

# Sudan

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RISK & COMPLIANCE REPORT

DATE: January 2017

## Executive Summary - Sudan

<b>Sanctions:</b>	UN and EU Financial and Arms
<b>FAFT list of AML Deficient Countries</b>	No longer on FATF list
<b>Higher Risk Areas:</b>	<p>Compliance with FATF 40 + 9 Recommendations</p> <p>Supporter of / Safe Haven for International Terrorism</p> <p>Not on EU White list equivalent jurisdictions</p> <p>Corruption Index (Transparency International &amp; W.G.I.))</p> <p>World Governance Indicators (Average Score)</p> <p>Failed States Index (Political Issues)(Average Score)</p> <p>Offshore Finance Centre</p>
<b>Medium Risk Areas:</b>	Weakness in Government Legislation to combat Money Laundering
<p><b>Major Investment Areas:</b></p> <p><b>Agriculture - products:</b></p> <p>cotton, groundnuts (peanuts), sorghum, millet, wheat, gum arabic, sugarcane, cassava (tapioca), mangoes, papaya, bananas, sweet potatoes, sesame; sheep and other livestock</p> <p><b>Industries:</b></p> <p>oil, cotton ginning, textiles, cement, edible oils, sugar, soap distilling, shoes, petroleum refining, pharmaceuticals, armaments, automobile/light truck assembly</p> <p><b>Exports - commodities:</b></p> <p>gold; oil and petroleum products; cotton, sesame, livestock, groundnuts, gum arabic, sugar</p> <p><b>Exports - partners:</b></p> <p>UAE 63.2%, Saudi Arabia 9.2%, Ethiopia 5.3% (2012)</p> <p><b>Imports - commodities:</b></p> <p>foodstuffs, manufactured goods, refinery and transport equipment, medicines and chemicals, textiles, wheat</p> <p><b>Imports - partners:</b></p>	

Macau 18%, India 8.8%, Saudi Arabia 7.9%, Egypt 6.7%, UAE 5.2% (2012)

**Investment Restrictions:**

Most foreign investment to date has been resource seeking, particularly in petroleum and gas exploration and extraction, and agriculture. China, Malaysia, and India have made major investments in the oil sector; the Gulf States have made major investments in agriculture; other countries including the Indonesia, Turkey, and South Africa have also shown interest in expanding existing commercial relations with Sudan.

The new Investment Act 2013 allows the right of foreign and domestic private entities to establish and own business enterprises, to repatriate capital and profits, on condition that investor has to open investment account at the Central Bank of Sudan (CBOS) before entering into business. Foreign and domestic private businesses may be registered as a sole trader, partnership, limited liability company (private or public), special concession, or branch of a foreign registered company.

However, severe restrictions to foreign equity ownership apply in many sectors, particularly in service industries. Businesses involved in railway freight transportation, airport operations, television and radio broadcasting and newspaper publishing are closed to foreign participation. In addition, foreign participation is limited in the telecommunications and financial services sectors. The new Investment Act 2013 allows foreign participation in communications and financial services sectors, on condition that a prior approval from National Telecommunications Corporation (NTC) and Central Bank of Sudan.

The law does allow for the purchase of privately or publically held land in Sudan, but instances of sales are rare. The government has provided land without transferring ownership to foreign companies as an investment inducement. Land may be leased in Sudan without restrictions on the amount or the duration. The lease may not be transferred without permission.

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## Section 1 - Background

Military regimes favoring Islamic-oriented governments have dominated national politics since independence from the UK in 1956. Sudan was embroiled in two prolonged civil wars during most of the remainder of the 20th century. These conflicts were rooted in northern economic, political, and social domination of largely non-Muslim, non-Arab southern Sudanese. The first civil war ended in 1972 but broke out again in 1983. The second war and famine-related effects resulted in more than four million people displaced and, according to rebel estimates, more than two million deaths over a period of two decades. Peace talks gained momentum in 2002-04 with the signing of several accords. The final North/South Comprehensive Peace Agreement (CPA), signed in January 2005, granted the southern rebels autonomy for six years followed by a referendum on independence for Southern Sudan. The referendum was held in January 2011 and indicated overwhelming support for independence. South Sudan became independent on 9 July 2011. Since southern independence Sudan has been combating rebels from the Sudan People's Liberation Movement-North (SPLM-N) in Southern Kordofan and Blue Nile states. A separate conflict, which broke out in the western region of Darfur in 2003, has displaced nearly two million people and caused an estimated 200,000 to 400,000 deaths. The UN took command of the Darfur peacekeeping operation from the African Union in December 2007. Peacekeeping troops have struggled to stabilize the situation, which has become increasingly regional in scope and has brought instability to eastern Chad. Sudan also has faced large refugee influxes from neighboring countries primarily Ethiopia and Chad. Armed conflict, poor transport infrastructure, and lack of government support have chronically obstructed the provision of humanitarian assistance to affected populations.



## Section 2 - Anti – Money Laundering / Terrorist Financing

### FATF status

Sudan is on the FATF List of Countries that have been identified as having strategic AML deficiencies

### Latest FATF Statement - 23 October 2015

The FATF welcomes Sudan's significant progress in improving its AML/CFT regime and notes that Sudan has established the legal and regulatory framework to meet its commitments in its action plan regarding the strategic deficiencies that the FATF had identified in February 2010. Sudan is therefore no longer subject to the FATF's monitoring process under its on-going global AML/CFT compliance process. Sudan will work with MENAFATF as it continues to address the full range of AML/CFT issues identified in its mutual evaluation report.

### Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Sudan was undertaken by the Financial Action Task Force (FATF) in 2013. According to that Evaluation, Sudan was deemed Compliant for 0 and Largely Compliant for 4 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 5 of the 6 Core Recommendations.

### Key Findings from latest Mutual Evaluation Report (2013):

This report provides a summary of the AML/CFT measures in place in the Republic of Sudan as at the date of the on-site visit or immediately thereafter. The report describes and analyzes these measures, and specifies the levels of Sudan's compliance with the FATF 40 Recommendations and 9 Special Recommendations.

Despite enjoying tremendous and diverse resources, Sudan is not considered one of the financial hubs in the region due to several reasons that largely prevented the development and expansion of the financial and non-financial sectors over the past years. Sudan suffers from an array of internal and external circumstances that increase risks of ML/TF activities. However, limited transactions using foreign currency, the focus on local clients in the financial sector, the weak growth of some sectors such as insurance and stock companies may reduce the importance of these risks especially in large-scope misuse of the financial sector in ML operations.

Sudan criminalized ML as of 2003 without being effective enough. With regard to the financing of terrorism, it was criminalized under the AML/CFT Law for 2010. The 2010 Law included a main AML/CFT framework whether in developing a basis for preventive measures for the financial and non-financial institutions for AML/CFT in the financial and non-financial sector or in establishing a regulatory and supervisory framework to ensure compliance with applying requirements of international standards in this field. In the same area, the law is supported by an array of instructions and regulations issued by supervisory entities as per the law requirements. By virtue of 2010 Law, a Financial Information Unit (FIU) was established to assume assigned tasks and duties. It was separated from the high administrative committee in charge of developing public AML/CFT policies.

On the other hand, the AML/CFT regime in Sudan seems to be in need for more coordination and regulation by achieving integration between the law and regulatory tools issued to ensure its implementation so that an appropriate basis is available enabling the financial and non- financial institutions to perform their role in this regard in an acceptable way and to enable competent authorities, especially law enforcement authorities, to perform their assigned tasks in tracing and preventing the misuse of these institutions in financial criminal activities. Competent authorities also need to provide an adequate environment allowing the provision of accurate and clear data, information and statistics in most of the sectors especially authorities concerned with international cooperation. Moreover, the financial and non-financial institutions need more awareness, human and financial resources and training to develop their efficiency and upgrade their readiness to deal with ML/FT risks in Sudan.

#### US Department of State Money Laundering assessment (INCSR)

Sudan was deemed a “Monitored” Jurisdiction by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

#### **Perceived Risks:**

Sudan has been designated a State Sponsor of Terrorism by the United States. In November 1997, the United States imposed comprehensive economic, trade, and financial sanctions against Sudan, which have limited Sudan’s access to international financial markets and banking institutions. Following the Treasury Department’s fine and penalties on BNP Paribas in 2014, most banks in Saudi Arabia, the Arab Gulf states, and Europe ceased processing financial transactions from Sudan or with Sudanese banks.

The trafficking of narcotics is a source of concern, especially with the increase of smuggling operations across the extended land and sea borders of Sudan. Traders and legitimate business persons often carry large sums of cash because Sudan is largely a cash-based society and electronic transfer of money outside of Sudan is challenging. This dependence on cash complicates enforcement and makes Sudan’s banking system vulnerable to money laundering. Sudan is vulnerable to trade-based money laundering. Corruption is widespread in government and commerce and facilitates criminal activity and money laundering.

Sudan has two free trade zones (FTZs) and plans to open a border trade zone with Chad. Preliminary agreements are in the works with China, Eritrea, and Ethiopia for additional FTZs. There are no known money laundering or terrorism financing activities through these zones.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES KYC covered entities: Commercial banks, money transfer companies, SudaPost, exchange and brokerage firms, leasing companies, securities firms, insurance companies, gambling clubs, real estate brokerages, mineral and gem traders, attorneys, and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 102 in 2015

Number of CTRs received and time frame: Not applicable

STR covered entities: Commercial banks, money transfer companies, SudaPost, exchange and brokerage firms, leasing companies, securities firms, insurance companies, gambling clubs, real estate brokerages, mineral and gem traders, attorneys, and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2015

Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: YES

With other governments/jurisdictions: YES

Sudan is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body.

#### **ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Sudan's links with international terrorist organizations contributed to its 1993 designation as a State Sponsor of Terrorism. The Government of Sudan has asserted for several years that it has made AML/CFT a priority and that it is bolstering its efforts to combat money laundering and other financial crimes. According to the Central Bank of Sudan (CBOS), 16 percent of banking institutions in Sudan are not subject to the laws and procedures prohibiting money laundering and terrorism financing.

Sudan adopted the Money Laundering and Terrorism Financing Act (MLFTA) in June 2014. The Financial Intelligence Unit (FIU), which was an entity within the CBOS, is now fully

independent and mandated to implement the MLFTA. The Criminal Code was also amended to coincide with the MLFTA law. In 2014, the FIU referred nine suspected cases of money laundering to the Ministry of Justice's Office of Public Prosecution. In 2015, the number rose to 102 cases. The Government of Sudan has limited investigative capacity due to lack of trained professionals. Enforcement can be subject to political pressures, with many government officials involved in businesses.

The Financial Disclosure Commission (FDC) and the Unlawful and Suspicious Enrichment Administration (U&SEA) are government bodies that address corruption. In 2015, President Al-Bashir issued a decree establishing the Anti-Corruption Commission, an umbrella body under which FDC and U&SEA continue their work. In early May 2014, the President issued a decree ordering the confiscation of the official and diplomatic passports of 16 senior central and state government officials, including a former petroleum minister and Central Bank governor, following allegations they were involved in corruption schemes. Those cases have yet to reach the court and reportedly are still under investigation. In 2015, the Khartoum North Court sentenced the Director General of the Sudan Cotton Company and two other company officials to prison terms for corruption. The Court also confiscated properties and fined the individuals 35 million SDG (approximately \$5,730,000).

In early September 2014, the director of the Central Bank's Preventive Supervision Department disclosed that 15 alleged cases of money laundering involving three Sudanese banks under CBOS supervision were discovered.

In 2012, Sudan and South Sudan signed nine cooperation agreements that include agreements on banking and trade. As of 2015, only one of these agreements (oil transit fees and payments) has been implemented. Because of the lack of a monetary exchange policy with South Sudan, large volumes of cash transactions, usually employing the dollar at the black market exchange rate are commonplace. The preclusion of many credit card transactions also contributes to the volume of large cash transactions.

Despite the many challenges facing the country, ongoing armed rebellions, internal political conflicts, and strained relations with the Republic of South Sudan, it would be in Sudan's best interest to continue to strengthen its AML/CFT efforts internally and regionally. The government should focus on building its enforcement institutions, particularly the FIU. Sudan should continue to work with regional partners to address deficiencies and comply with international standards.

#### **Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):**

According to the US State Department, Sudan does not conform with regard to the following government legislation: -

**Arrangements for Asset Sharing** - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

**States Party to United Nations Convention Against Corruption** - States party to the United Nations Convention against Corruption (UNCAC), or a territorial entity to which the application of the Convention has been extended by a party to the Convention.

#### **EU White list of Equivalent Jurisdictions**

Sudan is not currently on the EU White list of Equivalent Jurisdictions

#### **World Governance indicators**

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

#### **Failed States Index**

[To view Failed States Index Ctrl + Click here](#)

#### **Offshore Financial Centre**

Sudan is not considered to be an Offshore Financial Centre

### US State Dept Narcotics Report 2011:

Sudan is not an important illicit drug-producing or drug-transit country. However, because of vast arable land, areas of lawlessness, ineffective border controls, impoverished conditions, and a vulnerability to corruption, the potential exists for Sudan to cultivate and traffic illegal drugs on a far greater scale.

In Sudan, the central government unit responsible for liaison and coordination of national drug control policy is the Drug Combat Administration. The Ministry of Health is the competent authority for the issuance of authorizations and certificates for the import and export of licit narcotic drugs and psychotropic substances. Sudan is party to the 1961 Single Convention on Narcotic Drugs as amended by the 1972 Protocol, the 1971 Convention on Psychotropic Substances, and the 1988 UN Drug Convention. Sudan has signed cooperative agreements with Egypt, Saudi Arabia, and Turkey for fighting drug trafficking. Sudan's Narcotic Drugs and Psychotropic Substances Act, passed in 1994, is designed to fulfill that country's treaty obligations under these conventions. Sudan is also a party to the UN Convention against Transnational Organized Crime.

Sudan has a government-controlled licensing system for the manufacture, trade, and distribution of licit narcotics-based pharmaceuticals. There is a prescription requirement for supply or dispensation of preparations containing narcotic drugs and psychotropic substances. The law does not require warnings on packages or accompanying leaflet information to safeguard the users of preparations containing narcotic drugs and psychotropic substances.

Cannabis is the most prevalent illegal drug in Sudan. Other drugs abused include barbiturates, heroin and cocaine. No data relating to prevalence or use is available according to the United Nations. Cannabis is cultivated in commercial quantities in the southern areas of Darfur (the largest producing area in Sudan), southern part of Blue Nile State, in Gedaref State and in the Upper Nile and Bahr El-Ghazal regions. According to the Drug Combat Administration, Sudanese authorities in 2009 seized over 17 metric tons of cannabis and arrested over 8000 individuals on drug-related charges. The arrests were a two percent increase over 2008; seizures were down 73 percent from the 63 metric tons confiscated in 2008. Authorities from the Drug Combat Administration maintain that the increase in arrests and decrease in seizures reflects the effectiveness of a targeted campaign in certain areas of the country including the States of Khartoum, Northern Kordofan, Gedaref, El-Gezira, Red Sea, River Nile and Southern Darfur.

Accusations by Sudanese government officials that rebels groups in the country are using the sale of narcotics drugs to finance their operations have not been substantiated. Sudan does not officially encourage or sanction drug trafficking, and there is no evidence that senior officials are engaged in such activities.

## US State Dept Trafficking in Persons Report 2014 (introduction):

Sudan is classified a Tier 2 (watch list) country - a country whose government does not fully comply with the minimum standards and is not making significant efforts to do so.

Sudan is a source, transit, and destination country for men, women, and children subjected to forced labor and sex trafficking. Internal trafficking occurs in Sudan, including in areas outside of the government's control. Sudanese women and girls, particularly those from rural areas or who are internally displaced, are vulnerable to forced labor when serving as domestic workers in homes throughout the country; most work without contracts or government-enforced labor protections. There are reports of organized child street begging in Khartoum and other large cities. Sudanese girls engage in prostitution within the country, including in restaurants and brothels, at times with the assistance of third parties. Thousands of Dinka women and children, and a lesser number of children from the Nuba tribe, were abducted and subsequently enslaved by members of the Missiriya and Rizeigat tribes during the civil war that spanned from 1983 until 2005; some of those enslaved remain with their captors. In January 2013, Rizeigat militia abducted 96 children—44 girls and 52 boys—from South Sudan's Northern Bahr El Ghazal state and took them to East Darfur following fighting between the South Sudanese army and this militia; the children were released and returned to South Sudan in June 2013. This was the first documented case of child abductions by the Missiriya or Rizeigat in recent years.

Sudanese women and girls are subjected to domestic servitude in Middle Eastern countries, such as Bahrain, Egypt, Qatar, and Saudi Arabia, and to sex trafficking in Europe. In 2013, a Sudanese sex trafficking victim was identified in Lebanon. Some Sudanese men who voluntarily migrate to the Middle East as low-skilled laborers encounter situations of forced labor. Sudanese children in Saudi Arabia are used by criminal gangs for forced begging and street vending. There are reports that Sudanese criminal gangs promise Sudanese nationals jobs in Libya and collect facilitation fees to cover their travel expenses, but after crossing the border sell them to Libyan nationals who force them to labor in agriculture and other sectors. Libyan nationals also coerce Sudanese labor migrants to work for little or no pay by threatening to report their illegal presence in the country to Libyan authorities. Sudanese men who migrate illegally to Libya have been rounded up and detained in prison facilities often outside of state control, where they are exploited as forced laborers.

Numerous Ethiopian and Eritrean women—including undocumented migrants and refugees—and a smaller number of Filipina women are subjected to domestic servitude in Sudanese homes, where they experience beatings, sexual abuse, inadequate accommodations, long working hours without days off, confinement, and nonpayment of wages; some of these women encounter similar exploitation in the Middle East after transiting Sudan. Many of the employment agencies that initially contract these workers are based in the Philippines, UAE, Saudi Arabia, or Ethiopia, but have entered into partnerships with agencies in Sudan. Some Filipina domestics sign contracts in the Philippines to work in Dubai, Amman, or Cairo, but are sent by employment agencies to Khartoum after arriving in those cities; they are powerless to refuse this change of country due to their irregular visa status and lack of money to return home. Employment agencies that bring foreign domestic workers to Khartoum reportedly engage in exploitative practices, such as physical abuse, nonpayment of salaries, and withholding of passports. Bangladeshi adults migrate legally to Sudan through employment agencies for work in factories, where some are reportedly subjected to forced

labor. Ethiopian, Eritrean, Somali, and possibly Thai women are subjected to forced prostitution in Sudan; agents recruit young women from Ethiopia's Oromia region with promises of high-paying employment as domestic workers, only to force them into prostitution in brothels in Khartoum. Eritrean nationals are brutalized by smugglers from the Rashaida tribe, including by being whipped, beaten, deprived of food, raped, chained together, and forced to do domestic or manual labor at smugglers' homes; some of these individuals are not willing migrants, but are abducted from Sudan-based refugee camps or at border crossings. Other abductees are taken to Khartoum where they are subsequently subjected to forced labor or transferred to other countries for similar purposes.

During the reporting period, Sudanese children in Darfur were forcibly recruited as child soldiers, at times through abduction, and used by armed groups such as the Liberation and Justice Movement (LJM), Justice and Equality Movement (JEM), various factions of the Sudan Liberation Army (SLA), government-supported Janjaweed militia, and the Beni Hussein tribe. Government security forces, including the Sudan Armed Forces (SAF), the Central Reserve Police (CRP), and the Government Border Guards (including the Border Intelligence Forces) also recruited and used children as combatants and for support roles. For example, the UN Country Task Force on Monitoring and Reporting of grave violations of child rights in armed conflict (CTFMR) documented 12 boys wearing military uniforms in SAF vehicles in Jebel Moon during a hand-over ceremony from an outgoing to an incoming SAF field commander. The CTFMR also observed a 13-year-old boy carrying a weapon and wearing a SAF uniform in Zalingei, and confirmed that two boys—13 and 14 years old—completed military training in Blue Nile state and remained associated with the SAF as of early 2014. In late 2013, the Government Border Guards, all from the Rizeigat tribe, recruited 14 boys in Nyala and airlifted them to Khartoum for military training. Children as young as 12-years-old were verified as being recruited by and associated with the government-aligned Popular Defense Forces (PDFs) during the year in both Darfur and the "Two Areas" (South Kordofan and Blue Nile), as well as with pro-government militias. For example, in April 2013, a 15-year-old girl and her 18-year-old sister were abducted by a pro-government militia amid fighting in Labado and Muhajeria; they were used as porters and raped before being released. The Sudan People's Liberation Movement-North (SPLM-N) forcibly recruited and used child soldiers in fighting against the SAF and aligned militias in Upper Nile, South Kordofan, and Blue Nile states; some of these children were recruited in South Sudan. In 2013, artisanal gold mining increased in Darfur; some of this mining was undertaken with forced child labor. Inter-tribal ethnic clashes over control of mines increased, resulting in a corresponding increase in the use of child soldiers.

The Government of Sudan does not fully comply with the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. During the reporting period, government officials increasingly engaged on the issue of human trafficking in the public sphere. The government enacted an anti-trafficking law, amended the Popular Defense Forces Act to increase the minimum age of recruitment to 18 years, rescued and provided assistance to an increased number of trafficking victims, and made efforts to bring traffickers to justice. It produced a film on the country's human trafficking problem and screened it in various fora. Despite this notable and unprecedented progress, the government's efforts to combat trafficking through law enforcement, protection, and prevention measures remained ad hoc rather than flowing from strategic planning at the national level, resulting in some forms of trafficking occurring within the country being completely unaddressed. The government made public little data regarding its efforts to

combat human trafficking. Further, its armed forces and proxy militias were reported to have unlawfully recruited and used child soldiers in 2013, and for another year it did not conclude a proposed joint action plan with the UN to address the problem.

### **US State Dept Terrorism Report 2015**

Sudan was designated as a State Sponsor of Terrorism in 1993 due to concerns about support to international terrorist groups to include the Abu Nidal Organization, Palestine Islamic Jihad, Hamas, and Hizballah.

In the mid-1990s, Sudan served as a meeting place, safe haven, and training hub for international terrorist groups, such as al-Qa'ida. Usama bin Laden was provided safe haven in Sudan for five years until he was expelled by the Sudanese government in 1996. Sudan's support to al-Qa'ida has ceased but elements of al-Qa'ida and ISIL-linked terrorist groups remained active in Sudan in 2015. The United States and Sudan worked cooperatively in countering the threat posed by al-Qa'ida and ISIL in 2015, which included their use of transit and facilitation routes within the country.

In 2014, members of Hamas were allowed to raise funds, travel, and live in Sudan. However, in 2015 the use of Sudan by Palestinian designated terrorist groups appeared to have declined. The last known shipment was the Israeli-interdicted KLOS-C in 2014.

In June 2010, four Sudanese men sentenced to death for the killing of two U.S. Embassy staff members on January 1, 2008, escaped from Khartoum's maximum security Kober prison. That same month of the escape, Sudanese authorities confirmed that they recaptured one of the four convicts, and a second escapee was reported killed in Somalia in May 2011. The recaptured murderer is being held in Kober Prison, and, as of December 2015, appeals of his pending death sentence were still ongoing. The whereabouts of the other two convicts were unknown at year's end, although one is rumored to have been killed in Somalia in November 2015.

### UN Sanctions

After fighting broke out in the Sudanese region of Darfur in 2003, in a renewal of the country's civil war, an arms embargo was imposed by the UN Security Council.

The embargo came into force in 2004, with the passing of UN Security Council Resolution (UNSCR) 1556. It was extended in 2005 with Resolution 1591.

You can [access copies of UN resolutions on the UN Security Council website](#).

On 13 February 2014, the UN Security Council adopted Resolution 2138 (2014), extending Mandate

[Read Resolution](#)

### EU Sanctions

#### Arms

The first EU arms embargo on Sudan was imposed in 1994. Since then, the EU has adopted several other measures:

- [Council Common Position 2004/31/CFSP](#)
- [Council Regulation \(EC\) No 131/2004](#)
- [Council Common Position 2005/411/CFSP](#)
- [Council Regulation \(EC\) No 838/2005](#)
- [Council Regulation \(EC\) No 1184/2005](#)

On 9 July 2011, South Sudan became independent. As a result, the EU amended the arms embargo to cover both countries via [Council Decision 2011/423/CFSP](#). Read more about [embargoes and sanctions on South Sudan](#).

#### Financial

In 2004 the European Union imposed measures in the EU prohibiting the supply of technical, financial and other assistance related to military activities, with exemptions, directly or indirectly to any person, entity or body in, or for use in Sudan.

In 2005 the [United Nations](#) imposed travel restrictions, with exemptions, and an assets freeze on designated individuals considered to be impeding the peace process, constituting a threat to stability in Darfur and the region, committing human rights violations and violating measures set out in previous resolutions (primarily related to an arms embargo).

## Current EU regulations

- [24.11.2011 Council Regulation \(EU\) No 1215/2011](#) Amended Council Regulation (EC) No 131/2004 to apply these measures to both Sudan and South Sudan.
- [31.08.2007 Corrigendum to Commission Regulation \(EC\) No 970/2007](#) Amended Commission Regulation (EC) No 970/2007.
- [17.08.2007 Commission Regulation \(EC\) No 970/2007](#) Amended Annex I to Council Regulation (EC) No 1184/2005.
- [18.05.2006 Commission Regulation \(EC\) No 760/2006](#) Amended Annex I to Council Regulation (EC) No 1184/2005 to cover persons designated in UNSCR 1672 (2006).
- [18.07.2005 Council Regulation \(EC\) No 1184/2005](#) Implemented the measures in UNSCR 1591 (2005) in the EU. Annex I covered persons designated by the UN Sanctions Committee pursuant to UNSCR 1591(2005).
- [30.05.2005 Council Regulation \(EC\) No 838/2005](#) Amended Council Regulation (EC) No 131/2004 to bring exemptions in line with UNSCR 1591 (2005).
- [26.01.2004 Council Regulation \(EC\) No 131/2004](#) Implemented measures prohibiting the supply of technical, financial and other assistance related to military activities, with exemptions, directly or indirectly to any person, entity or body in, or for use in Sudan.

## OFAC (US) Sanctions

OFAC lifted all sanctions imposed against Sudan in January 2017.

## Arab League

In November, 2011, the Arab League (comprising 22 Arab member states), of which Yemen is a member, approved imposing sanctions on Syria. These include: -

- Cutting off transactions with the Syrian central bank
- Halting funding by Arab governments for projects in Syria
- A ban on senior Syrian officials travelling to other Arab countries
- A freeze on assets related to President Bashar al-Assad's government

The declaration also calls on Arab central banks to monitor transfers to Syria, with the exception of remittances from Syrians abroad.

The Arab League has also boycotted Israel in a systematic effort to isolate Israel economically in support of the Palestinians, however, the implementation of the boycott has varied over time among member states.

There are three tiers to the boycott. The primary boycott prohibits the importation of Israeli-origin goods and services into boycotting countries. The secondary boycott prohibits individuals, as well as private and public sector firms and organizations, in member countries from engaging in business with any entity that does business in Israel. The Arab League maintains a blacklist of such firms. The tertiary boycott prohibits any entity in a member country from doing business with a company or individual that has business dealings with U.S. or other firms on the Arab League blacklist.

## Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	14
World Governance Indicator – Control of Corruption	2

## Corruption and Government Transparency - Report by Global Security

### Political Climate

Sudan, Africa's largest country, achieved independence from Britain and Egypt in 1956 and has been embroiled in civil wars for most of its subsequent history. Since 1989, Sudan has been governed by the Islamist Nationalist Congress Party (NCP), which is headed by President Omar al-Bashir. In January 2005, the long-running north-south civil war ended when the NCP and the Sudan People's Liberation Movement (SPLM) reached a Comprehensive Peace Agreement (the CPA, expired on 9 July 2011). The agreement resulted in the formation of the semi-autonomous Government of South Sudan (GoSS) headed by the SPLM. In January 2011, as part of the CPA, a referendum took place in South Sudan with nearly 99% of South Sudanese voting for full independence, and in July of the same year, Salva Kiir became the first elected President of South Sudan. There are several controversial issues following the South's vote for its independence, including the oil-rich region Abyei, which was supposed to hold its own referendum in 2011. However, the referendum was postponed indefinitely due to disagreements between the North and the South. The latest development on this is that the referendum will be held in October 2013, proposed by the African Union High Implementation Panel (AUHIP), according to an All Africa September 2012 news article. Another contested issue is the area of Darfur, which has been a conflict area for several years. According to a BBC News article from February 2010, the UN estimates that 300,000 have died during the conflict, and millions have been displaced. Two arrest warrants issued for President al-Bashir by the International Criminal Court in 2009 and 2010 for crimes against humanity and genocide in Darfur remain valid. The 2005 CPA stipulates equal shares of the oil revenue between the North and the South. However, due to an absence of transparency, such an arrangement is virtually impossible to uphold. According to Freedom House 2013, most of Sudan's oil is situated in the South, while the infrastructure for oil is situated in the North. Freedom House 2013 reports also that Sudan and South Sudan have reached an agreement to end many disputes in September 2012; however, the Abyei region dispute remains a problem.

Freedom House 2013 reports that Sudan is considered one of the most corrupt countries in the world. Corruption is a considerable problem all over Sudan, characterised by grand scale theft of public funds as well as petty corruption. According to U4 Anti-Corruption Resource Centre 2012, budget processes are opaque, creating avenues for irregularities and

the disappearance of public funds. A CNN 2011 article shows a blatant example of such opaqueness: the discrepancy—amounting to USD billions—between the oil revenue figures published by the Sudanese government and the equivalent figures published by the China National Petroleum Corporation (CNPC), the operator of the oil blocks in Sudan. The government has failed not only to present trustworthy national budgets, but also to explain to the National Assembly why large amounts of funds are secretively used by the presidency 'for classified security operations'. The US Department of State 2013 further states that government officials often engage in corrupt practices with impunity, as the law in Sudan does not criminalise official corruption and the government does not investigate officials suspected of corruption. This could explain why civil servants/public officials are considered corrupt by a significant number of surveyed households, according to Transparency International's Global Corruption Barometer 2013.

In general, the Bertelsmann Foundation 2012 reports that laws that increase transparency, such as public access to government information, do not exist in Sudan, and the Sudanese government has not taken significant actions to fight rampant corruption. This likely explains the reason why 27% of the Sudanese households surveyed by Global Corruption Barometer 2013 perceive that the level of corruption in Sudan has increased over the past two years. The same survey also shows that 29% of the households perceive that the government's efforts in fighting corruption have not been effective, while 56% believe that they have been. Nevertheless, one positive step taken by the al-Bashir Administration in 2012 was the establishment of Sudan's first anti-corruption agency. According to an All Africa August 2013 article, the President sacked the head of the anti-corruption agency for its zero activity after more than a year. Some other positive developments reported by the US Department of State 2013 include the establishment of the Financial Disclosure Inspection Committee in January 2013 to manage the constitutional post-holders. The same report also states that a government official from the Ministry of Guidance and Endowments has been sentenced to 10 years in prison for embezzlement of public funding.

### **Business and Corruption**

Until recently, Sudan had experienced good GDP from oil exports that began in 1999. Economic growth subsequently declined from 5% in 2010 to 2.8% in 2011. The economic slowdown, according to the African Economic Outlook 2012, was due to the secession of South Sudan, which reduced the population by one-fifth and caused oil revenue to fall by three-quarters. The same report estimates that the real GDP is expected to grow modestly in 2013. Although the government has repeatedly urged the need for FDI, the only investment reform over the past four years has been the reduction of the corporate income tax rate, as reported by the US Department of State 2013. Sudan has continued privatisation reforms, despite on-going problems with bureaucracy and corruption. The Bertelsmann Foundation 2012 reports that these reforms have widely been seen as benefiting companies with connections to the ruling party and its supporters.

The US Department of State 2013 states that Sudan presents one of the most challenging business environments in the world to would-be investors. Sudan's economy continues to be hindered by economic mismanagement, political instability, and poor infrastructure. In addition, trade between Sudan and the West is limited by comprehensive sanctions imposed by the US since 1997, providing Sudan's support of terrorism and human rights violations as reasons. Furthermore, several sources, such as the Bertelsmann Foundation 2012, report that

corruption in Sudan is rampant. Foreign investment is concentrated in construction and transportation, sectors that are recognised worldwide as being highly corruption-prone. Moreover, a large proportion of Sudan's business practices are carried out in an informal and non-uniform way.

Companies that seek to do business with the Sudanese government should know that doing so often entails bribes and kickbacks. Moreover, government and business elites are strongly interlinked in Sudan. For example, the government remains firmly in control of the country's oil sector, which is often pointed out as being filled with cronyism and clientelism, according to the Bertelsmann Foundation 2012. For instance, a January 2009 news article by BBC News reports that relatives of high-level government officials often own companies that do business with the government and provide their relatives in government with kickbacks in exchange for this business. This practice has earned political figures in the northern and southern regions of Sudan the reputation of being corrupt. Companies are generally advised to develop, implement, and strengthen integrity systems, and to carry out extensive due diligence before committing funds or when already doing business in Sudan.

### **Regulatory Environment**

In 2003, the government created a Ministry of Investment in order to attract domestic and foreign investment in various sectors. The ministry has successfully promoted an Investment Act intended to promote competition, and it has set up one-stop shops for business registration and a trust fund to promote micro-credit for small companies. In addition, exemptions from customs fees and taxes have been provided for certain investment projects, and investors for 'strategic projects' have been eligible for free land grants, as reported by eStandards Forum 2010. The US Department of State 2013 reports that the President signed the National Investment Encouragement Act 2013 (Provisional Decree) in March 2013. The Act does not allow discrimination against foreigners regarding establishing business in the country. Despite these efforts, the business environment in Sudan continues to be characterised by corruption and a lack of transparency in the enforcement of regulations. The lack of transparency in Sudan is maintained, not only because of the weak administrative setup that allows for poor record keeping and lax budget handling, but also due to the lack of legislation providing public access to government information and the lack of government providing such access.

According to the World Bank & IFC Doing Business 2013, starting a business in Sudan requires companies to go through an average of 10 procedures over 36 days, at a cost of 20% of GNI per capita. The cost and time of registering property and paying taxes are much lower than the regional average. However, a general weak spot associated with such business operations in Sudan is the high number of procedures that companies are required to go through. The large amount of documents, payments and procedures related to doing business increases the time spent interacting with public officials and inspectors and, thereby, the risks of corruption and demands for facilitation payments. Companies are generally advised to access the website of the Ministry of Investment, which provides information related to investment legislation and opportunities, as well as specific services concerning required documents, licences and permits.

Sudan's legal system is a combination of English common law and Islamic Sharia law. There are separate judicial hierarchies for the two systems. In general, the laws that do not refer to

Southern Sudan are based on Sharia law. Tribal courts function in rural areas to resolve disputes over land rights. An independent judiciary that functions free from political influence still does not exist in Sudan, but the Comprehensive Peace Agreement includes international training for the judiciary to start a process towards independence. However, international arbitration is an option for companies operating in Sudan, as the country is a member of the International Centre for the Settlement of Investment Disputes (ICSID). Companies might find it in their interests to include provisions for alternative, international dispute resolution in their contracts. Access the Lexadin World Law Guide for a collection of legislation in Sudan.

## Section 3 - Economy

Sudan is an extremely poor country that has experienced protracted social conflict, civil war, and, in July 2011, the loss of three-quarters of its oil production due to the secession of South Sudan. The oil sector had driven much of Sudan's GDP growth since 1999. For nearly a decade, the economy boomed on the back of rising oil production, high oil prices, and significant inflows of foreign direct investment. Since the economic shock of South Sudan's secession, Sudan has struggled to stabilize its economy and make up for the loss of foreign exchange earnings. The interruption of oil production in South Sudan in 2012 for over a year and the consequent loss of oil transit fees further exacerbated the fragile state of Sudan's economy. Sudan is also subject to comprehensive US sanctions. Sudan is attempting to develop non-oil sources of revenues, such as gold mining, while carrying out an austerity program to reduce expenditures. The world's largest exporter of gum Arabic, Sudan produces 75-80% of the world's total output. Agriculture continues to employ 80% of the work force. Sudan introduced a new currency, still called the Sudanese pound, following South Sudan's secession, but the value of the currency has fallen since its introduction. Khartoum formally devalued the currency in June 2012, when it passed austerity measures that included gradually repealing fuel subsidies. Sudan also faces rising inflation, which reached 47% on an annual basis in November 2012, but subsided to 25% in 2013. Ongoing conflicts in Southern Kordofan, Darfur, and the Blue Nile states, lack of basic infrastructure in large areas, and reliance by much of the population on subsistence agriculture keep close to half of the population at or below the poverty line.

### **Agriculture - products:**

cotton, groundnuts (peanuts), sorghum, millet, wheat, gum arabic, sugarcane, cassava (tapioca), mangoes, papaya, bananas, sweet potatoes, sesame; sheep and other livestock

### **Industries:**

oil, cotton ginning, textiles, cement, edible oils, sugar, soap distilling, shoes, petroleum refining, pharmaceuticals, armaments, automobile/light truck assembly

### **Exports - commodities:**

gold; oil and petroleum products; cotton, sesame, livestock, groundnuts, gum arabic, sugar

### **Exports - partners:**

UAE 63.2%, Saudi Arabia 9.2%, Ethiopia 5.3% (2012)

### **Imports - commodities:**

foodstuffs, manufactured goods, refinery and transport equipment, medicines and chemicals, textiles, wheat

### **Imports - partners:**

Macau 18%, India 8.8%, Saudi Arabia 7.9%, Egypt 6.7%, UAE 5.2% (2012)

## **Banking**

Since the 1990s, the Sudanese government has required that all banks operate according to Islamic principles.

## **Stock Exchange**

The stock exchange in Sudan is called the Khartoum Stock Exchange.

### Openness To, and Restrictions Upon, Foreign Investment

The July 2011 secession of South Sudan fundamentally altered Sudan's economy. Southern oil production accounted for over 75% of the country's total, an amount that represented almost 36 percent of the government of Sudan's revenues. In response to the loss, Sudanese government officials are trying to replace the revenue by expanding existing oil and gas production, increasing mining operations, particularly gold mining, and reviving the agricultural sector, the mainstay of the Sudanese economy prior to the advent of crude oil exports in 2000.

The government of Sudan has repeatedly stressed the need for foreign direct investment but its actions have not matched its rhetoric. Sudan has introduced two significant investment reforms in the last three years, lowering the corporate tax rate and capital gains tax and improving the timeliness of customs clearances. In January 2013, the Economic Development Sector of the Council of Ministers passed the National Investment Encouragement 2013 bill but it has not passed the National legislature.

Trade missions visit Khartoum on a regular basis, often accompanied by public announcements of signed agreements and purported deals. In many cases, the projects never come to fruition. Most foreign investment to date has been resource seeking, particularly in petroleum and gas exploration and extraction, and agriculture. China, Malaysia, and India have made major investments in the oil sector; the Gulf States have made major investments in agriculture; other countries including the Indonesia, Turkey, and South Africa have also shown interest in expanding existing commercial relations with Sudan. The 1999 Investment Encouragement Act (amended in 2003) specifically prohibited discrimination based on the source of investment. This act was replaced by the National Investment Encouragement Act 2013 (Provisional Decree) signed by the President on March 04, 2013, which also prohibits discrimination against foreigners. The Act establishes the National Investment Council, chaired by the President of the Republic.

There are foreign investment restrictions in the transportation, media and communications, and Sectors such as railway freight transportation, airport operation, television broadcasting, and newspaper publishing are closed to foreign capital participation. Foreign ownership is also restricted in the telecommunications, electricity, and financial services sectors. In addition to those overt statutory ownership restrictions, a comparatively large number of sectors are dominated by government monopolies, including, but not limited to, those mentioned above. Those monopolies, together with a high perceived difficulty of obtaining required operating licenses, make it more difficult for foreign companies to invest.

For a U.S. businessperson contemplating entry into the Sudanese market, the situation is further complicated by comprehensive sanctions. Potential investors should bear in mind that U.S. sanctions prohibit U.S. persons from engaging in any financial transactions with Sudan or with entities owned or controlled by the Sudanese government and generally prohibits U.S. trade with Sudan unless licensed by the Department of Treasury's Office of Foreign Assets Control (OFAC). Certain types of transactions specified either by sector or geographic regions within Sudan are permitted, in particular agricultural machinery and services, and

some types of medical equipment. These regulations are subject to change. Investors interested in business opportunities in Sudan are strongly encouraged to contact OFAC: <http://www.treasury.gov/resourcecentre/sanctions/Programs/pages/sudan.aspx>.

Measure	Year	Index/Ranking
Heritage Economic Freedom	N/A	Not Graded Since 2000
World Bank Doing Business	2012	135
MCC Gov't Effectiveness	FY13	-0.52 (20%)
MCC Rule of Law	FY13	-0.35 (27%)
MCC Control of Corruption	FY13	-0.43 (15%)
MCC Fiscal Policy	FY13	-2.0 (68%)
MCC Trade Policy	FY13	55.4 (8%)
MCC Regulatory Quality	FY13	-0.54 (18%)
MCC Business Start Up	FY13	-0.940 (71%)
MCC Land Rights Access	FY13	0.69 (82%)
MCC Natural Resource Mgmt	FY13	5.6 (11%)
MCC Access to Credit	FY13	12 (12%)
MCC Inflation	FY13	18.3 (13%)

### Conversion and Transfer Policies

Sudan has a severe foreign exchange reserves shortfall. As a result, the government of Sudan has significantly tightened conversion and transfer policies. Domestic businesses have no assurance of obtaining needed levels of foreign currency for international transactions. Foreign companies operating in Sudan must have the permission of the Central Bank of Sudan to repatriate profits and foreign currency. *The new Investment Act 2013 allows the right of foreign and domestic private entities to establish and own business enterprises, to repatriate capital and profits, on condition that investor has to open investment account at the Central Bank of Sudan (CBOS) before entering into business.* There are several official exchange rates, for different types of transactions, and a thriving black market rate.

While Sudanese and foreigners are permitted to hold foreign currency accounts in commercial banks, access to the currency can be delayed and/or limited without prior notification. Individuals and businesses often resort to obtaining hard currency on the black market. The government of Sudan periodically cracks down on dealers involved in unlicensed foreign exchange.

Changes to policies governing currency access and conversion are introduced without warning and generally become effective immediately upon announcement.

### Expropriation and Compensation

Sudanese investment law states that “just compensation” must be offered in the case of nationalization or confiscation of all or part of any investment for “the public interest.” No mechanism for determining compensation is specified; no definition of public interest is provided. The U.S. government is unaware of any outstanding cases involving the expropriation of property belonging to a U.S. person.

### **Performance Requirements/Incentives**

Investors must begin their projects within six months of receiving a license, submit reports every six months during the period in which the project receives special privileges, keep regular books and maintain records on the assets of the project exempted from customs duties, and exempted imported materials, and present, to the Minister, the Competent Minister and the State Minister, annually, during the period of validity of the privileges, a copy of the annual report of the project, approved by a certified auditor.

Sudanese investment law specifies certain sectors as strategic for the purpose of providing additional or special incentives: (1) infrastructure, including roads, ports, electricity, dams, communications, energy, transport, contracting business, education, health and tourist and information technology services and water projects; (2) natural resource extraction and exploitation; and (3) agriculture, animal and industrial production. Some of these strategic sectors require a minimum investment; the sum is dependent on the sector.

Investments in strategic sectors are exempt from tax on profits for a period of ten years. The High Council on Investment may grant non-strategic investments an exemption not to exceed five years. The government may also extend benefits including free land and exemptions from other taxes and fees to strategic and non-strategic investments. Such projects may include, but are not limited to, investment in the least developed areas of the country; investments that assist in the development of export capabilities; investments that contribute to rural development; investments that increase employment; investments that are charitable in nature; and investments that develop scientific and technological research.

### **Right to Private Ownership and Establishment**

The new Investment Act 2013 allows the right of foreign and domestic private entities to establish and own business enterprises, to repatriate capital and profits, on condition that investor has to open investment account at the Central Bank of Sudan (CBOS) before entering into business. Foreign and domestic private businesses may be registered as a sole trader, partnership, limited liability company (private or public), special concession, or branch of a foreign registered company.

However, severe restrictions to foreign equity ownership apply in many sectors, particularly in service industries. Businesses involved in railway freight transportation, airport operations, television and radio broadcasting and newspaper publishing are closed to foreign participation. This restriction was used to shut down newspapers owned wholly or in part by South Sudanese businessmen after the secession of South Sudan in July 2011. In addition, foreign participation is limited in the telecommunications and financial services sectors. The new Investment Act 2013 allows foreign participation in communications and financial services sectors, on condition that a prior approval from National Telecommunications Corporation (NTC) and Central Bank of Sudan.

The law does allow for the purchase of privately or publically held land in Sudan, but instances of sales are rare. The government has provided land without transferring ownership to foreign companies as an investment inducement. Land may be leased in Sudan without restrictions on the amount or the duration. The lease may not be transferred without permission.

### **Protection of Property Rights**

According to the World Bank, securing rights to property takes an average of six procedures over nine days and costs, on average, three percent of the property value. This has not changed in three years. However, protecting property rights can be problematic. Military and civil authorities do not follow due process at times. The judiciary is unduly influenced by other branches of government, exercises little or no independence, and is widely perceived as being corrupt.

### **Transparency of the Regulatory System**

Although the Heritage Foundation has not graded Sudan in its annual Index of Economic Freedom since 2000, an analysis of selected indicators is provided in the 2013 report. In the category of regulatory efficiency, the report on Sudan states, "Inconsistent enforcement of regulations and other institutional shortcomings often impede business activity and undermine economic development. Launching a business takes more than 30 days, and completing licensing requirements costs over twice the level of average annual income. The labour market remains underdeveloped, and much of the labour force is employed in the informal sector. Monetary stability has been severely undermined."

### **Efficient Capital Markets and Portfolio Investment**

Sudan's financial system is relatively small by regional standards. The banking sector is comprised of 32 banks, including five foreign and four state-owned banks. Sudan remains under-banked, with banking and other financial institutions concentrated around Khartoum. The African Economic Outlook 2011 reports that while private sector loans and deposits doubled between 2005 and 2009, their ratios to GDP remain low (16% and 12% respectively). Non-performing loans have increased in the last two years and are currently over 20%.

### **Competition from State-Owned Enterprises (SOEs)**

According to a 2009 World Bank report, "the state indirectly owns enterprises through government officials and political parties in addition to direct ownership of enterprises by all levels of government (National, GoSS, and State). The broad range of activities in which the state participates as direct or indirect owners of enterprises distorts competition in those markets, as the presence of state firms provides a strong disincentive to private entry. This undermines policies both at the national level and in Southern Sudan to allow greater entry of the private sector."

Despite the government announcing a mass privatization campaign was to begin in 2011, relatively few government corporations are privatized. On January 19, 2013 President El-Bashir issued a Presidential Decree privatizing 13 government agencies and liquidating five

companies owned by the government. A Kuwaiti fund company sold back its share of the national airway, Sudan Air, to the government.

Many state-owned enterprises and parastatals are owned in whole or part by ruling National Congress Party (NCP), military, police and National Intelligence and Security Services (NISS) officials. Selling or closing these establishments would threaten entrenched interests. In addition, many of these government and party officials own and operate private businesses that receive favorable treatment at the hands of the government, including favorable exchange rates and awarding of contracts. It is commonly reported that major government contracts are awarded first to a firm controlled by one of these officials and then subcontracted to a firm or firms that will actually perform the work.

### **Political Violence**

While the Government of Sudan has taken some steps to limit the activities of terrorist groups, elements of these groups remain in Sudan and have threatened to attack Western interests. The terrorist threat level throughout Sudan and particularly in the Darfur region remains critical, and the U.S. Embassy has implemented enhanced security measures to protect U.S. government personnel assigned to Sudan.

The threat of violent crime, including kidnappings, armed robberies, home invasions, and carjackings, is particularly high in the Darfur region of Sudan, as the Government of Sudan has limited capacity to deter crime in that region. In addition, Janjaweed militia and heavily armed Darfuri rebel groups are known to have carried out criminal attacks against foreigners, and a number of other foreign nationals have been abducted and held for ransom by criminal groups in Darfur. There have been attacks on foreign business operations in the conflict-torn southern and western states, such as on road building operations.

Violent flare ups break out between various armed militia groups and Sudanese military forces with little notice, particularly in the Darfur region, along the border between Chad and Sudan, and in areas on the border with South Sudan. Hostilities between Sudanese forces and armed opposition groups in Blue Nile and Southern Kordofan states, including the disputed area of Abyei, present real and immediate dangers to travelers and business operators. In addition, U.S. citizens found in these areas without permission from the Government of Sudan face the possibility of detention by government security forces. Demonstrations occur periodically, mostly in Khartoum.

### **Bilateral Investment Agreements**

Sudan has bilateral investment agreements with Germany, Netherlands, Switzerland, Egypt, France, Romania, China, Indonesia, Malaysia, Qatar, Islamic Republic of Iran, Morocco, Oman, Turkey, Yemen, Bahrain, Ethiopia, Jordan, Syrian Arab Republic, United Arab Emirates, Libya, Tunisia, Algeria, Kuwait, Lebanon, Chad, Republic of Djibouti, India, Vietnam, Bulgaria, and Italy. Sudan has bilateral taxation treaties with Egypt, United Kingdom, Malaysia, South Africa, Turkey and Syria.

Sudan and the United States do not have a bilateral investment agreement or a bilateral taxation treaty.

## Foreign Trade Zones/Free Ports

Sudan has established two free trade zones: Suakin on the Red Sea near Port Sudan and Aljaily near Khartoum. According to the Free Zones and Free Markets Law of 1994, industrial, commercial or service investments which are licensed in the free zones enjoy the following advantages:

- Exemption of the projects from tax on profits for 15 years, renewable for an extra period dependant on the decision made by the concerned minister;
- Salaries of expatriates working in projects within the free zones are exempted from personal income tax;
- Products imported into the free zone or exported abroad are exempted from all customs fees and taxes except service fees and any other fee imposed by the board of the Sudan Free Zones Company;
- Real estate inside the free zones area is exempted from all taxes and fees;
- Invested capital and profits are transferable from Sudan to abroad through any bank licensed to operate in the free zone;
- Money invested in the free zones may not be frozen or confiscated.

The government has been in the process of creating a free trade zone in Kosti, near South Sudan.

## Foreign Direct Investment Statistics

(Millions of Dollars)

<b>FDI Flows</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Inward	2601	1816	2064	1936
Outward	98	89	66	1936
<b>FDI Stocks</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Inward		18,047	20,111	22,047
Outward				

*Note: The government of Sudan does not publish investment statistics on a regular basis.*

*Source: United Nations Conference on Trade and Development (UNCTAD), World Investment Report 2012*

## Section 5 - Government

### Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments](#)

### Legal system:

Mixed legal system of Islamic law and English common law

### International organization participation:

ABEDA, ACP, AfDB, AFESD, AMF, AU, CAEU, COMESA, FAO, G-77, IAEA, IBRD, ICAO, ICC (NGOs), ICRM, IDA, IDB, IFAD, IFC, IFRCs, IGAD, ILO, IMF, IMO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, LAS, MIGA, NAM, OIC, OPCW, PCA, UN, UNCTAD, UNESCO, UNHCR, UNIDO, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO (observer)

## Section 6 - Tax

### Treaty and non-treaty withholding tax rates

Sudan has bilateral taxation treaties with Egypt, United Kingdom, Malaysia, South Africa, Turkey and Syria.

## Methodology and Sources

### Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

### Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
<a href="#">FATF List of Countries identified with strategic AML deficiencies</a>	Not Listed	AML Deficient but Committed	High Risk
<a href="#">Compliance with FATF 40 + 9 recommendations</a>	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
<a href="#">US Dept of State Money Laundering assessment (INCSR)</a>	Monitored	Concern	Primary Concern
<a href="#">INCSR - Weakness in Government Legislation</a>	<2	2-4	5-20
<a href="#">US Sec of State supporter of / Safe Haven for International Terrorism</a>	No	Safe Haven for Terrorism	State Supporter of Terrorism
<a href="#">EU White list equivalent jurisdictions</a>	Yes		No
<a href="#">International Sanctions UN Sanctions / US Sanctions / EU Sanctions</a>	None	Arab League / Other	UN , EU or US
<a href="#">Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network</a>	>69%	35 – 69%	<35%
<a href="#">World government Indicators (Average)</a>	>69%	35 – 69%	<35%
<a href="#">Failed States Index (Average)</a>	>69%	35 – 69%	<35%
<a href="#">Offshore Finance Centre</a>	No		Yes

### **Section 3 - Economy**

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

### **Section 4 - Foreign Investment**

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

### **Section 5 - Government**

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

### **Section 6 - Tax**

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD Global Forum on Transparency and Exchange of Information for Tax Purposes](#) [PKF International](#))

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Gary Youinou

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