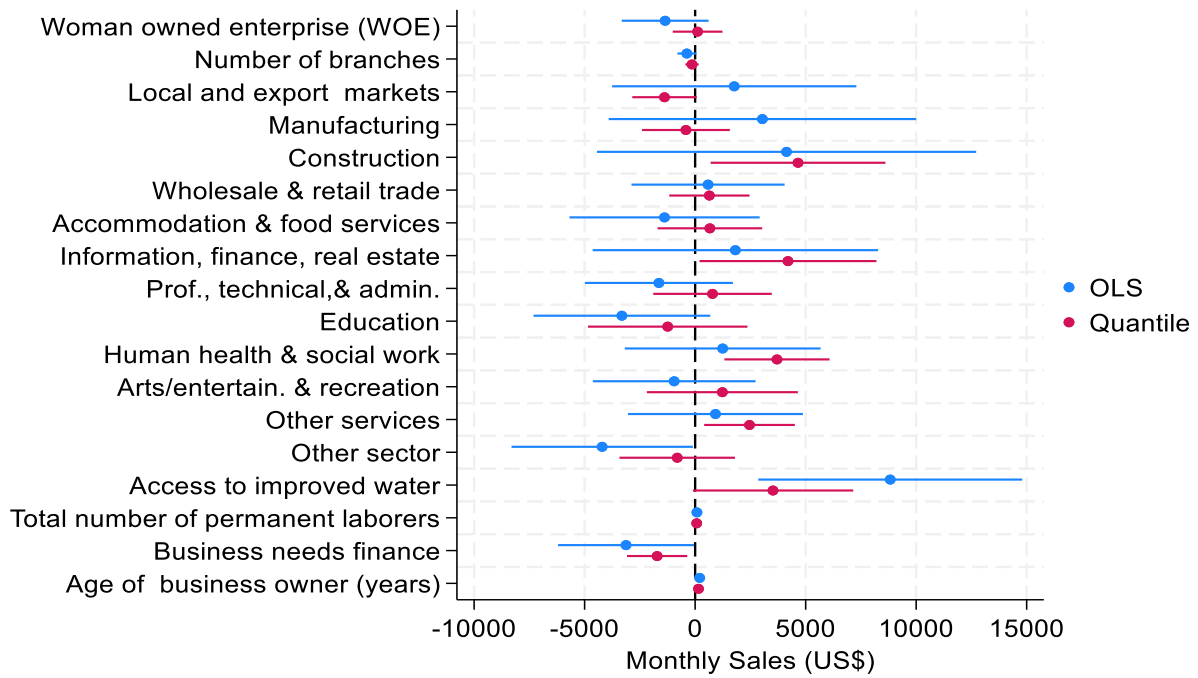
Period	Female-owned, nominal USD	Male-owned, nominal USD	Sales gap, nominal USD (Male-owned – Female-owned)	Gap, percent
Pre-conflict	4,573	8,027	3,454	43
During conflict	6,045	8,561	2,516	29

Source: Authors’ analysis of 2024 SMSME survey data.

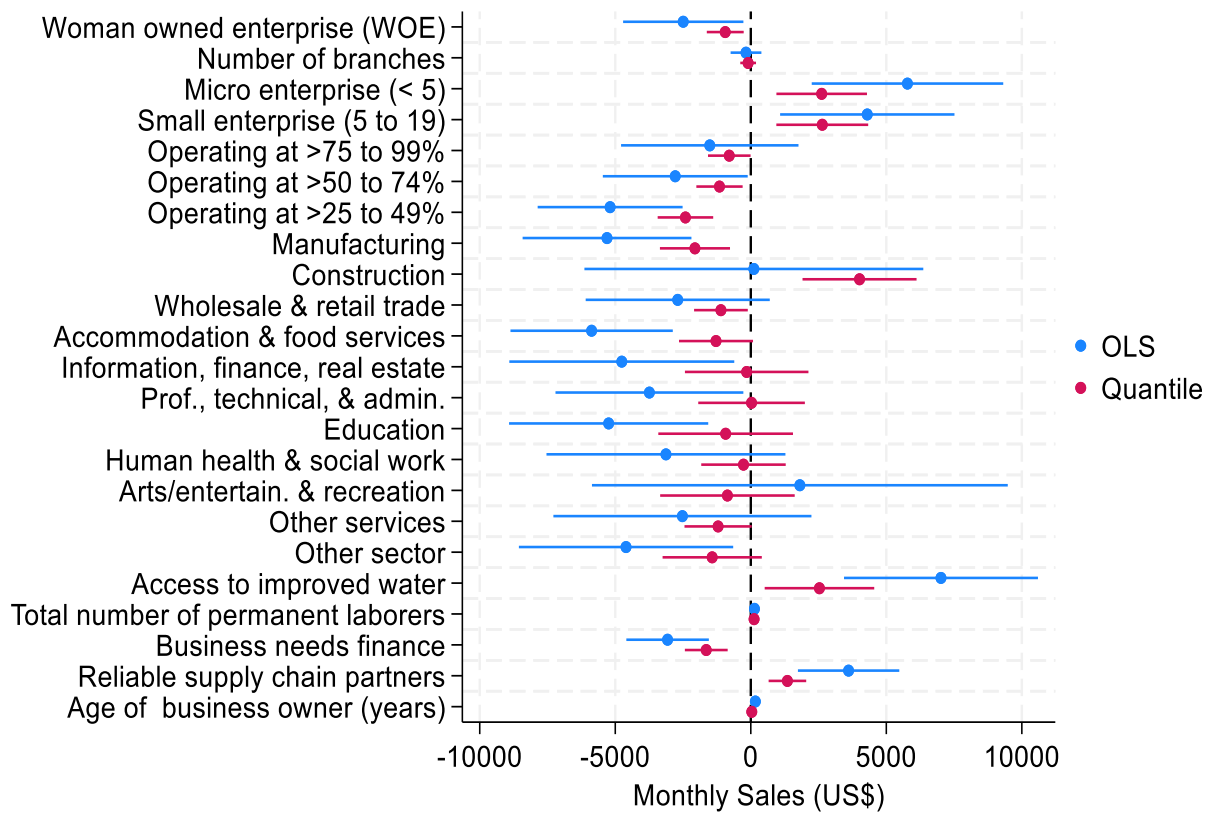
Multiple factors explain variations in monthly sales among Sudanese entrepreneurs during the conflict period (Figure 1). Key factors positively associated with enterprise sales include the age of the owner, the size of the enterprise workforce, access to finance, and improved water sources, reflecting the importance of human, financial, and physical capital. Interestingly, micro and small enterprises demonstrated more resilience in sales than medium-sized enterprises. Firms operating at full capacity reported higher sales, while those adopting multiple digital innovations—indicating “digital adaptability”—also saw increased sales. Sector-specific trends reveal that the agricultural and natural resources sectors fared better than manufacturing, food services, education, and other sectors. Businesses in states with relatively reliable supply chains, such as Blue Nile, achieved higher average and median sales, highlighting the importance of stable supply chain partnerships even in challenging conditions.

Figure 1 Ordinary Least Squares (OLS) and quantile regression results for monthly sales by micro, small, and medium enterprises, pre-conflict and during the conflict periods

Pre-conflict period



During the conflict period



Source: Authors' analysis of 2024 SMSME survey data.

An important insight from the study of male and female entrepreneurs in Kassala and Gedaref was that social expectations and safety concerns deter women from engaging in riskier, high-reward business ventures, limiting their ability to scale and expand their operations. Gender norms also restrict women's participation in formal business networks and large-scale commercial activities, limiting skill development and growth potential in the agrifood sector. These gendered constraints exacerbate the financial and operational gaps between men and women, particularly in the agrifood value chain.

Limitations in access to finance and reliance on informal support

Several entrepreneurs, both women and men, pointed at the temporary suspension of loan programs after the war's outbreak as adversely affecting their ability to maintain their businesses. Even before the war, access to finance represented a critical barrier for both female- and male-owned enterprises, especially due to bank's elevated interest rates. Even when interest-free loans were available, financing was often insufficient for enterprise owners to expand their business, forcing many to also rely on informal sources of capital. Female entrepreneurs reported more challenges in operating an MSME than did men. In making applications for loans, female owners of enterprises reported having to provide greater collateral and being more likely to have to submit salary certificates and identity documents than male owners. Moreover, the engagement of female owners in generally poorly-remunerated enterprises challenged their capacity to repay their loans. These differences and disparities widen the economic gap between male- and female-owned enterprises and reinforce structural inequalities within the MSME sector in Sudan.

Adaptation and Coping Strategies

Despite severe disruptions due to the war, Sudanese MSMEs have demonstrated resilience by adapting their business practices and leveraging informal networks to sustain their operations.

Digital adaptation. Digital tools have become essential to the operations of MSMEs in Sudan, enabling entrepreneurs to maintain customer engagement and expand market reach despite mobility constraints. Many MSMEs, especially those owned by women, use social media and e-commerce platforms to sell products beyond their immediate localities, reducing their dependence on traditional markets that may be disrupted by conflict. For these entrepreneurs, digital adaptation is crucial, offering a way to reach new customers while navigating social restrictions on mobility.

Income diversification and local sourcing. Faced with supply chain disruptions and input shortages, MSMEs are diversifying their offerings and finding local alternatives for essential resources. Some agrifood businesses, for instance, have shifted to locally available inputs or diversified into complementary products to sustain revenue. This diversification not only stabilizes income but also reduces dependence on external suppliers, building resilience against future disruptions.

Community and family networks. Community support and family networks are critical resources for MSMEs, providing both financial and logistical support. Women, in particular, rely on informal community-based savings groups, which serve as a fallback when formal financial resources are inaccessible. These networks are also crucial for sustaining operational continuity, as they provide a collaborative environment where resources and information can be shared, fostering community resilience in the face of economic uncertainty.

Gender-specific adaptations. Women entrepreneurs, who often manage additional domestic responsibilities, have adapted their enterprises by restructuring workflows and focusing on more flexible, home-based business models. Community support, particularly from family members, has enabled many women to continue operating despite the challenges posed by conflict and social expectations. Women entrepreneurs have also leveraged informal mentorship and peer networks, which provide valuable business insights and emotional support in the absence of formal training opportunities.

Conclusions and policy recommendations

Sudan's MSMEs play a vital role in sustaining local economies and food security during conflict. Addressing financial, digital, and social barriers through targeted policies can build a more resilient and inclusive MSME sector. Empowering women and expanding their access to markets and finance will strengthen Sudan's MSME ecosystem, supporting economic recovery and sustainable development. The following recommendations focusing on enhancing financial access, building gender-sensitive support networks, and fortifying supply chain resilience, with special attention to women entrepreneurs, are recommended:

- **Expand inclusive financial services.** Develop gender-sensitive financial products, such as microcredit with flexible terms and interest-free loans tailored to female entrepreneurs. Community-based savings and loan programs should be supported to assist those without access to formal banking. Financial inclusion strategies should also consider grants or subsidies for agrifood MSMEs, given their importance to food security. Investment in digital infrastructure, especially in remote and conflict-affected areas, will support MSME operations and expand local markets. Furthermore, providing financial and digital literacy training, including in mobile banking, will empower entrepreneurs. Such approaches can reduce mobility constraints and create new revenue streams.
- **Build resilient supply chains.** Strengthen local sourcing of inputs, improve transport logistics, and subsidize essential resources like fuel and utilities. Infrastructure investments in rural areas will more reliably and effectively connect MSMEs to suppliers and markets, ensuring the continuity of their operations. For agrifood MSMEs, which are essential to food security, policies that stabilize costs and improve access to food inputs are critical.
- **Develop gender-sensitive support networks.** Create robust support networks, including mentorship programs and peer networks, to connect women entrepreneurs with business guidance and resources. Promote family-friendly and flexible workspaces to enable women to balance domestic and business responsibilities. Expanding access to informal savings groups and women-focused financial products will enhance financial inclusion and stability for female-owned enterprises. It is also important to reduce barriers to starting up enterprises, particularly for women, by simplifying the registration process for enterprises and other businesses, protecting business assets in conflict zones, and providing startup incentives for enterprises. Promoting women's participation in leadership roles in the institutions making up the supportive ecosystem for Sudanese entrepreneurs and offering mentoring services to female enterprise owners will expand the participation of women in Sudan's MSMEs.
- **Enhance market and physical infrastructure.** Improve infrastructure, such as storage facilities, transportation, and energy supplies, to support MSMEs in the agrifood sector.

Targeted investments in these areas will enable both male and female entrepreneurs to expand their operations and contribute more effectively to the economy.

- **Support high-impact sectors.** Increase sector-specific support for areas like agriculture and trade where women entrepreneurs are active. Providing agricultural training, improving access to inputs, and establishing reliable supply chain networks will empower women to expand their business activities in sectors crucial for food security and economic resilience.
- **Address conflict-specific challenges.** Implement training on conflict-sensitive business practices and risk management. Create peer networks to support MSMEs navigating the unique challenges of operating during conflict. Focusing on safety and stability will provide the tools necessary for enterprises of all sizes to adapt and sustain their growth in fragile environments.

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³ CIMMYT. 2024 "Sustainable Agrifood Systems Approach for Sudan (SASAS)." *CIMMYT (International Maize and Wheat Improvement Center)*. <https://www.cimmyt.org/projects/sasas/>.

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