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Resilience of Agricultural Value-chains in Sudan

Findings from the THABAT Project Survey of Small- and Medium-sized Enterprises (SMEs)

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EXECUTIVE SUMMARY

Sudan's ongoing conflict has severely disrupted agricultural systems, markets, and rural livelihoods. In this context, resilience-oriented agricultural support remains critical for sustaining food production, protecting livelihoods, and supporting local economic recovery. The Sudan Enhancing Community Resilience Project (THABAT) provides resilience-oriented agricultural support that is critical for sustaining food production, protecting livelihoods, and supporting local economic recovery ('*thabat*' in Arabic means 'stability' or 'firmness'). The project is a USD 130 million initiative financed through the Sudan Transition and Recovery Support Trust Fund (STARS) Multi-Donor Trust Fund. This report focuses on the small -and medium-sized enterprises (SMEs) sub-component of Component 2 of the project, which aims to improve food security through supporting farmers, SMEs, and consumer cooperatives to enhance value addition in agricultural value chains. This component of the THABAT project is being implemented by the World Food Programme (WFP) through Mercy Corps.

Specifically, this report presents the initial findings from interviews with 100 small- and medium-sized enterprises (SMEs) active in the agrifood sector that have been shortlisted to receive support through a matching grant element of the THABAT project. The surveyed SMEs are quite diverse in the nature of their enterprises—crop production, agricultural input supply, agrifood processing and packaging, storage, transport, and a range of postharvest services. WFP and Mercy Corps identified the SMEs that were included in the survey sample, which comprises both selected and unselected SMEs for the THABAT matching grant. Baseline data from the sample SMEs were collected using computer-assisted telephone interviews (CATI).

This baseline report serves as a description of the status quo for SMEs in the THABAT project zone at the start of the project. The findings indicate that SMEs there have relatively good access to basic infrastructure and digital technologies. More than 90 percent report access to electricity, water, and internet services, although electricity reliability remains limited. The operators of the SMEs generally demonstrate strong growth ambitions, with most expecting increases in capital investment, workforce size, and market expansion in the coming year.

Access to finance remains one of the most significant constraints to the continued operations and growth of these SMEs. Most enterprises rely primarily on their own capital to finance their activities. Their access to formal credit is limited despite widespread demand for it. Nearly all SMEs reported a need for credit or grant financing, highlighting the importance of external support for business expansion and value addition in these settings.

The SMEs operate in a challenging business environment characterized by inflation, market disruptions, supply chain constraints, and recurring shocks. More than 90 percent reported experiencing at least one shock during the previous year, while concerns regarding corruption, governance, and limited access to finance remain widespread. At the same time, these SMEs maintain strong linkages with other actors in the agricultural value chains in which they operate and demonstrate considerable resilience and willingness to invest and grow despite many challenges.

Overall, these initial SME baseline results show the critical roles SMEs are playing in creating value addition in agricultural value chains despite the challenging business environment and inefficiencies in markets in Sudan. These data, along with those to be collected through a planned endline survey of the same SMEs, will enable assessments to be made of the type of impacts the matching grants and associated business development support offered by the THABAT project had on SME performance and resilience.

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1. INTRODUCTION

The THABAT project in Sudan aims to complement ongoing humanitarian assistance and related services and ultimately improve food security and resilience—‘*thabat’* in Arabic means ‘stability’ or ‘firmness’. The THABAT project is a USD 130 million investment that aims to support and complement current humanitarian aid and associated services and ultimately improve food security and resilience in Kassala, Northern, and River Nile states in Sudan. The project started in 2024 with an initial implementation period of two years. It is funded by the Sudan Transition and Recovery Support (STARS) multi-donor trust fund, which is managed by the World Bank. THABAT has two main components with slightly different and complementary objectives: (i) a Provision of Basic Services component (USD 74 million) that is being implemented by UNICEF, and (ii) an Improving Food Security (USD 56 million) component that is being implemented by the World Food Programme (WFP) through the international non-governmental organization, Mercy Corps.

The Improving Food Security component of the THABAT project targets three agrifood value chains—sorghum, wheat, and horticultural crops (beans). There are three sub-components to the Improving Food Security project component that provide support to farmers through farmers’ organizations:

- Increasing agricultural production and resilience by supporting farmers with agricultural inputs and farming services. This sub-component targets farmers and farmers’ organizations through the delivery of climate-smart agricultural and veterinary services; inputs, including improved seed, urea and DAP fertilizers, farming services like land preparation or harvesting, and farm machinery; support services, such as postharvest technologies and small-scale rehabilitation of irrigation canals; and technical assistance.
- The second sub-component supports small- and medium-sized enterprises (SMEs) to enhance value addition in agricultural value chains by strengthening their abilities to provide agriculture-related goods and services, including transport, logistics, storage and packaging, and small-scale processing. Under this sub-component, Mercy Corps uses matching grants to enhance the capacity and performance of private sector SMEs engaged in activities in the priority value chains for the THABAT project to add value and enhance the availability, quality, and affordability of food and other agrifood products to consumers and markets. The support to SMEs entails both direct support to the enterprises through a cash-based matching grant mechanism and the facilitation of business linkages between SMEs, farmer producers’ organizations, and consumer cooperatives.
- Scaling up and strengthening community consumer cooperatives to better serve as market outlets for the food produced by THABAT project-supported farmers and SMEs. The third sub-component strengthens the capacity of consumer cooperatives through technical and financial assistance, including in-kind support, training in inventory management, procurement of renewable energy systems and clean cooking equipment, and digital enrollment platforms.

The International Food Policy Research Institute (IFPRI) is evaluating the impact of the three different sub-components of the Improving Food Security component of the THABAT project on various value chains and target populations.

- For assessing the impact of the first sub-component and, hence, the impacts of the project on farmers and farmer cooperatives, IFPRI is conducting baseline and endline surveys covering beneficiary and non-beneficiary farmers.
- Similarly, for quantifying impacts on SMEs, IFPRI is administering baseline and endline surveys of SMEs, both project beneficiary and non-beneficiary firms.
- The impact of the third component is to be assessed using surveys targeting consumer cooperative member households, consumer cooperative leaders, and farmer cooperative representatives.

This report summarizes the initial findings from the baseline survey of SMEs who either received or did not receive the THABAT project matching grant from Mercy Corps to enhance their capacity and performance. The characteristics of beneficiary and non-beneficiary SMEs are described in terms of their key attributes and their financial and production performance and potential. This report is organized across the following themes: (i) SME profile and characteristics, (ii) SMEs' access to capital, (iii) revenues, expenditures, and profits of the SMEs, (iv) dynamics of the markets in which the SMEs operated and their exposure to shocks, (v) ambitions and plans of the surveyed SMEs for the next year; (vi) experience of the SMEs with the local regulatory and business environment, and (vii) access of the SMEs to THABAT matching grants and other project support and services.

2. LITERATURE AND CONTEXT

Agrifood systems depend heavily on midstream actors—the processors, traders, and transporters who form the “hidden middle” linking producers to markets (Hazell et al. 2024). This midstream layer is largely made up of micro, small, and medium-sized enterprises, whose role extends well beyond primary agricultural production to include post-farmgate activities such as processing, transportation, and retail. These activities often account for most of the value-addition in the agrifood sector, offering a critical pathway out of subsistence farming for many rural households (Dolislager et al. 2021; Kirui et al. 2024; Reardon 2015; Yi et al. 2021).

Conflict undermines the performance of SMEs in fragile settings by disrupting markets, weakening institutions, and reducing productive outputs. The disruption of transportation and telecommunication disrupts market functionality through disrupting trade and credit flows between urban and rural markets (Duggleby et al. 2008; Schuster and Diouf 2025). Under conditions of conflict, SME functionality and sustainability are tested across several dimensions. For one, conflict distorts input access and use and promotes increased reliance on imports in view of reduced or distorted access to domestic inputs (Hoffman et al. 2024; Kirui et al. 2023a; Del Prete et al. 2023; Amodio and Di Maio 2018). These disruptions to key nodes in agrifood value chains severely affect food production, availability, and affordability. In addition, the threat of violence promotes shortages in food production and price spikes (Ahmed et al. 2024; Kirui et al. 2025). Conflict also distorts market competition and yields uneven outcomes on the ability of enterprises to continue their operations (Amodio and Di Maio 2018; Del Prete et al. 2023). However, some research has shown the considerable economic resilience that actors in various nodes of agrifood value chains often display, as they bounce back relatively fast from conflict-related shocks. These include agrifood SMEs (Hiller et al. 2014; Siddig et al. 2024).

Access to finance by SMEs remains a critical challenge for their continuing operations, particularly in fragile settings (Calice 2023; Hoffman and Lange 2016). Conflict halts the normal operations of banks and financial institutions, which often take considerable time to restart their businesses in the early post-conflict stages (Peschka and Emery 2011). As a consequence, enterprises that need working capital to purchase inputs or stock or to cover the costs of their operations have to rely on informal financial services or other means of financing those purchases or their other activities. Such informal sources may offer credit that is rather more expensive and limited and is almost certainly unregulated (Mills and Fan 2006; Peschka and Emery 2011).

In the context of Sudan, agrifood SMEs play a central position in agricultural value chains and markets (Kirui et al. 2024). They serve as important hubs that stabilize rural and urban markets, support household consumption, and carry out key processing and distributional functions along those value chains (Kirui et al. 2024). Thus, the resilience and continuity of these enterprises is central to local livelihoods and food security. Any risk of the collapse of these SMEs not only affects the wellbeing of the owners and operators of the enterprises but also affects the food security and economic resilience of the community as a whole (Siddig et al. 2025).

Prior to the eruption of conflict in Sudan in April 2023, SMEs accounted for most private sector activity—albeit with no unified definition of SMEs in Sudan (World Bank 2020a).

Additionally, official data on SME activities and operations was lacking, with estimated private investments to GDP following a declining pattern over time (World Bank 2020a). More specifically, agricultural SMEs in Sudan have been facing multifaceted challenges over time, including but not limited to macroeconomic and political uncertainty impacting the business climate, limited access to finance, limited innovation, and significant knowledge gaps about public policies and regulations (World Bank 2020a; World Bank 2020b; Ali et al. 2024; 249Startups 2021).

The start of the current conflict in 2023 triggered an unprecedented shock within the agrifood system in Sudan, severely disrupting agricultural production, food supply chains, market functioning, agrifood processing, and agricultural inputs (Abushama et al. 2023; Hoffmann et al. 2024; Ibrahim et al. 2025; Kirui et al. 2023b; Sarwar 2024; Sidahmed and Mohamed 2025). The insecurity, infrastructure damage, and population displacements have forced many SMEs to relocate, suspend operations, or operate at reduced capacity (FAO 2026). Based on IFPRI's SME Survey of 2024, among SMEs continuing business operations, 57 percent relocated to other states, particularly River Nile, Northern, Kassala, and Red Sea states (FAO 2026; Gupta et al. forthcoming).

Access to finance by SMEs remains another challenge facing enterprises during conflict (Kirui et al. 2023a; World Bank 2020a). The banking and finance sector and its transactional capacity have been undermined (Abay et al. 2026; Kirui et al. 2023a), which has devastating impacts on agricultural financial services (Hoffman et al. 2024)—47 percent of private sector firms stopped operations at the onset of the conflict as a result of the disruption of financial services (Kirui et al. 2023a). Beyond SME-specific challenges, the broader challenges to institutional frameworks and macroeconomic deterioration in Sudan further impede SMEs' output capacity. Together with an end to the current conflict, the effective stabilization of inflation and the exchange rate will be critical for promoting stability in Sudan's agricultural markets and in the operations of SMEs engaged in its agrifood value chains (Elbadawi and Ismail 2021).

3. SAMPLING, DATA COLLECTION, AND OUTCOME VARIABLES

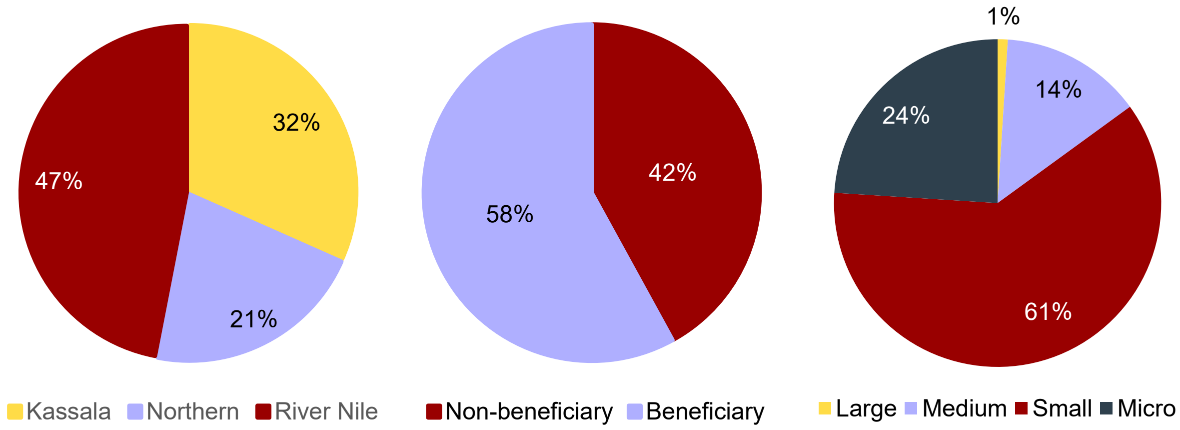
The baseline survey of SMEs targeted all SMEs shortlisted for the THABAT matching grant in 2025 and 2026 across three THABAT project states, Kassala, Northern, and River Nile. The sampling frame utilizes the entire list of shortlisted 180 SMEs provided by Mercy Corps. Data collection for the full survey was underway at the time of the writing of this report. To date, 100 SMEs have been surveyed out of the 180 SMEs in the sampling frame, leaving 80, or 44 percent, of the SMEs still to be interviewed.

Data is being collected using computer-assisted telephone interviewing (CATI), enabling real-time data validation. Respondents are asked to identify their positions in the enterprise. The survey was completed with respondents who were owners (sole or co-owners) or directors and executive managers. Respondents who were employees were asked to redirect the call to senior management or owners or provide the contact numbers of those individuals for survey completion. This rule allowed for the data collection to be conducted with knowledgeable individuals of the enterprises' operations and structure.

Figure 3-1 shows the distribution of the 100 SMEs surveyed thus far by state, by whether the SME was a beneficiary of the THABAT matching grant, and by the size of the SME, based on the number of employees. Small enterprises with under 49 employees comprise the largest share of the surveyed SMEs by size.

Figure 3-1 Surveyed small- and medium-sized enterprises, by state (left), beneficiary status (center), and size (right)

Note



Source: Authors' illustration based on analysis of initial results from 2026 THABAT project evaluation baseline survey of SMEs.
Note: The size of the enterprise is based on the number of employees: micro: under 9 employees, small = 10-49 employees, medium = 50-249 employees, and large = more than 250 employees.

The baseline SMEs survey collects data on key characteristics of SMEs, their performance and financial capabilities, market dynamics and business environment, as well as the THABAT services the SME received and used. These outcomes are grouped into seven domains to establish a baseline comprehension of the SMEs.

- **Profile and characteristics of the SMEs.** These characteristics provide a profile of the SMEs in the sample, including their location and any branches, ownership, employment size and structure, current value-addition activities, asset ownership and purchases, and access to key facilities and their reliability.

- **Finance and access to capital of the SMEs.** Here, the sources of capital for the SMEs are considered, as well as their need for finance, i.e., loans or grants, and the applications the SME operators have made for loans and grants in the last 12 months.
- **Revenues, expenditures, and profits of the SMEs.** The performance of the SMEs in the month preceding data collection is sketched out through consideration of their revenues, expenditures, and profits.
- **Market dynamics and exposure of the SMEs to shocks.** This area of inquiry captures any changes in market dynamics reported by the SMEs, particularly changes in prices, production, sales, and the incidence of market-related shocks they face. The section also alludes to challenges faced by the SMEs in the past year.
- **Ambitions and plans of the SMEs for the next year.** The ambitions of and planned expansion, if any, by the owner or operator of the SME over the next 12 months is explored.
- **Experience of the SMEs with the regulatory environment and business climate.** A set of questions is asked of the respondent for the SME on any regulatory challenges and constraints they have faced in operating their business. Perceptions of the SME operator on the overall business environment are also solicited; i.e., on their ability to cope with shocks, ease of access to finance and markets, price volatility in local and international markets, their use of technology, and their ability to provide training to staff.
- **Experience of the SMEs with the THABAT matching grant.** Finally, the SME operator’s experiences with the matching grant application process under the THABAT project are explored, including whether they applied, the amount requested, the amount received, their perceptions of the application process, and the services they received, if any, through the program.

4. SMALL- AND MEDIUM-SIZED ENTERPRISE BASELINE CHARACTERISTICS AND PERFORMANCE

4.1 Characteristics of small- and medium-sized enterprises

Table 4-1 presents the baseline characteristics of the surveyed SMEs, disaggregated by beneficiary status. The sample includes 58 beneficiary SMEs and 42 non-beneficiary SMEs of the THABAT project. The non-beneficiary SMEs serve as a control group.

Table 4-1 Baseline characteristics of surveyed small- and medium-sized enterprises, by THABAT project beneficiary status (yes = 1)

	Full sample	Non-beneficiary	Beneficiary	Mean diff.
Owner is female	0.05	0.07	0.03	0.04
	(0.02)	(0.04)	(0.02)	
Has sole owner	0.50	0.62	0.41	0.21**
	(0.05)	(0.08)	(0.07)	
Has internal audit system	0.79	0.74	0.83	-0.09
	(0.04)	(0.07)	(0.05)	
Has been externally audited	0.59	0.48	0.67	-0.20
	(0.07)	(0.08)	(0.10)	
Has branches	0.51	0.55	0.48	0.06
	(0.05)	(0.08)	(0.07)	
Rents building	0.58	0.63	0.53	0.10
	(0.05)	(0.08)	(0.07)	
Purchased durable goods or equipment in last 12 months	0.63	0.57	0.67	-0.10
	(0.05)	(0.08)	(0.06)	
Has access to electricity	0.93	0.95	0.91	0.04
	(0.03)	(0.03)	(0.04)	
Has solar system for electricity	0.19	0.12	0.24	-0.11
	(0.04)	(0.05)	(0.06)	
Electricity is reliable	0.49	0.57	0.43	0.14
	(0.05)	(0.08)	(0.07)	
Has access to water	0.94	0.95	0.93	0.02
	(0.02)	(0.03)	(0.03)	
Has piped water for water use	0.82	0.86	0.79	0.06
	(0.04)	(0.05)	(0.05)	
Water is reliable	0.86	0.79	0.91	-0.13*
	(0.03)	(0.06)	(0.04)	
Has internet access	0.92	0.93	0.91	0.01
	(0.03)	(0.04)	(0.04)	
Uses digital tools for suppliers	0.85	0.83	0.86	-0.03
	(0.04)	(0.06)	(0.05)	
Uses digital tools for customers	0.88	0.83	0.91	-0.08
	(0.04)	(0.06)	(0.06)	
Observations	100	42	58	100

Source: Authors' analysis of initial results from 2026 THABAT project evaluation baseline survey of SMEs.
Note: This table reports mean and standard errors (in parentheses) associated with SME characteristics. Mean differences are tested using t-tests.* p<0.10, ** p<0.05, *** p<0.01.

Female ownership of enterprises in the sample is low, with beneficiary SMEs comprising a smaller share of female-owned enterprises—3 percent, compared to 7 percent in non-beneficiary SMEs. This finding confirms that female-owned enterprises face various constraints in owning and operating SMEs. These arise in part due to differences in access to resources, like capital or skilled labor, or conflict-induced uncertainties related to gender-specific vulnerabilities (Kirui et al. 2024). Sole ownership of enterprises is more common among the non-beneficiary group of SMEs compared to the beneficiary group, with the difference between the SME groups being statistically significant. A majority of enterprises across both groups have an internal audit system (79 percent), while 59 percent have previously been externally audited.

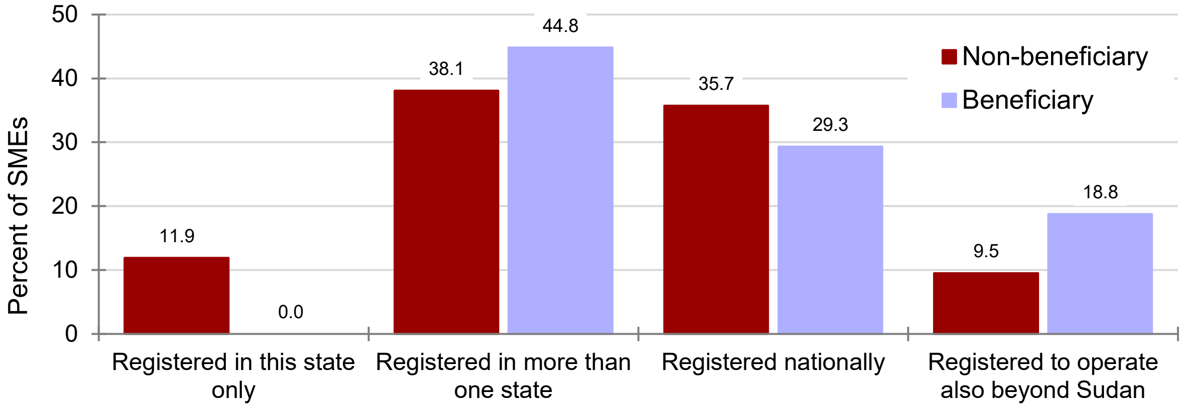
Nearly half of the enterprises have more than one location, i.e., branches. Over 90 percent of the SMEs have access to electricity, water, and internet. The beneficiary SMEs report significantly higher reliability in their supply of water. Reliability of electricity supply remains low across the full sample. About one in five of the SMEs report using solar system electricity. This low uptake is potentially due to the high costs of transitioning to solar energy systems despite the potential long-term benefits (Ali et al. 2024).

Adoption of digital tools by the sample SMEs is relatively high—85 percent use digital tools, such as e-commerce platforms, online payment systems, and digital marketing tools, to communicate with suppliers, and 88 percent use them to target and engage with customers. Among THABAT matching grant beneficiaries, only 35 percent of these SMEs use e-commerce platforms, 50 percent use digital marketing tools, whereas 81 percent use online payment systems.

As of 2021, almost half of start-up enterprises in Sudan—mostly SMEs—were not formally registered due to a lack of knowledge about the business registration process and the high costs (249Startups 2021). However, IFPRI's 2024 Micro-, Small-, and Medium-sized Enterprises (MSMEs) Survey reveals significant improvement in the registration of these enterprises—nearly 80 percent of the sample of MSMEs for that survey was formally registered (Gupta et al. forthcoming*)*. All of the sample SMEs for the THABAT project survey here were reported to have been formally registered with the authorities.

Figure 4-1 reports the geographic spread of SME registration across the surveyed SMEs, by beneficiary status. The majority in both beneficiary and non-beneficiary groups are registered in more than one state, suggesting increased interstate operations and, in some cases, export and import activities. The beneficiary SMEs under the THABAT project matching grant are registered either in more than one state (45 percent), nationally (29 percent), or registered to operate beyond Sudan (19 percent), indicating that the beneficiary enterprises tend to operate at a broader geographic scale at baseline.

Figure 4-1 Geographic scope of registration of small- and medium-sized enterprises, by beneficiary status

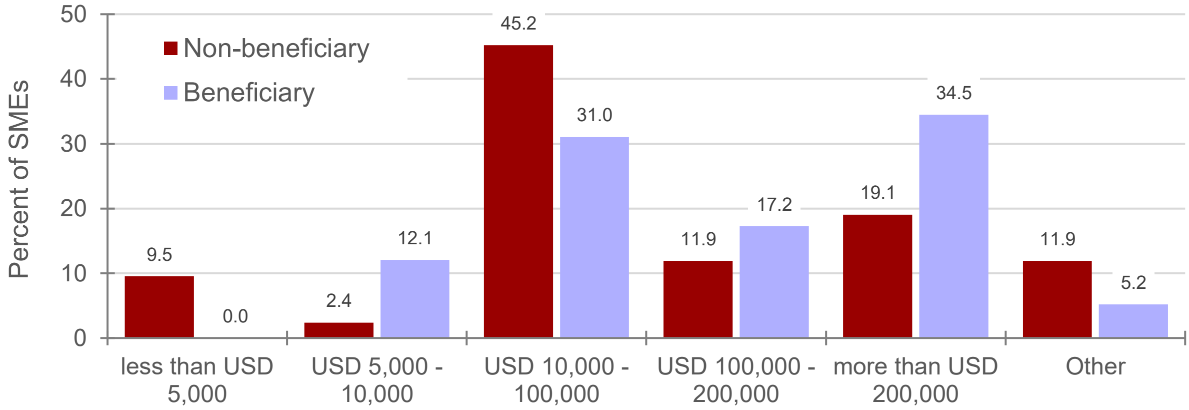


Source: Authors' illustration based on analysis of initial results from 2026 THABAT project evaluation baseline survey of SMEs.
Note: Missing registration information for 6 SMEs.

The surveyed SMEs use varied sources of capital, but predominantly rely on their own savings (94 percent), rather than formal credit loans or transfers from friends and family. The beneficiary SMEs reported that they relied marginally less on their own savings, whether cash or assets, compared to non-beneficiary SMEs—91 percent compared to 98 percent. This finding suggests that the beneficiary SMEs can exploit a more diverse set of sources of capital.

The amount of capital reported having been obtained by the surveyed SMEs is presented in Figure 4-2, disaggregated by beneficiary status. Capital amounts in the category ranging between USD 10,000 and USD 100,000 are the most commonly reported. However, beneficiary SMEs are more likely than non-beneficiaries to report having relied on higher amounts of capital—nearly 35 percent of beneficiary SMEs used more than USD 200,000 in total capital, compared to only 19 percent of SMEs in the non-beneficiary group.

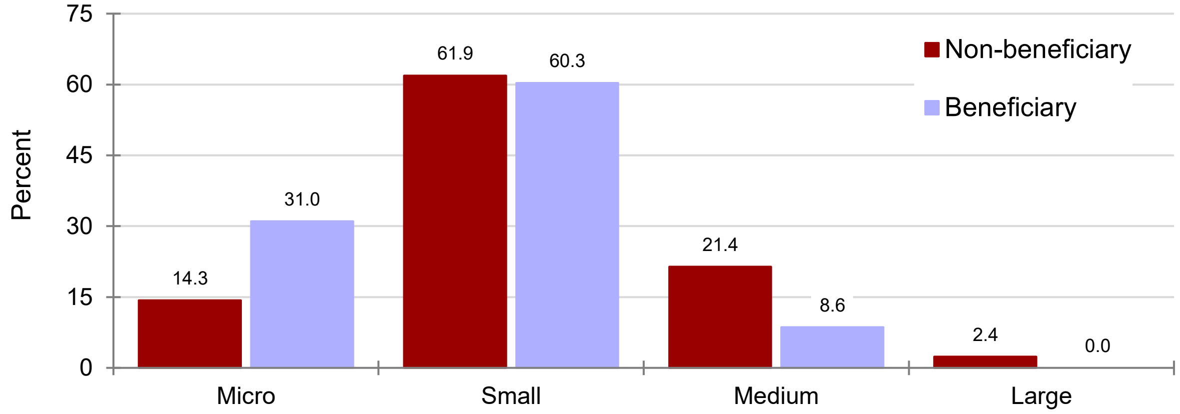
Figure 4-2 Distribution of small- and medium-sized enterprises by capital obtained to operate business, by beneficiary status



Source: Authors' illustration based on analysis of initial results from 2026 THABAT project evaluation baseline survey of SMEs.

The total number of employees in a given SME is used as an indicator of size. Using a standardized employment-based size classification that also includes a 'micro' category, the sample is comprised predominantly of micro and small enterprises, together accounting for 85 percent of the total SME sample (Figure 4-3). The beneficiary SME sub-sample has a higher share of micro enterprises compared to the non-beneficiary sub-sample, and a smaller share of medium-sized enterprises.

Figure 4-3 Size distribution of small- and medium-sized enterprises by number of employees, by beneficiary status



Source: Authors' illustration based on analysis of initial results from 2026 THABAT project evaluation baseline survey of SMEs.
Note: Size categories of SMEs by total employment follows standard IFC-World Bank categorization[1] —micro = 0-9 employees, small = 10-49 employees, medium = 50-249 employees, and large = more than 250 employees.

Table 4-2 disaggregates the workers employed by the sample SMEs into categories based on permanency of employment and gender. Overall, the sample SMEs employ an average of around 13 permanent and 16 temporary employees, suggesting a comparable split between permanent and temporary labor in the enterprises. The relatively high number of temporary employees suggests that there is a seasonal component to the activities of the SMEs in the sample. Non-beneficiary SMEs tend to hire a greater number of workers, both permanently and temporarily.

Table 4-2 Average number of employees by small- and medium-sized enterprises, by employment type and gender

	Full sample	Non-beneficiary	Beneficiary	Mean diff.
Permanent employees	13	15	11	4.1
	(1.25)	(2.39)	(1.23)	
Temporary employees	16	23	10	13.1**
	(3.21)	(6.61)	(2.44)	
Female permanent and temporary employees	9	10	8	2.1
	(1.42)	(2.43)	(1.70)	
Male permanent and temporary employees	20	28	13	15.1**
	(2.99)	(6.36)	(1.77)	
Observations	100	42	58	100

Source: Authors' analysis of initial results from 2026 THABAT project evaluation baseline survey of SMEs.
Note: This table reports mean and standard errors (in parentheses) associated with SME employment characteristics. Mean differences are tested using pairwise t-tests.* p<0.10, ** p<0.05, *** p<0.01.

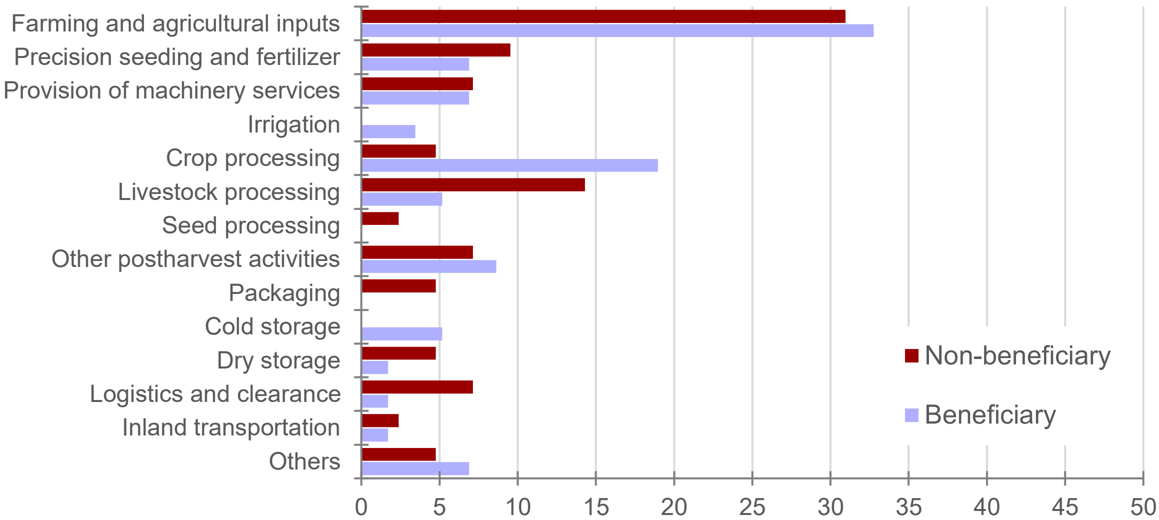
When disaggregated by gender, female employment is generally low compared to male employment in the full SME sample—enterprises have 20 male employees, on average, and

[1] We use the general classification of IFC-World Bank in Khodakivska (2013). We note that other classification was adopted in the World Bank (2020a) report on SMEs in Sudan; SME sizes are segmented as follows —micro = 0-4 employees, small = 5-19 employees, medium = 20-99 employees, and large = more than 100 employees.

an average of less than half that number of female employees. We find significant imbalance between the beneficiary and non-beneficiary groups with regard to male employment—non-beneficiary group enterprises average 28 male employees, while beneficiary enterprises only have 13 male employees. Variation in employment size between the sample SMEs appears to be driven primarily by the higher number of male employees in non-beneficiary enterprises.

The baseline results show that the sample SMEs engage in a diverse range of agri-business and value-addition activities. Figure 4-4 shows the distribution of current SME activities across both sample groups. The non-beneficiary group enterprises are somewhat more diverse in their activities. Farming and agricultural inputs comprise the most common SME activity in both beneficiary and non-beneficiary groups. Beyond farming and input supply, for non-beneficiary enterprises, packaging and inland transportation are the most prevalent activities. In contrast, relatively large shares of the beneficiary SMEs work in crop processing and other postharvest activities.

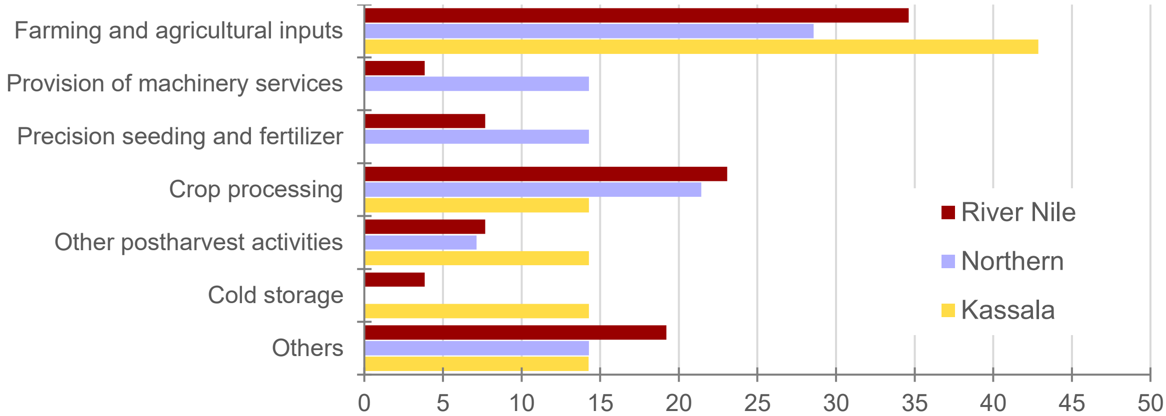
Figure 4-4 Current value-chain activities of small- and medium-sized enterprises surveyed, by beneficiary status



Source: Authors' illustration based on analysis of initial results from 2026 THABAT project evaluation baseline survey of SMEs.

Figure 4-5 shows the main current value-chain activities for the beneficiary SMEs only in the three THABAT project states of Kassala, Northern, and River Nile. The combination of farming and the supply of agricultural inputs is the most prevalent activity in all three states, with the most pronounced prevalence being in Kassala (43 percent), followed by River Nile (35 percent), and Northern state (29 percent). Crop processing activities are also common across the surveyed states. Northern and River Nile states show more diversification in activities for beneficiary SMEs than those in Kassala. River Nile state comprises the largest share of "other value chain activities" reported by SMEs, signifying broader diversity of activities in the state, including but not limited to; in-land trucking, irrigation systems, and livestock processing, among others.

Figure 4-5 Current value-chain activities of beneficiary small- and medium-sized enterprises, by state



Source: Authors' illustration based on analysis of initial results from 2026 THABAT project evaluation baseline survey of SMEs.

4.2 Financing and access to capital of small- and medium-sized enterprises

The main source of capital for the sample SMEs is savings, i.e., self-owned—67 percent of SMEs reported that their main source of capital was own cash financing, while 31 percent reported the use of self-owned assets, such as land. Few SMEs reported relying on credit financing or loans. Nonetheless, 95 percent of the sample SMEs reported applying for grant financing. However, only 50 percent had received a grant, fully or partially, at the time of data collection. Of the SMEs that received grants, 96 percent received the grants through their bank accounts.

Table 4-3 presents some of the financing options and outcomes of the SMEs in the 12 months preceding data collection. The results show significant differences between the beneficiary and non-beneficiary SMEs in terms of need, applications, and success in securing financing. A majority reported the need for some form of financing in the past year (68 percent), with little difference between the beneficiary and non-beneficiary sub-samples. However, in examining the need for credit financing or loans, a significant gap emerges between the SME groups—88 percent of non-beneficiary SMEs reported needing credit finance, compared to only 63 percent of beneficiary SMEs.

Table 4-3 Financing needs, applications, and receipt among surveyed small- and medium-sized enterprises, by beneficiary status in past year (yes = 1)

	Full sample	Non-beneficiary	Beneficiary	Mean diff.
Needed any finances	0.68	0.69	0.67	0.02
	(0.05)	(0.07)	(0.06)	
Needed credit finances	0.74	0.88	0.63	0.25***
	(0.04)	(0.05)	(0.06)	
Applied for loans	0.28	0.38	0.21	0.17*
	(0.05)	(0.08)	(0.05)	
Successfully received loans	0.13	0.12	0.14	-0.02
	(0.03)	(0.05)	(0.05)	
Needed grants	0.93	0.93	0.93	-0.00
	(0.03)	(0.04)	(0.03)	
Applied for grants	0.95	0.93	0.97	-0.04
	(0.02)	(0.04)	(0.02)	
Successfully received grants	0.56	0.15	0.85	-0.70***
	(0.05)	(0.06)	(0.05)	
Observations	100	42	58	100

Source: Authors' analysis of initial results from 2026 THABAT project evaluation baseline survey of SMEs.
Note: This table reports mean and standard errors (in parentheses) associated with SME finances. Mean differences are tested using t-tests.* p<0.10, ** p<0.05, *** p<0.01.

Loan applications follow a similar trend, where a larger proportion of non-beneficiary SMEs applied for loans and credit. However, out of those who applied, the success rates in receiving credit financing are marginally higher in the beneficiary SMEs compared to the non-beneficiary group enterprises. These patterns are likely driven by the fact that the beneficiary SMEs received a significant positive economic shock through their receipt of the THABAT matching grant, which affected their demand for loans.

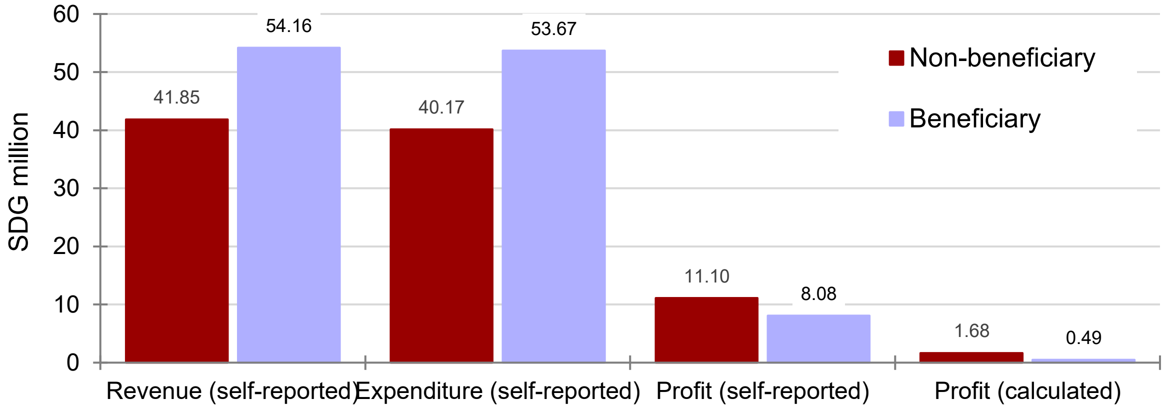
These outcomes indicate overall limited credit financing and considerable credit rationing in the commercial banking system. These constraints are rooted in the Central Bank of Sudan's policy that the lower bound on the interest rates on commercial banks' microfinancing is around 15 percent (World Bank 2020a). Given the high costs of finance in Sudan, it is not surprising that in 2020 it was estimated that only 4.6 percent of SMEs in Sudan actually borrow from banks. This level of borrowing is half the average for sub-Saharan Africa, thus signaling continued insufficient funding for SMEs, especially in Sudan, but also in Africa as a whole (World Bank 2020b; Kirui et al. 2024).

The demand for grants is similar across both SME groups—93 percent of the full sample of SMEs reported a need for grant funding and 95 percent applied for grants in the last 12 months. However, a large and statistically significant difference is shown between the beneficiary and non-beneficiary SMEs in the success of the grant applications made. Only 14 percent of non-beneficiary SMEs successfully received a grant, compared to 82 percent of beneficiary SMEs. These highly skewed results reflect the THABAT matching grant allocation to the beneficiary SMEs.

4.3 Revenues, expenditures, and profits of small- and medium-sized enterprises

Generally, the performance of the SMEs in the month preceding the collection of the survey data shows modest revenues, high expenditures, and modest profits. Figure 4-6 shows some variation in performance across the two SME sub-samples. Beneficiary SMEs report modestly higher average revenues in the previous month of SDG 51 million compared to average revenues for non-beneficiary SMEs of SDG 49 million. However, beneficiary SMEs reported significantly higher average total expenditures of SDG 56 million compared to only SDG 45 million for non-beneficiary SMEs. These results show that beneficiary SMEs on average have lower profits, whether self-reported or calculated from reported revenues and expenditures.[2]

Figure 4-6 Average total revenues, expenditures, and profits in the last month for small- and medium-sized enterprises, by beneficiary status



Source: Authors' illustration based on analysis of initial results from 2026 THABAT project evaluation baseline survey of SMEs.
Note: Revenues, expenditures and profits are all self-reported by SMEs. In June 2026, SDG 1.0 million ≈ USD 294[3].

4.4 Market dynamics and exposure to shocks experienced by small- and medium-sized enterprises

Table 4-4 describes the market dynamics, price volatility, and shocks experienced by the surveyed SMEs in the 12 months preceding data collection. Both beneficiary and non-beneficiary SMEs were exposed to similar market conditions and shocks—there is no statistically significant variation between the two groups in the indicators shown in Table 4-4.

[2] Profits when self-reported on average tend to be overestimated by both beneficiary and non-beneficiary groups, compared to a calculation of profits based on the difference between self-reported revenues and expenditures. De Mel et el. (2009) demonstrate that measuring microenterprise profit remains prone to recall errors.

[3] Bank of Khartoum Exchange Rate: أسعار صرف العملات – السودان | بنك الخرطوم | Bank of Khartoum

Table 4-4 Market conditions and experiences of shocks and business disruptions by small- and medium-sized enterprises in the last 12 months, by beneficiary status (yes = 1)

	Full sample	Non-beneficiary	Beneficiary	Mean diff.
Change in prices	0.87	0.81	0.91	-0.10
	(0.03)	(0.06)	(0.04)	
Changes in monthly profits	0.85	0.86	0.84	0.01
	(0.04)	(0.05)	(0.05)	
Change in production	0.81	0.81	0.81	-0.00
	(0.04)	(0.06)	(0.05)	
Changes in sales	0.75	0.74	0.76	-0.02
	(0.04)	(0.07)	(0.06)	
Changes in payment to suppliers	0.71	0.67	0.74	-0.07
	(0.05)	(0.07)	(0.06)	
SMEs faced shocks	0.91	0.88	0.93	-0.05
	(0.03)	(0.05)	(0.03)	
Suppliers were reliable	0.88	0.86	0.90	-0.04
	(0.03)	(0.05)	(0.04)	
Disruption in access to inputs	0.53	0.49	0.55	-0.07
	(0.05)	(0.08)	(0.07)	
Disruption in reaching buyers	0.34	0.33	0.35	-0.02
	(0.05)	(0.07)	(0.07)	
Observations	100	42	58	100

Source: Authors' analysis of initial results from 2026 THABAT project evaluation baseline survey of SMEs.
Note: This table reports mean and standard errors (in parentheses) associated with changes in market dynamics and shocks faced by SMEs. Mean differences are tested using t-tests.* p<0.10, ** p<0.05, *** p<0.01.

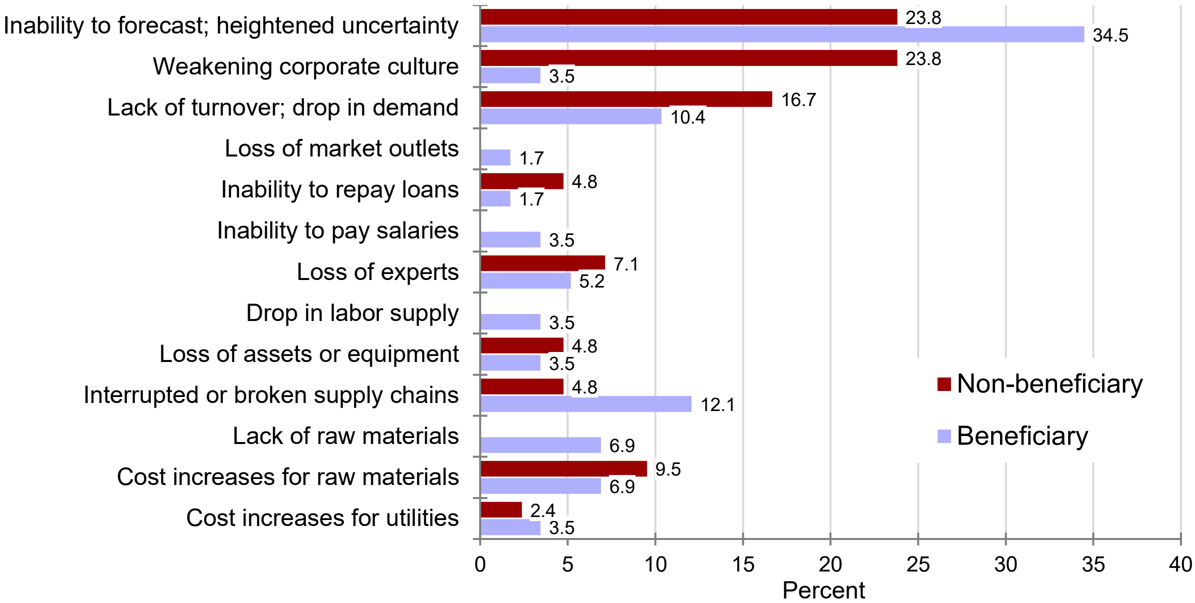
Across the full sample, 87 percent of SMEs reported changes in prices—53 percent reported that their prices have increased slightly, while 29 percent reported that their prices have increased by more than 50 percent over the past 12 months. Beneficiary SMEs were more likely to report changes in prices than SMEs in the non-beneficiary group. However, the difference between the two groups is not statistically significant.

The share of SMEs that reported changes in monthly profits is 85 percent—57 percent of the sample SMEs reported increases and 27 percent reported declines in profits over the last 12 months. Changes in production and output over the past year were reported by 81 percent of the sample SMEs. Sixty-five percent reported increases in their production, while 15 percent reported declines. Three-quarters of the SMEs reported changes in their sales—62 percent reported sales increases, while 12 percent reported declines.

SMEs in both groups faced multifaceted market shocks in the last 12 months—91 percent reported experiencing at least one shock. The shocks reported included lack of access to inputs, theft or other loss of assets, displacement, pests and diseases, or idiosyncratic shocks. Exposure to these shocks is statistically comparable across both beneficiary and non-beneficiary SMEs.

The challenges the SMEs faced in their operations over the previous 12 months were similar across both sub-samples (Figure 4-7). However, the share of SMEs reporting a specific challenge often differed by beneficiary status. While a smaller share of beneficiary SMEs reported facing a particular challenge across most types of challenges, a significant share reported increased challenges around uncertainty in market movements and an increased inability to forecast them, compared to non-beneficiary SMEs. These patterns reinforce the challenges associated with forecasting amidst armed conflict and other types of shocks. Compared to larger enterprises, SMEs generally are able to operate more flexibly and are better able to navigate uncertainty, particularly around market risks. However, there are limits to how well they can be prepared for newly emerging shocks (Hoffmann et al. 2024).

Figure 4-7 Operational challenges reported faced by surveyed small- and medium-sized enterprises in the past 12 months, by beneficiary status



Source: Authors' illustration based on analysis of initial results from 2026 THABAT project evaluation baseline survey of SMEs.

4.5 Plans for small- and medium-sized enterprises in next 12 months

Table 4-5 describes the ambitions and expansion plans over the next 12 months of the owners and operators of the sample SMEs. Few differences in this regard are seen between the two SME sub-samples. Almost all reported that they will seek to increase the capital and workforce on which their enterprises draw, indicating significant growth ambitions over the next year. Beneficiary SMEs are marginally less optimistic about capital size increases compared to the non-beneficiary group, but the difference is not statistically significant.

About 90 percent of the SMEs hope to extend their area of sales beyond their current main state of operations in the next 12 months. These results are consistent with the geographic scope of the registrations of the SMEs reported in Figure 4-1.

Table 4-5 Small- and medium-sized enterprises' growth expectations and expansion plans for the next 12 months, by beneficiary status (yes = 1)

	Full sample	Non-beneficiary	Beneficiary	Mean diff.
Expects capital size to increase	0.95	0.98	0.93	0.05
	(0.02)	(0.02)	(0.03)	
Expects workforce size to increase	0.92	0.93	0.91	0.01
	(0.03)	(0.04)	(0.04)	
Intends to sell beyond state	0.91	0.90	0.91	-0.01
	(0.03)	(0.05)	(0.04)	
Intends to export or sell in global markets	0.56	0.69	0.47	0.22**
	(0.05)	(0.07)	(0.07)	
Intends to purchase new premises	0.72	0.79	0.67	0.11
	(0.05)	(0.06)	(0.06)	
Intends to purchase durable goods or equipment	1.00	0.98	1.00	-0.02
	(0.04)	(0.02)	(0.07)	
Intends to use digital tools	0.88	0.90	0.86	0.04
	(0.03)	(0.05)	(0.05)	
Observations	100	42	58	100

Source: Authors' analysis of initial results from 2026 THABAT project evaluation baseline survey of SMEs.
Note: This table reports mean and standard errors (in parentheses) associated with SME expansion and intentions for growth. Mean differences are tested using t-tests.* p<0.10, ** p<0.05, *** p<0.01.

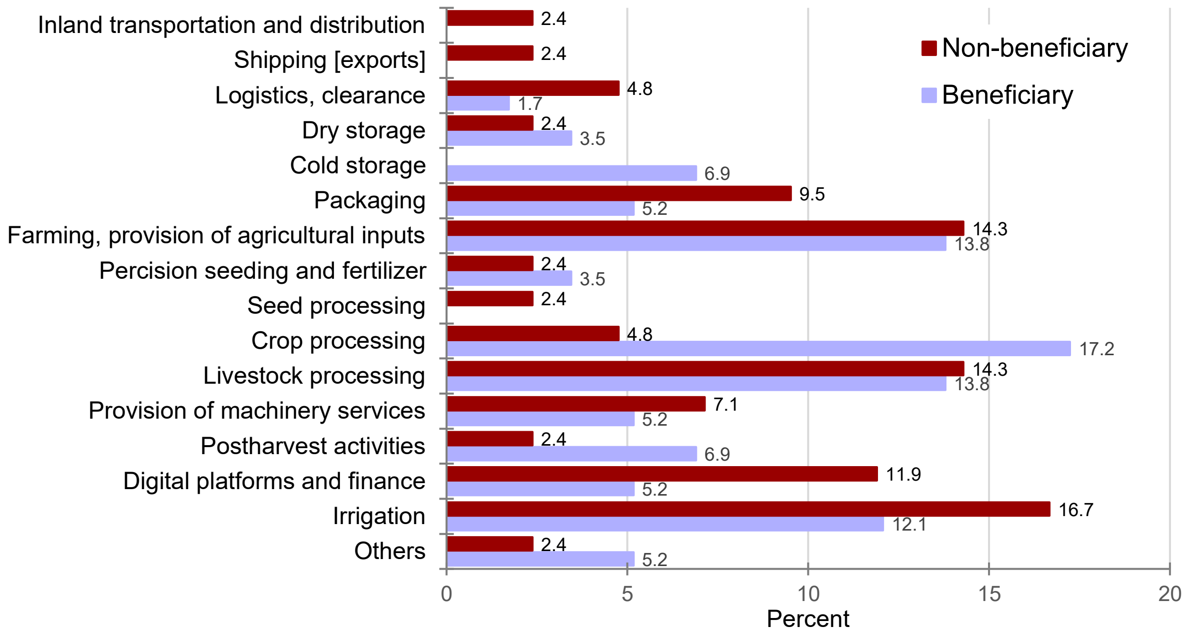
The most significant difference between beneficiary and non-beneficiary SMEs in terms of their ambitions concerns their intention to export to global markets. Beneficiary SMEs are significantly less likely to have this goal—only 47 percent of the beneficiary enterprises report this intention, compared to 69 percent of non-beneficiary enterprises. This finding suggests that SMEs that are THABAT grant recipients are less export-directed and more oriented to derive their profits from domestic market operations.

Intentions to purchase new premises in the next 12 months are somewhat more prominent among non-beneficiary SMEs (79 percent) than beneficiary enterprises (67 percent), although the difference is not statistically significant. In the previous year, 39 percent of the sample SMEs reported that they purchased or renovated the premises for their enterprise.

The intention of purchasing durable goods and equipment is almost universal. Sixty-three percent of SMEs reported having purchased durable goods and equipment in the previous year, so their intentions of doing so in the coming year may represent a shift. Similarly, intentions to make greater use of digital tools are pronounced across the sample at 88 percent of SMEs. These digital tools include e-commerce platforms, online payment systems, and digital marketing tools. However, recall that Table 4-1 showed that the sample SMEs already show quite a high uptake of digital tools in operating their businesses.

For the coming year, most SMEs have identified value-addition activities in which they plan to engage (Figure 4-8). For both SME sub-samples, farming and the supply of agricultural inputs is the most common activity planned. The significant focus on this set of activities is likely driven by the chronic challenges to accessing inputs in Sudan, where in 2023, 80 percent of agrifood processing firms reported scarcity in inputs (Kirui et al. 2023a; Kirui et al. 2024). Contrasting the planned activities of the two sub-samples, beneficiary SMEs were more likely to report that they intended to engage in crop processing, postharvest activities, and the provision of cold storage than non-beneficiary SMEs. The provision of logistical services, packaging, digital and financial services, and irrigation are activities in which the non-beneficiary SMEs were more likely than the beneficiary SMEs to report planning to engage in the coming year.

Figure 4-8 Plans of small- and medium-sized enterprises for value-chain activities in the next 12 months



Source: Authors' illustration based on analysis of initial results from 2026 THABAT project evaluation baseline survey of SMEs.

4.6 Experience of small- and medium-sized enterprises with the regulatory environment and business climate

Table 4-6 examines the prevalence of operational constraints and regulatory challenges facing SMEs in the sample, disaggregated by THABAT matching grant beneficiary status. Overall, almost all SMEs in both sub-samples reported having the same experiences, with no statistically significant differences between them on any dimensions.

Table 4-6 Small- and medium-sized enterprises' regulatory challenges and constraints (yes = 1)

	Full sample	Non-beneficiary	Beneficiary	Mean diff.
Faced any challenges in last 12 months	0.97	0.98	0.97	0.01
	(0.02)	(0.02)	(0.02)	
Currently faces constraints	0.92	0.95	0.90	0.06
	(0.03)	(0.03)	(0.04)	
Currently faces regulatory challenges	0.26	0.29	0.24	0.04
	(0.04)	(0.07)	(0.06)	
Currently pays taxes	0.83	0.83	0.83	0.01
	(0.05)	(0.10)	(0.05)	
Feels that bribery or corruption is a problem in Sudan	0.97	0.93	1.00	-0.07
	(0.04)	(0.04)	(0.06)	
Has paid an informal fee to facilitate SME operations	0.31	0.31	0.31	-0.00
	(0.06)	(0.07)	(0.10)	
Observations	100	42	58	100

Source: Authors' analysis of initial results from 2026 THABAT project evaluation baseline survey of SMEs.
Note: This table reports mean and standard errors (in parentheses) associated with SME challenges and regulatory constraints. Mean differences are tested using t-tests.* p<0.10, ** p<0.05, *** p<0.01.

Almost all SMEs faced operational challenges in the past year, such as increased costs of inputs and raw materials, decreases in labor supply or demand, and interruptions of supply chains. Currently (at the time of data collection), the percentage of SMEs reporting continued operational constraints was marginally lower than what was experienced over the past year.

Regulatory constraints or challenges, such as bureaucratic procedures, complicated registration regulations, quality control measures, or trade and cleaning and health fees, were reported to be relatively uncommon by the sample SMEs—26 percent reported facing such challenges. However, this share is considerably higher than the 4.8 percent of enterprises in Sudan that reported experiencing such regulatory constraints before the current conflict began (World Bank 2020a).

Most SMEs pay some tax. Tax compliance is reported by 83 percent of SMEs in the sample—these include income, excise, value-added, and other taxes.

The opinion solicited on the quality of governance in Sudan reveals that bribery and corruption are a major problem for enterprises in Sudan—97 percent of the SMEs sampled agreed that these are problems for them. Additionally, 31 percent of the respondents to the SME survey have paid informal fees to facilitate the operations of their enterprise. These findings provide important contextual indications of the challenges SME owners and operators face in maintaining their business operations within the current regulatory situation for commercial enterprises in Sudan.

Table 4-7 captures the perceptions of SME owners and operators on the broader business environment in Sudan. These perceptions were obtained through a set of agree/disagree statements spanning regulations, institutional responsiveness to shocks, financial institutions and access to markets, market conditions, and macroeconomic stability, among others.

Only 28 percent of respondents were of the opinion that there are fair regulations in place in Sudan for SMEs. A smaller share of owners and operators of beneficiary SMEs had this opinion (22 percent) than did those of non-beneficiary SMEs (36 percent), although this difference was not statistically significant.

With regards to the responsiveness of local leaders to occurrences of shocks, only a minority of SME owners and operators viewed the local community leaders (44 percent), the administration of the locality (39 percent), and the state administration (42 percent) as sufficiently responsive. There was some difference in opinions on the shock responsiveness of these leaders between beneficiary and non-beneficiary SMEs, with the beneficiary SMEs consistently having more negative opinions. However, these differences were not statistically significant.

As to whether local financial institutions provide sufficient financial support and access to loans for SMEs, most owners and operators in the sample disagreed. Only 21 percent agreed. Owners and operators of beneficiary SMEs were more negative in their opinion of how well local financial institutions meet their needs than those of non-beneficiary SMEs (17 percent compared to 26 percent). Additionally, only 16 percent of owners and operators of the sample SMEs find access to financial loans easy, with owners and operators of beneficiary SMEs being more optimistic in this regard than those of non-beneficiary SMEs. However, this generally pessimistic view of owners and operators of SMEs on their access to formal loans represents a sharp drop in opinion on this issue—in 2014, only 6 percent of enterprise owners and operators in Sudan reported access to finance as a key obstacle in their business operations (World Bank 2020a).

Table 4-7 Perceptions of small- and medium-sized enterprise owners and operators on the business operating environment in Sudan (agree = 1)

	Full sample	Non-beneficiary	Beneficiary	Mean diff.
There are fair regulations for SMEs	0.28	0.36	0.22	0.13
	(0.05)	(0.07)	(0.06)	
Local community leaders are responsive to shocks on SMEs	0.44	0.50	0.40	0.10
	(0.05)	(0.08)	(0.06)	
Locality administration is responsive to shocks on SMEs	0.39	0.43	0.36	0.07
	(0.05)	(0.08)	(0.06)	
State administration is responsive to shocks on SMEs	0.42	0.50	0.36	0.14
	(0.05)	(0.08)	(0.06)	
Financial institutions cater to SME needs	0.21	0.26	0.17	0.09
	(0.04)	(0.07)	(0.05)	
It is easy to access financial support and loans by SMEs	0.16	0.12	0.19	-0.07
	(0.04)	(0.05)	(0.05)	
It is easy to access markets	0.68	0.57	0.76	-0.19**
	(0.05)	(0.08)	(0.06)	
Infrastructure allows easy market access	0.33	0.36	0.31	0.05
	(0.05)	(0.07)	(0.06)	
Prices of inputs in local markets are favorable for SMEs	0.26	0.29	0.24	0.04
	(0.04)	(0.07)	(0.06)	
Prices in local markets for the SME's products are favorable to SME	0.53	0.55	0.52	0.03
	(0.05)	(0.08)	(0.07)	
Prices of inputs in international markets are favorable for SME	0.24	0.36	0.16	0.20**
	(0.04)	(0.07)	(0.05)	
Prices in international markets for the SME's products are favorable to SME	0.41	0.45	0.38	0.07
	(0.05)	(0.08)	(0.06)	
Cost of labor is reasonable/affordable for SMEs	0.74	0.76	0.72	0.04
	(0.04)	(0.07)	(0.06)	
Modern digital technologies are easily accessible/affordable	0.51	0.55	0.48	0.06
	(0.05)	(0.08)	(0.07)	
Training programs are available to improve the skills of workers	0.50	0.45	0.53	-0.08
	(0.05)	(0.08)	(0.07)	
Currency fluctuations have minimal impact on SMEs	0.52	0.55	0.50	0.05
	(0.05)	(0.08)	(0.07)	
Inflation is manageable and does not adversely affect costs	0.13	0.21	0.07	0.15**
	(0.03)	(0.06)	(0.03)	
Inflation is manageable and does not adversely affect profit	0.11	0.17	0.07	0.10
	(0.03)	(0.06)	(0.03)	
Security situation is stable and does not hinder SME operations	0.40	0.40	0.40	0.01
	(0.05)	(0.08)	(0.06)	
Environmental regulations are clear/do not restrict SMEs	0.63	0.57	0.67	-0.10
	(0.05)	(0.08)	(0.06)	
Success in business depends on connections more than hard work	0.57	0.62	0.53	0.08
	(0.05)	(0.08)	(0.07)	
Observations	100	42	58	100

Source: Authors' analysis of initial results from 2026 THABAT project evaluation baseline survey of SMEs.
Note: This table reports mean and standard errors (in parentheses) associated with the perceptions of SME owners and operators on the business environment in Sudan. Mean differences are tested using t-tests.* p<0.10, ** p<0.05, *** p<0.01

Sixty-eight percent of owners and operators of the sample SMEs agreed that access to markets is easy. However, those of beneficiary SMEs were significantly (statistically) more likely to have this opinion than owners and operators of non-beneficiary enterprises, with a 19 percentage point difference in the share of owners and operators of the SMEs in each group holding the opinion that obtaining access to markets is easy. However, good transport infrastructure is not an important element driving this opinion on easy access to market—only about one-third of the SME owners and operators felt that the local infrastructure was of sufficient quality to permit easy market access.

The perceptions of the owners and operators of the sample SMEs on domestic and international prices reflect that the SMEs selected for the THABAT program appear to be more domestic-market oriented compared to the non-beneficiary enterprises. Overall, 26 percent of SMEs agree that input prices in local markets are favorable. Fifty-three percent of SMEs in the sample agree that SME product prices in the local markets are favorable, with little difference between the SME sub-samples. However, with regard to whether input prices in international markets are favorable, only 16 percent of owners and operators of beneficiary SMEs agree compared to 36 percent of those of non-beneficiary SMEs, a statistically significant difference. However, the two sub-samples are more in agreement on whether prices of their products are favorable in international markets—overall, 41 percent of sample SME owners and operators have the opinion that they are favorable.

Labor costs are largely perceived as reasonable and affordable by a majority of the sample SMEs' owners and operators (74 percent), with minor differences between the two groups. In terms of the availability of training programs, 50 percent agreed that training programs for workers are available. Regarding modern digital technology uptake, 51 percent of the owners and operators of the SMEs in the sample agree on ease of access and affordability of such technologies. There is little difference between the sub-samples in the share of owners and operators that have this opinion.

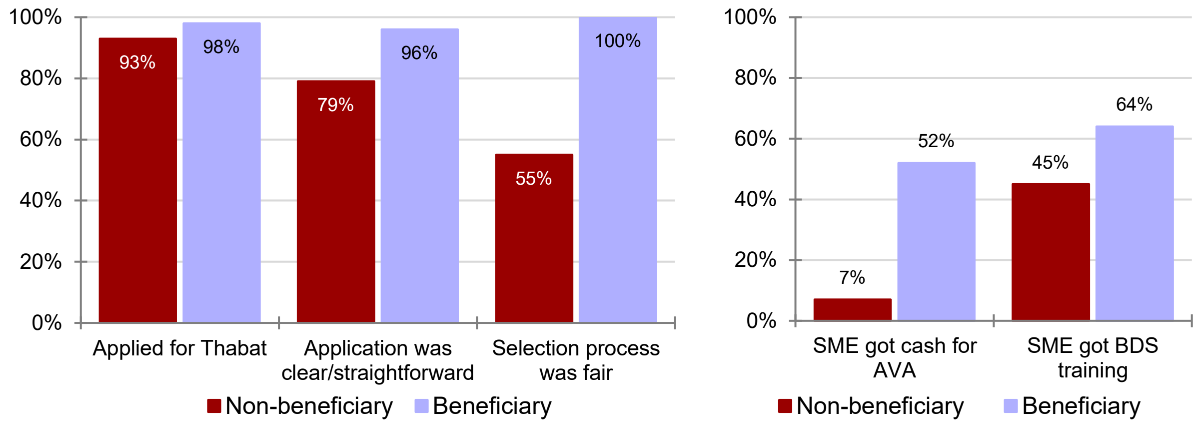
The perceptions of the owners and operators of the sample SMEs on macroeconomic stability and the management of inflation in Sudan's economy by SMEs are largely pessimistic. Only 7 percent of the owners and operators of beneficiary SMEs had the opinion that inflation is manageable and does not adversely affect costs for their enterprise. On this question, the owners and operators of the non-beneficiary SMEs were more optimistic, as 21 percent took the positive perspective. The difference in the response to this question between the two sub-samples is statistically significant. Only small shares of both sub-samples—11 percent overall—viewed the impact of inflation on the profits of their SME as manageable. The owners and operators of the sample SMEs overall have a negative perception of the macroeconomic environment in which they operate their enterprises. This perspective echoes a World Bank (2020a) assessment on the impact on SMEs in Sudan of COVID-19, where it was seen that macroeconomic imbalances driven by fiscal deterioration and economic contraction challenge the operational environment for SMEs, particularly for those involved in external trade.

Forty percent of the owners and operators of the surveyed SMEs agree with the perspective that the security situation is stable and does not hinder the activities of SMEs. There was no difference between the non-beneficiary and beneficiary groups in the share in each holding this view. Additionally, 63 percent of the surveyed SMEs agree that environmental regulations that affect the operations of SMEs are clear and not restrictive. Lastly, 57 percent of the SME owners and operators perceive connections and networks to be more important than hard work for an enterprise's success (57 percent). Although a higher proportion of owners and operators of non-beneficiary enterprises assert this to be the case than those of beneficiary SMEs, the difference is not statistically significant.

4.7 Participation of small- and medium-sized enterprises in the THABAT matching grant

Their perceptions of the THABAT matching grant process were sought from the owners and operators of the sample SMEs. Figure 4-9 (left) shows that application rates for the matching grant were high across both beneficiary and non-beneficiary SMEs, signifying high engagement with the program by SMEs in both sub-samples. However, beneficiary and non-beneficiary groups vary significantly in their perceptions of the clarity of the application process, with beneficiary SMEs more likely to state that the process was clear. The gap in perceptions of fairness in the application process is even wider. Nonetheless, despite not being selected to receive a grant, just over half of the non-beneficiary SMEs deemed the process fair.

Figure 4-9 Perceptions and experiences of small- and medium-sized enterprises with the THABAT matching grant application process (left) and services received (right), by beneficiary status



Source: Authors' illustration based on analysis of initial results from 2026 THABAT project evaluation baseline survey of SMEs.
Note: Some beneficiary SMEs may have been due to receive cash for agricultural value-addition (AVA) and business development services (BDS) training at the time of data collection.

Figure 4-9 (right) shows the difference in receipt of THABAT services for SMEs between the beneficiary and non-beneficiary groups of SMEs. As expected, the contrast in programmatic benefits received is sharp, particularly with regard to cash for agricultural value-addition (AVA), where only 7 percent of the non-beneficiary group SMEs received such cash benefits. In comparison, 52 percent of the beneficiary SMEs did so. Similarly, 64 percent of beneficiary SMEs received business development services training, while only 45 percent of the non-beneficiary SMEs mentioned receipt of such training.

Both groups of SMEs applied for broadly similar grant amounts from the THABAT project, albeit with distributional differences (Table 4-8). The most common grant amounts applied for were in the SDG 30 million to 300 million range—52 percent of the beneficiary SMEs and 29 percent of the non-beneficiary SMEs applied for grants in this range. The proportion of SMEs that applied for grants in each range declines as the grant amount increased.

Table 4-8 THABAT matching grant amount requested and received by small- and medium-sized enterprises, by beneficiary status, percent of SMEs

	Amount applied for		Amount received
	Non-beneficiary	Beneficiary	Beneficiary
> SDG 6 million and ≤ SDG 15 million	-	-	1.7
> SDG 15 million and ≤ SDG 30 million	2.4	-	5.2
> SDG 30 million and ≤ SDG 300 million	28.6	51.7	69.0
> SDG 300 million and ≤ SDG 600 million	23.8	29.3	10.3
> SDG 600 million	14.3	13.8	1.7
Other or not applicable	31.0	5.2	12.1
Observations	42	58	58

Source: Authors' analysis of initial results from 2026 THABAT project evaluation baseline survey of SMEs.
Note: In June 2026, SDG 1.0 million ≈ USD 294[4].

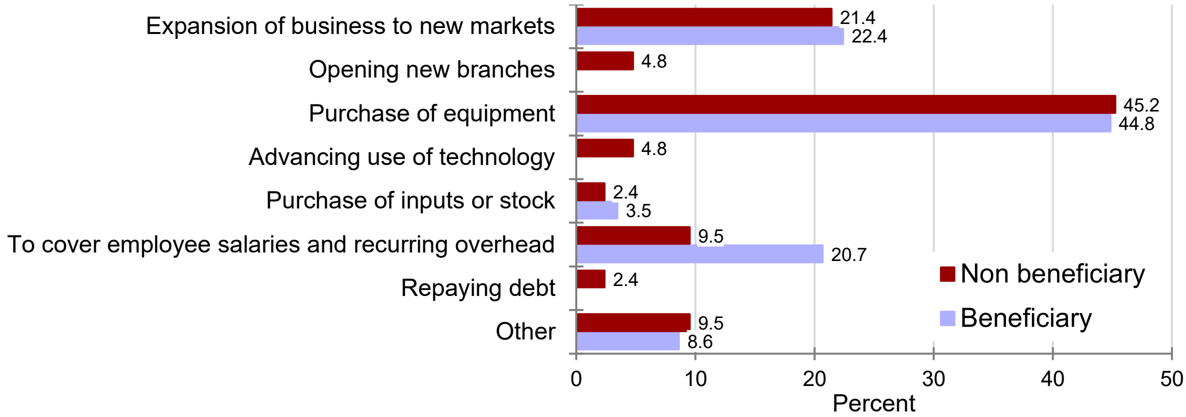
Out of the SMEs who received or are due to receive a THABAT matching grant, 69 percent received between SDG 30 million and SDG 300 million. Comparing amounts applied for versus the amount received, the proportion of beneficiary SMEs who received grants between SDG 30 million and SDG 300 million is higher than the proportion that applied for a grant with a value in that bracket—69 percent received grants with a value in that bracket, compared to 52 percent who applied. In contrast, the proportion of those who received between SDG 300 million and SDG 600 million is significantly lower than the proportion of those who applied for it—10 percent only compared to the 29 percent of beneficiary SMEs who applied for a grant in this bracket. These findings indicate a pattern of downward adjustment to the value of the THABAT matching grants when they were paid out. Some beneficiary enterprises may have received substantially less than the capital injection they were seeking when they applied for the grant. Only 2 percent of beneficiary SMEs received more than SDG 600 million.

Twelve percent of beneficiary SMEs stated that they received the THABAT grant in a form that was not listed in the options they considered at the time of application. Moreover, at the time of data collection, while 95 percent of beneficiary SMEs have already started receiving the grant, a small number were still waiting to receive it.

SMEs that applied for a matching grant in both the group of SMEs that received a grant (beneficiary group) and those that did not (non-beneficiaries) had quite similar intentions as to how they would use the funds if awarded. The purchase of equipment for the SME was the top-ranked intended use of the grant, with expansion of the business to new markets second (Figure 4-10). This pattern points to growing their businesses as the dominant motivation for owners and operators of the SMEs to seek to obtain the THABAT matching grants. Few reported planning to use the grant to purchase raw materials or stock or to repay debt.

[4] Bank of Khartoum Exchange Rate: أسعار صرف العملات – السودان | بنك الخرطوم | Bank of Khartoum

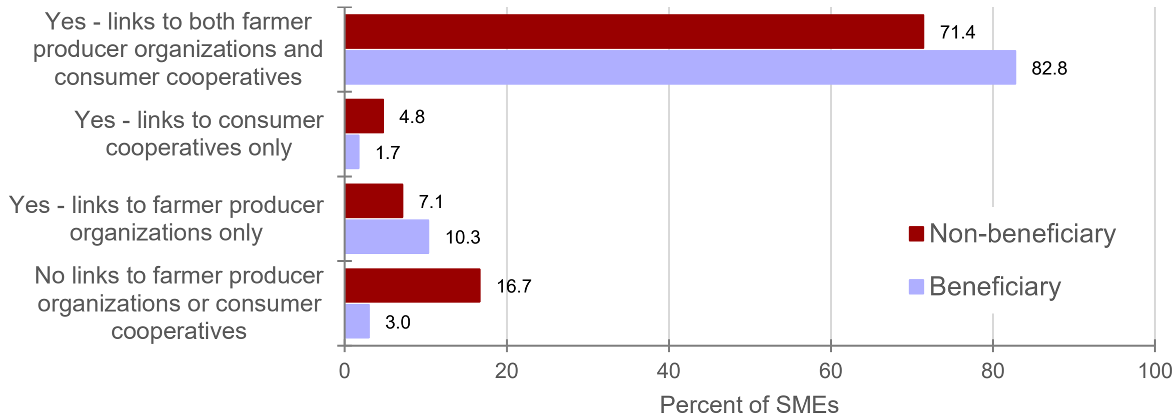
Figure 4-10 If awarded, planned use of THABAT matching grant among surveyed small- and medium-sized enterprises, by beneficiary status



Source: Authors' illustration based on analysis of initial results from 2026 THABAT project evaluation baseline survey of SMEs.

Finally, the design of the Improving Food Security component of the THABAT project involves SMEs in the three project states working closely with local cooperative organizations. Most of the sample SMEs reported that they have good network linkages on the ground with farmer producer organizations and consumer cooperatives, despite disruption to some of those linkages following the conflict in 2023 (Hoffman et al. 2024). Figure 4-11 shows that most SMEs reported having significant engagement with both farmer producer organizations and consumer cooperatives. While a small proportion of SMEs have no linkages with farmer producer organizations and consumer cooperatives (only 3 percent), SMEs in this category are mainly non-beneficiaries of the THABAT matching grant. These results suggest that participation by SMEs in the THABAT program improves their linkages in local markets with both farmer and consumer groups.

Figure 4-11 Linkages of small- and medium-sized enterprises with farmer producer organizations and consumer cooperatives, by beneficiary status



Source: Authors' illustration based on analysis of initial results from 2026 THABAT project evaluation baseline survey of SMEs.
Note: FPO=farmer producer organization. CC=consumer cooperative

5. CONCLUSIONS

This report presents interim findings from the baseline survey of SMEs for an evaluation of the THABAT project. Data from the first 100 interviews of SMEs completed for the survey were analyzed for this report. The SMEs surveyed are those that were shortlisted for the THABAT matching grant program, some of which benefited from the project, while others did not and serve as a control group of non-beneficiaries for the project evaluation. The survey describes the characteristics of the sample SMEs as well as their performance, production potential, and the markets and business environments in which they operate. The surveyed SMEs are predominantly small enterprises, most of which operate in agriculture-related activities, including farming, the provision of agricultural inputs, crop processing, transport, packaging, and postharvest services. Beneficiary and non-beneficiary SMEs are statistically quite comparable in their observable characteristics, with only a few marginal differences. For example, beneficiary SMEs are more concentrated in value-addition activities such as crop processing, machinery services, and precision agriculture, while non-beneficiary SMEs are more involved in logistics and packaging.

Overall, self-reported access to infrastructure among the sample SMEs appears to be relatively strong. More than 90 percent reported access to electricity, water, and internet services, although electricity reliability remains weak. Similarly, adoption of digital tools is high, with most SMEs using digital platforms to engage suppliers and customers. Access to finance and financial services remains a major constraint. Most SMEs in the sample rely on their own savings for capital rather than other forms of financing, such as credit loans. Similarly, most SMEs reported needing financing during the previous 12 months. However, access to formal loans is limited, with low loan approval rates across both groups. Overall, the baseline results indicate limited access to formal credit among the surveyed SMEs. However, the underlying causes of this constraint cannot be fully established from the baseline survey data on SMEs. The enterprises operate in a highly volatile economic environment characterized by inflationary pressure, supply disruptions, and recurring shocks. More than 90 percent reported experiencing shocks during the past year. Similarly, the business environment in which the SMEs operate remains difficult. SMEs reported concerns about corruption and a weak institutional and regulatory environment. However, the beneficiary SMEs, in particular, reported reasonable market access and stronger linkages with farmer cooperatives and consumer cooperatives. This finding suggests that the THABAT project may already be improving market integration and value-chain connections for these SMEs. However, such differences should be interpreted as baseline characteristics rather than evidence of program impact.

Overall, the baseline findings indicate that the SMEs surveyed in the three THABAT project states are growth-oriented enterprises with strong ambitions for expansion despite operating in fragile economic and business environments. As key actors in agricultural value chains, these SMEs contribute to value addition, market functioning, employment creation, and food system resilience. The findings also highlight the importance of addressing the financing constraints, market disruptions, and business environment challenges these SMEs face to enable them to contribute more effectively to local food systems and economic recovery. The endline survey of the SMEs, together with these baseline measures of performance, will enable assessments to be made of whether the THABAT project and associated matching grant and support services improve SMEs' performance and their contributions to value addition within local food systems and markets.

Several considerations are important when interpreting these baseline findings.

- The findings are based on initial survey data from 100 completed interviews out of a sampling frame of 180 shortlisted SMEs. The results should therefore be treated as interim and may change once the remaining interviews are completed.
- The THABAT program implementation followed a process involving several stages and selection steps that were not amenable to randomly assigning access to dimensions of the program to potential beneficiaries, as would be preferred for conducting a rigorous quantitative evaluation of the program. Thus, the evaluation relies on nonexperimental and observational variation comparing the outcomes observed for beneficiary and non-beneficiary SMEs before and after they joined the project. This constrains attribution of differences between both groups to the matching grants, although beneficiary and non-beneficiary SMEs appear to be comparable in many aspects.
- Due to operational timelines and phased implementation, some sampled SMEs had already received the matching grant during the baseline data collection. As a result, certain indicators may partially reflect early project exposure rather than purely pre-intervention conditions.
- Eliciting from the SME owners and operators some of the outcomes related to revenues and profits for their enterprise through self-reporting can be prone to measurement error or underreporting (De Mel et al. 2009). These SME performance indicators should therefore be interpreted with appropriate caution.

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