

Sudan

RISK & COMPLIANCE REPORT

DATE: March 2018

Executive Summary - Sudan

Sanctions:	UN and EU Financial and Arms
FAFT list of AML Deficient Countries	No longer on FATF list
Higher Risk Areas:	<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 & 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>
Medium Risk Areas:	Weakness in Government Legislation to combat Money Laundering
<p>Major Investment Areas:</p> <p>Agriculture - products:</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>Industries:</p> <p>oil, cotton ginning, textiles, cement, edible oils, sugar, soap distilling, shoes, petroleum refining, pharmaceuticals, armaments, automobile/light truck assembly</p> <p>Exports - commodities:</p> <p>gold; oil and petroleum products; cotton, sesame, livestock, groundnuts, gum arabic, sugar</p> <p>Exports - partners:</p> <p>UAE 63.2%, Saudi Arabia 9.2%, Ethiopia 5.3% (2012)</p> <p>Imports - commodities:</p> <p>foodstuffs, manufactured goods, refinery and transport equipment, medicines and chemicals, textiles, wheat</p> <p>Imports - partners:</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.

Contents

Section 1 - Background	4
Section 2 - Anti – Money Laundering / Terrorist Financing	5
FATF status.....	5
Compliance with FATF Recommendations.....	5
Key Findings from latest Mutual Evaluation Report (2013):	5
US Department of State Money Laundering assessment (INCSR)	6
Report	10
International Sanctions.....	14
On 13 February 2014, the UN Security Council adopted Resolution 2138 (2014), extending Mandate	14
Read Resolution	14
EU Sanctions	14
Bribery & Corruption.....	17
Corruption and Government Transparency - Report by Global Security	17
Section 3 - Economy	21
Banking	22
Stock Exchange.....	22
Section 4 - Investment Climate	23
Section 5 - Government	33
Section 6 - Tax	35
Methodology and Sources	36

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 3 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, to a lesser extent, sex trafficking. Street children in Khartoum—including Sudanese and migrant children primarily from West Africa—who beg in the streets and work in public transportation and large markets are particularly susceptible to forced labor; some experience sexual abuse and extortion. Human rights groups observe children working in brick-making factories, gold mining, and agriculture; these children are vulnerable to trafficking. Children observed in gold mining are exposed to threats, physical and sexual abuse, and harsh and unsafe working conditions, with limited access to schooling or health services. Unverified reports indicate South Sudanese children are seasonally contracted out or sold to families for agricultural work, particularly in agricultural states like West Kordofan; these children are vulnerable to exploitation. Sudanese law prohibits the recruitment of children as combatants and provides criminal penalties for perpetrators; however, children remained vulnerable to recruitment and use as combatants and in support roles by Sudanese military and security forces and non-governmental armed groups and militias. In 2015, an international organization reported that the Sudanese Armed Forces (SAF) recruited and used some children aged 16-17 years, while unverified reports indicate the Sudanese Rapid Response Forces recruited 12 boys. In addition, South Sudanese rebels reportedly abducted children from West Kordofan to fight in South Sudan. Sudanese women and girls, particularly internally displaced persons or those from rural areas, and refugee women are vulnerable to domestic servitude; Sudanese girls are also vulnerable to sex trafficking in restaurants and brothels. Some Sudanese officials are reportedly involved in child sex trafficking rings and profit from such crimes.

Migrants, unaccompanied minors, refugees, and asylum-seekers, primarily from East and West Africa, are highly vulnerable to sex trafficking and forced labor in Sudan. Ethiopian women are particularly vulnerable to domestic servitude in private homes in Khartoum and other urban centers; some Ethiopian women are forced into prostitution in Khartoum and experience debt bondage. A substantive number of Filipina women subjected to trafficking in Sudan work as domestic employees in Sudanese homes. Anecdotal reports indicate Syrian refugees, including children, are increasingly observed begging on the streets in Khartoum and are vulnerable to exploitation. Anecdotal evidence also suggests that Chinese women working for Chinese companies, especially restaurants, may be subjected to forced labor or prostitution. Bangladeshi adults migrate to Sudan for work and have been reported to be victims of trafficking. South Sudanese citizens, who lack formal immigration papers due to unimplemented agreements between Sudan and South Sudan on the legal status of South Sudanese in Sudan, are vulnerable to exploitation in Sudan. Many migrants from East Africa and the Middle East, including Yemenis and Syrians fleeing conflict, who transit Sudan en route to Europe are highly vulnerable to trafficking along this route. Some refugee and asylum-seekers from Eritrea and Ethiopia are abducted from Sudan-based refugee camps, eastern border regions, and Khartoum and transported to other countries, including Libya, for exploitative purposes. Eritrean nationals are abducted from refugee camps or at border crossings, extorted for ransom, and brutalized by smugglers primarily linked to the Rashaida tribe; some of those abducted are forced to perform domestic or manual labor and experience severe physical and sexual abuse, indicative of trafficking. Sudanese police and

border guards allegedly facilitate abductions of Eritrean nationals, some of whom are trafficking victims, and allow potential victims to be transported across security checkpoints or international borders without intervention.

Sudanese citizens are subjected to forced labor, domestic servitude, and sex trafficking abroad. Some Sudanese men who voluntarily migrate to the Middle East as low-skilled laborers are subjected to forced labor. The Sudanese government reported the use of Sudanese children in Saudi Arabia for forced begging and street vending, especially during the Hajj season. Sudanese criminal gangs falsely promise Sudanese nationals jobs in Libya, but sell them to Libyans who force them to work in agriculture. In March 2016, the media reported a Sudanese youth was allegedly sold by his uncle for forced labor in a mine in Libya. Some Sudanese citizens who migrate to Europe via Egypt are reportedly detained in the Sinai Peninsula; these individuals are highly vulnerable to exploitation and severe physical and sexual abuse.

The Government of Sudan does not fully meet the minimum standards for the elimination of trafficking and is not making significant efforts to do so. Although the government reported law enforcement efforts against trafficking offenders, officials frequently conflated trafficking with other crimes, such as smuggling and kidnapping, and convicted offenders received severely weak sentences that were insufficient to deter the crime. Moreover, the government continued to deny the existence of sex trafficking of adults and children, and it did not report on forced labor or the recruitment and use of child soldiers by government security forces. The government identified a significant number of victims of abuse, including some trafficking victims, during security operations; however, the government failed to identify victims of sex trafficking or forced labor. Authorities continued to punish trafficking victims for unlawful acts committed as a direct result of being subjected to trafficking, such as immigration violations. The government lacked capacity and resources to provide adequate protective services to victims of all forms of trafficking. In March 2016, the government finalized an action plan—negotiated with an international organization—to end the recruitment and use of child soldiers. Despite this positive effort, authorities were unable to fully prevent or end the use of children in the armed forces and failed to provide protective services or reintegration support to demobilized child soldiers.

US State Dept Terrorism Report 2016

Sudan is designated as a State Sponsor of Terrorism

Sudan was designated as a State Sponsor of Terrorism in 1993 due to concerns about support to international terrorist groups, including the Abu Nidal Organization, Palestine Islamic Jihad, Hamas, and Hizballah. Notwithstanding this history, countering terrorism is today a national security priority for Sudan, and Sudan is a cooperative partner of the United States on counterterrorism, despite its continued presence on the State Sponsors of Terrorism List. During the past year, the Government of Sudan continued to pursue counterterrorism operations alongside regional partners, including operations to directly counter threats to U.S. interests and personnel in Sudan. Sudan takes seriously the threat posed by ISIS, and in September 2016, the U.S. government acknowledged the Government of Sudan's significant efforts to counter ISIS and other terrorist groups and to prevent their movement into and through

Sudan. Earlier, in June 2016, a senior U.S. official praised Sudan for its counterterrorism efforts as well.

There were no reported terrorist attacks in Sudan in 2016. There also were no indications that the Sudanese government tolerated or assisted terrorist organizations within its borders in 2016. Reports indicate that the Government of Sudan ceased providing Hamas any direct support as they did in years past.

As a result of a U.S. engagement plan with the Government of Sudan in 2016 that offered potential economic sanctions relief if Sudan took positive actions in a number of areas – including enhanced counterterrorism cooperation – the Sudanese government has taken steps to improve its counterterrorism efforts through enhanced interagency and international cooperation to address the ISIS threat.

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	16
World Governance Indicator – Control of Corruption	1

Corruption is a very high risk in Sudan, which is considered to be one of the most corrupt countries in the world. Public servants are known to demand extra facilitation payments for services that individuals or companies are legally entitled to. Government officials hold direct and indirect stakes in many enterprises, which creates a system of patronage and cronyism and distorts market competition to the disadvantage of foreign firm without political connections. Government officials are frequently involved in corrupt practices with impunity. The lack of transparency in Sudan retains the status quo both due to a weak administrative setup, which allows for poor record-keeping and lax budget handling, and due to the absence of legislation providing public access to government information. Active and passive bribery, gifts and facilitation payments are prohibited in the public sector, but enforcement is weak. **Information provided by GAN Integrity.**

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 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. 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.

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 high inflation, which reached 47% on an annual basis in November 2012 but subsided to 18% in 2015.

Agriculture - products:

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

Industries:

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

Exports - commodities:

gold; oil and petroleum products; cotton, sesame, livestock, peanuts, gum Arabic, sugar

Exports - partners:

UAE 32%, China 16.2%, Saudi Arabia 15.5%, Australia 4.7%, India 4.2% (2015)

Imports - commodities:

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

Imports - partners:

China 26.4%, UAE 10.1%, India 9.1%, Egypt 5.6%, Turkey 4.7%, Saudi Arabia 4.4% (2015)

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.

Section 4 - Investment Climate

Executive Summary

Due to U.S. and international sanctions imposed on Sudan, the trade and investment environment is not favorable for American firms, despite limited exemptions. Endemic corruption, minimal ground and air transportation links, very limited banking services, high unemployment, multiple exchange rates, government misrule, and internal conflicts undermine commercial activity.

There is no American Chamber of Commerce in Sudan, although a U.S.-Sudan Business Council (USSBC) was formed in late 2014. There is no U.S. foreign direct investment, and the potential for American commercial activity with Sudanese entities must remain within the framework of the exempted areas that permits trade between the two countries. General licenses from the Department of Treasury exempt U.S. exports of: agricultural equipment, inputs, and livestock food, medicine, and medical equipment; certain educational activities and exchanges; and, information and communications technology products and services. Lucrative opportunities exist in these areas.

Sudan has emerged as an attractive market for U.S.-manufactured agricultural machinery such as tractors, pivot irrigation systems, and seeds. Sudan's major dairies began purchasing thousands of American-breed dairy cattle in the past two years. Medicine and medical equipment as well as a variety of academic services remain in high demand; however, activities in these areas are minimal due to the difficulty in executing financial transactions with Sudan, even for legal activity. Since mid-2014, correspondent banks have closed accounts of Sudanese and those residing in Sudan, and have in many cases refused to conduct financial transactions if Sudanese individuals, businesses, or institutions are involved in the commercial transaction – including those transactions with licenses issued by the Treasury Department's Office of Foreign Assets Control (OFAC). Banks and financial institutions abroad have declined to do business with clients who have any connection to Sudan. Some American firms avoid conducting business with Sudan because the benefit does not outweigh the costs of staying compliant to U.S. law. For these reasons, American and Sudanese businesses alike are deterred from pursuing permissible commercial activity.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2015	165 of 167	http://www.transparency.org/cpi2015/#results-table
World Bank's Doing Business Report "Ease of Doing Business"	2016	159 of 189	doingbusiness.org/rankings
Global Innovation Index	2015	143 of 143	globalinnovationindex.org/content.aspx?page=data-analysis
World Bank GNI per capita	2014	USD 1,710	data.worldbank.org/indicator/NY.GNP.PCAP.CD

1. Openness To, and Restrictions Upon, Foreign Investment

ADVISORY: U.S. Embassy Khartoum advises that certain limitations exist on the U.S. Government's engagement with American businesses that export goods or services to Sudan. In particular, section 908(a)(1) of the Trade Sanctions Reform Act (TSRA) (22 U.S.C. 7297(a)(1)) provides: "Notwithstanding any other provision of law, no United States Government assistance, including United States foreign assistance, United States export assistance, and any United States credit or guarantees shall be available for commercial exports to ...Sudan." The export assistance restriction limits U.S. Embassy Khartoum's ability to provide the kind of support that the U.S. and Foreign Commercial Service typically provides—including business matchmaking services, market research on specific products or services, export advocacy, and provision of information concerning business opportunities. See, e.g., 15 U.S.C. 4721. END ADVISORY

There are limited possibilities for American investors and export-import firms to conduct business in Sudan. U.S. and other economic sanctions, high taxes, and frequent changes to the investment code are all factors discouraging foreign direct investment. To date, gum Arabic is the only Sudan-originated product that is permitted to enter the American market, and U.S. purchasers of Sudanese gum Arabic must obtain an import license from OFAC. Additionally, U.S. sanctions prohibit Americans from engaging in any business transaction involving the Government of Sudan (GoS), including state-owned companies. At present, the Bank of Khartoum is the only Sudanese bank not designated under OFAC sanctions.

Potential investors should bear in mind that U.S. sanctions generally prohibit U.S. persons from importing or exporting goods, services, or technology from or to Sudan, and generally prohibit U.S. persons from engaging in financial transactions with the Sudanese government, among other prohibitions. Certain types of transactions, specified by economic sector or geographic regions within Sudan, are generally licensed, such as the export of certain agricultural commodities, medicines, and medical devices to certain areas of Sudan. In mid-February 2015, the Treasury Department issued a General License D on information and communications technology (ICT), including handheld mobile devices and U.S.-manufactured computers, laptops, and notebooks.

In addition, otherwise prohibited transactions may qualify for OFAC licenses. American investors interested in business opportunities in Sudan are strongly encouraged to review the Code of Federal Regulations chapter on "Sudanese Sanctions Regulations," Chapter 31 C.F.R. Section 538. Information on how to apply for an OFAC license is found at <http://www.treasury.gov/resource-enter/sanctions/Pages/licensing.aspx>.

OFAC's page on Sudan is found at <http://www.treasury.gov/resource-center/sanctions/Programs/pages/sudan.aspx>.

Investors should be aware that even when operating pursuant to an OFAC license, many U.S. businesses face difficulties in transferring money to Sudan as international financial institutions exercise extreme caution in processing transactions related to Sudan. Since mid-2014, correspondent banks have closed accounts of clients in Sudan and refused to conduct financial transactions if Sudanese individuals, businesses, or institutions were involved—including ones with OFAC licenses. Those who decide to pursue permissible commercial activity should be advised that the issuance of an OFAC license can take several weeks.

For companies operating with appropriate licenses, Sudan is becoming a large market for a variety of agricultural harvesting equipment and inputs. Sudanese farmers represent a significant source of demand for new seeds adaptable to Sudan's hot and dry climate. Exports of agricultural equipment and other inputs such as seeds require a specific license. General commercial exports to Darfur and the "Two Areas" (South Kordofan and Blue Nile States) have a general license exempting these specified regions from U.S. sanctions. Currently, about 16.8 million hectares are under cultivation in Sudan; however, 84 million hectares are suitable for agriculture. Rain-fed traditional farming practices continue to dominate, but large-scale mechanized farming is growing, especially along the Nile and its tributaries. There is a robust market for American-manufactured pivot irrigation systems, water pumps, and well-drilling equipment. Sudan's major dairies began buying thousands of American-breed dairy cattle in the past year.

Sudan has a formal private sector, led by the Sudanese Businessmen and Employers Association. The private sector is dominated by numerous large, often family-owned industrial, agricultural, and consumer products conglomerates. Many Sudanese corporate leaders studied in the West and are fluent in English. While there is no U.S. Chamber of Commerce in Sudan, in late 2014 a small group of Sudanese business leaders believed to have no connection with the government formed the USSBC. The USSBC emphasizes its activities on people-to-people engagement to draw awareness to the consequences sanctions has had on the Sudanese people and the private sector.

Although considered among the fastest growing economies in Africa, Sudan presents one of the most challenging business environments in the world to the would-be investor. Sudan ranks 159 out of 189 countries on the June 2015 World Bank-International Financial Corporation's "Doing Business Report – Ease of Doing Business." It is ranked 165 of 167 countries on Transparency International's 2015 Corruptions Perception Index, ahead of only North Korea and Somalia. On the 2015 UN Human Development Index (HDI), Sudan is ranked 167 out of 187 countries. An estimated 47% of Sudan's population lives on less than \$2 per day, according to the HDI.

Political risk is also of concern. In addition to regional instability with countries bordering Sudan, the central government is involved in two internal conflicts: in Darfur and in the "Two Areas" of South Kordofan and Blue Nile States. Sudan and South Sudan have yet to demarcate their common border and continue to dispute the sovereignty of the territory of Abyei. Armed UN peacekeeping missions (UNAMID and UNISFA) are located in Darfur and Abyei.

International air service to Khartoum is limited. Egypt Air, Ethiopia Airlines, Flynas, Kenyan Airways, Saudia Airlines, Turkish Airways, Bahrain's Gulf Airways, and several Emirati-based carriers (Etihad, Emirates, Fly Dubai, and Air Arabia) are among the major carriers that serve Khartoum; no American carrier is permitted to fly to Sudan. Tunisia Airlines is scheduled to begin operations in the summer of 2016. Two private domestic airlines service Port Sudan, other regional Sudanese cities, and Juba, South Sudan. International airlines continuously review decreasing the number of weekly flights traveling to Khartoum because of the difficulties they face repatriating money and the weakening of the Sudanese Pound.

In response to the loss of oil production and revenue following the secession of South Sudan in 2011, Sudanese officials are attempting to recover revenue by expanding existing oil and gas production, increasing mining operations (particularly gold mining), and reviving the agricultural and livestock sectors that had been the mainstay of the Sudanese economy

prior to the advent of crude oil exports in 2000. As a result, Sudan's agricultural revival through the GoS five-year plan increased the demand for agricultural inputs which are exempt from U.S. sanctions. Sudanese conglomerates are moving toward corporate farming primarily of fodder exports to the Gulf States.

Sudan emphasizes its desire for more foreign direct investment. Sudan has officially introduced two significant investment reforms in the last three years: lowering both the corporate tax rate and capital gains tax, and improving the timeliness of customs clearances. However, interlocutors have informed the GoS places the tax burden primarily on large businesses that pay much higher than their official tax rate.

Trade missions, mainly from Saudi Arabia, Qatar, Kuwait, and the United Arab Emirates, visit Khartoum on a regular basis, often accompanied by public announcements of signed agreements and purported deals. Most foreign investment to date is related to natural resources, particularly in petroleum and gas exploration and extraction, and agriculture. China, Malaysia, Brazil, and India have made major investments in the oil sector, and Arab Gulf states and Brazil, and Egypt have made major investments in Sudan's agricultural sector primarily in animal fodder.

In January 2013, the Economic Development Sector of the Council of Ministers passed the National Investment Encouragement Act of 2013, later adopted by the National Assembly. This act ensures that foreign investors enjoy the same protections as Sudanese nationals. Foreign investors, however, do complain that they are often asked for bribes to establish businesses or undertake economic projects in Sudan. There is often a difference between treatment provided by law and treatment received in practice. Investors face noteworthy corrupt activity in their encounters with midlevel government bureaucrats for the provision of administrative services such as issuing licenses, certificates, and documents.

Despite the legal protections guaranteed under the National Investment Encouragement Act of 2013, there are foreign investment restrictions in the transportation sector, specifically in railway freight transportation, inland waterways barge service, and airport operations. Most telecommunications and media, including television broadcasting and newspaper publishing, are closed to foreign capital participation. Foreign ownership is also restricted in the electrical power generation 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. Such monopolies, together with a high perceived difficulty of obtaining required operating licenses, make it more difficult for foreign companies to invest.

2. Conversion and Transfer Policies

Facing a severe foreign exchange reserves shortage, the Sudanese government tightened conversion and transfer policies. Domestic businesses have no assurance of obtaining needed levels of foreign currency for international transactions unless importing from a list of government approved commodities. The government strictly controls incoming hard currency from exports and business owners wishing to retrieve cash can only make withdrawals denominated in Sudanese pounds. Foreign companies operating in Sudan must have the Central Bank of Sudan's permission to repatriate profits and foreign currency. The Investment Act of 2013 enshrines the right to repatriate capital and profits, provided the investor has opened an investment account at the Central Bank of Sudan *before* entering into business. To avoid banking delays, many Sudanese firms complete a significant amount

of transactions outside of official channels or complete transactions abroad in U.S. Dollars, Euros, Riyals, or Dirhams to avoid delays.

The presence of a rapidly widening gap between the black market and official exchange rates add to the difficulty and complexity of settling accounts and repatriating profits and foreign exchange. While Sudanese and foreigners are permitted to hold foreign currency accounts in private 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. Local businesses may avoid holding significant cash in domestic deposit accounts all together. Sudanese authorities periodically crack down on dealers involved in unlicensed foreign exchange transactions. In 2014, in order to encourage the development of productive export industries, the Sudanese government prohibited banks from lending to real estate development and financing automobile loans.

The GoS can introduce changes to policies governing currency access and conversion without warning, and such changes generally become effective immediately upon announcement. While government agencies claim inflation had fallen to 12% in 2016 down from 36.9% in 2014, the existence of a widening gap between the official 6.5 SDG to the U.S. Dollar and 13.2 SDG black market rate discourages foreign direct investment in Sudan. Currently, there is no indication that the GoS will consider monetary policy to close the gap between the official and parallel market rate.

3. 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 exists for determining compensation or defining specific public interests. The U.S. government is unaware of any outstanding cases involving the expropriation of property belonging to a U.S. citizen or corporation.

4. Dispute Settlement

According to the World Bank’s publication “Doing Business 2015,” enforcement of a commercial contract in Sudan takes an average of 53 procedures and 810 days at a cost of 19.8 percent of the claim. These figures are unchanged for the last seven years. The World Bank reports that it takes 58 weeks to enforce an arbitration award rendered in Sudan (assuming no appeal). Embassy interlocutors report that while the judicial process is long and arduous, litigants can generally expect a fair ruling in the end.

Sudan’s investment law does provide for international arbitration. Sudan is a party to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID Convention). However, Sudan has not signed the 1958 New York Convention. Sudan’s Arbitration Act of 2005 governs all arbitration matters, to include foreign investments.

5. 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 Ministry of Commerce and the State Minister, during the 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. They are: (1) infrastructure—including roads, ports, electricity, dams, communications, energy, transport, contracting business, education, health, tourism, information technology services, and water projects; (2) natural resource extraction and exploitation; and (3) agriculture, animal (husbandry), 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 10 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: investments in the least developed areas of the country; investments that assist in the development of export capabilities that contribute to rural development; that increase employment; that are charitable in nature; and that develop scientific and technological research.

U.S. citizens should note that investments in the aforementioned strategic sectors are occasionally permitted by Sudanese authorities as a joint venture with the GoS, which is prohibited under U.S. sanctions. U.S. citizens should also take caution because those government agencies, such as the National Security Services and others, operate cash-generating front companies, usually in the business of high volume trade of commodities and bulk goods. The ownership of such companies are often hidden and/or registered under the names of private citizens hiding their affiliation to a government entity.

6. Protection of Property Rights

Real Property

Foreign and domestic private businesses may register as a sole trader, partnership, limited liability Company (private or public), special concession, or branch of a foreign registered company.

However, restrictions on foreign equity ownership apply in many sectors, particularly in service industries. Businesses involved in railway and inland waterway freight transportation, airport operations, television and radio broadcasting, and newspaper publishing, are closed to full foreign participation. In addition, foreign participation is limited in the telecommunications and financial services sectors. The Investment Act of 2013 allows non-Sudanese participation in the communications and financial services sectors provided it receives prior approval from the National Telecommunications Service and the Central Bank of Sudan.

Sudanese law does allow for the foreign purchase of privately or publically held land in Sudan, but instances of such 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.

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. However, protecting property rights can be problematic. At times, security and civil authorities do not

follow due process. The judiciary is influenced by other branches of government, exercises little independence, and is widely perceived as corrupt.

Intellectual Property Rights

The legislative framework on intellectual property rights (IPR) is adequate, but enforcement is uneven. Authorities have conducted raids on shops selling counterfeit pharmaceuticals and animal dips, but there is no nationwide campaign to enforce IPR. Likewise trademarks of popular American businesses, usually chain restaurants, are often used or changed slightly to reflect the original brand. Most, if not all, grocery and hardware stores display American and British name brands shipped from Dubai, Cairo, and Abu Dhabi, and many consumer goods from Egypt, South Africa, and South Korea. The Sudanese Consumers Protection Society, the only consumer protection society in Sudan, has held seminars and issued warnings about counterfeit goods/pharmaceuticals that threaten public health and safety. The Sudanese Businessmen and Employers Association have also complained about IPR violations. Some private law firms have taken initiatives to independently seek out local businesses abusing international trademarks and offering to represent foreign firms in court.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

Embassy point of contact on IPR concerns is Aysa Miller, MillerAM@state.gov.

Local lawyers list: [Embassy Khartoum's legal information](#).

7. Transparency of the Regulatory System

The World Bank's June 2016 "Doing Business" annual report ranked Sudan 159 out of 189 countries for the process of starting a business. The report states there are 10 procedures required to start a business, with each procedure possibly taking up to one month to complete, which is higher than the average for Sub-Saharan Africa. Additionally, the report measured the ease of obtaining information about the regulatory process. While information about fee schedules for starting a business is available upon request, it is generally difficult to obtain and is not published in laws or decrees. There are no informational brochures, boards, or public notices on the topic in government offices or online, but it can be obtained from the High Investment Council upon request.

8. Efficient Capital Markets and Portfolio Investment

Sudan maintains a fully integrated and compliant Islamic financial system (Sharia). The overall capacity of the financial system is relatively small and weak by international standards. The banking sector is comprised of 32 banks, including six foreign and four state-owned banks. Commercial banks do not indulge in financing except in gold as capital investors, and hardly any role in mining or oil and gas concessions which are dominated by foreign investors. Also, few banks have the capability to offer export facilities. The Central Bank of Sudan plays an active role by directing and controlling commercial banking activities and financing investors in the extractive industries. Sudanese banks still remain absent from small business finance in the extractive sectors.

NOTE ON ISLAMIC FINANCE & BANKING IN SUDAN:

Sudan is one of two countries with a fully integrated Sharia compliant financial system. Due to the nature of Islamic financing in Sudan, local banks operate as merchant banks holding on their balance sheets large quantities of assets such as industrial equipment, automobiles, real estate, and commodities. The holding of commodities can often lead to season scarcity of certain goods, depending on the international price. Popular Sharia compliant instruments offered to banking clients in Sudan include:

Qard – A non interest-baring current account.

Mudarib Contract – An investment account equivalent to a savings account, in which the client allows the bank to make investment decisions in economic activity to bring returns on the deposit. The client and bank usually agree to a 30/70 ratio on a profit and loss contract. Contracts are viewed to be in favor of the customer.

Murahiba – Mostly used for real estate and automobile loans. Banks purchase an item in full and resell to the customer at a negotiated profit margin. The customer acquires the asset by paying installments over time.

Musharika – A financing mechanism similar to a working capital loan in which a joint venture agreement is negotiated between the bank and customer whom agree on a fixed profit (or loss). Typically used for industrial and agricultural sectors whereby the bank purchases inputs (such as seeds) for a value-added activity to be performed by the client.

Salem – An instrument used for customers without cash such as small to medium size farmers. The bank purchases today a specified quantity of goods (or yield) and immediately credits the client's account. After production, the client delivers the goods produced to the bank.

Other instruments popular in the Gulf States such as Ijara (rent-to-own) and Wakala (wealth management) are not widely available in the Sudanese market.

The government has an ownership stake in many of the remaining domestic banks. Sudan remains under-banked, with banking and other financial institutions concentrated around Khartoum. The rate of non-performing loans is high. Due to U.S. and international sanctions, correspondent banks decided to stop operations with Sudan because of the risk of being incompliant with U.S. sanctions. To avoid any connection with Sudan, both foreign and Sudanese companies frequently make transactions dominated in currencies other than U.S. dollars as to avoid a nexus with Sudan and to circumvent the Society for Worldwide Interbank Financial Telecommunication (SWIFT).

9. Competition from State-Owned Enterprises (SOEs)

Despite the government announcing a mass privatization campaign to begin in 2011, it actually has privatized few enterprises or corporations. The State indirectly owns enterprises through government officials, political parties, and private citizens in addition to direct ownership of enterprises by all levels of government and different agencies. The broad range of activities in which the government participates as direct or indirect owner of enterprises distorts competition in those markets, as the presence of state-owned firms provides a strong disincentive to private entry. These favored companies are often times granted government

bids and tenders to trade in bulk with the right to purchase U.S. Dollars (USD) from the Central Bank of Sudan (CBoS) at the official exchange rate. Other companies have to purchase at the parallel market rate which has now reached a 200% increase. Some firms may not be able to compete and therefore must withdraw from the market, leaving the favored company free to charge exorbitant rates at huge profits. This undermines policies and competition that would allow newcomers' entry into certain sectors. Major government contracts are often awarded first to a firm controlled by a government official and then subcontracted to a firm or firms that actually perform the work. Many state-owned enterprises, such as the national cellular carrier Sudatel, are owned in whole or part by ruling National Congress Party (NCP), military, police, and National Intelligence and Security Services (NISS) officials.

10. Responsible Business Conduct

Corporate Social Responsibility (CSR) activity in Sudan is robust among large and medium size businesses that advertise their activities in Sudan's rural peripheries and in poor metropolitan areas. Firms that do not have ongoing CSR activities usually will embark on a large charity program during the month of Ramadan. American and international activist organizations and groups that advocate CSR and peace and justice in Darfur, target for protests and economic boycotts the multinational corporations with economic interests in Sudan. As a result, many institutional investors have divested their share holdings of companies that do business in Sudan. The Chinese government and the state-owned China National Petroleum Corporation have come under international criticism for their involvement in the Sudanese petroleum sector.

The GoS does not require companies to publicly disclose information relating to issues of corporate social responsibility. Firms and individuals must contribute a portion of their profits (2.25%) to zakat (charity) services. Labor and employment rights are not regularly enforced, and there is no consumer protection law. Although an independent Sudanese Consumer Protection Society exists, it primarily focuses on medicinal protections and lobbying the government over price issues and is not considered to have much influence at this time.

A number of large Sudanese-owned corporations have active and full CSR programs that compare favorably with those in U.S. companies. The results have been positive, and foreign investors should consider an active CSR program to build goodwill among local communities, their employees, and the national, state, and local governments.

11. Political Violence

Sudan remains on the U.S. State Sponsors of Terrorism list. However, Sudanese authorities have taken steps to limit the activities of terrorist groups and, as a result, there have been no violent attacks on westerners since early 2008. Central, Eastern, and Northern Regions of Sudan remain relatively safe. However, violent conflicts between the government and armed rebel movements persist in regions of Darfur, Blue Nile State, South Kordofan, and the Nuba Mountains. U.S. Embassy Khartoum has implemented enhanced security measures to protect U.S. government personnel assigned to Sudan. The embassy facility was attacked on September 14, 2012, in protest of a film mocking Islam.

As a result of the over proliferation of weapons due to years of war, the threat of violent crime—including kidnappings, armed robberies, home invasions, rape, and carjacking—is particularly high in conflict areas. The GoS has limited capacity to deter crime in these

regions. Some observers assert that the GoS encourages instability and criminal activity through its support of militias. In addition, militia and armed rebel groups have carried out criminal attacks against locals and foreigners. Foreign nationals have been abducted and held for ransom by criminal groups in Darfur, and 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 occur 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. Clashes between Sudanese forces and armed opposition groups in Blue Nile and South Kordofan States, including the disputed area of Abyei, are real and immediate dangers to travelers and business operators. Likewise, clashes between feuding tribes over land resources tend to flare up unexpectedly. In addition, U.S. citizens found in these areas without permission from the GoS face the possibility of detention by government security forces. Violent anti-government demonstrations occur periodically, mostly in Khartoum.

Travelers can get updates by checking the [U.S. Embassy website](http://sudan.usembassy.gov/) at <http://sudan.usembassy.gov/>.

12. Corruption

Sudan's public sector is perceived as one of the most corrupt in the world, ranking 165 out of 167 nations in the 2016 Transparency International (TI) Corruption Perceptions Index. According to TI, Sudan is ahead of only North Korea, Afghanistan, and Somalia in the area of government transparency.

Over the past two years, the GoS has taken limited steps to combat official corruption. Sudan signed the UN Anticorruption Convention in 2005 and ratified it in September 2014. Sudan also signed the African Union Convention on Preventing and Combating Corruption, but has yet to ratify it.

In April 2014, a Sudan chapter of TI was formed. It has already begun presenting evidence of official corruption to the semi-independent "Financial Information Unit" (FIU—formerly the Central Bank of Sudan's Financial Intelligence Unit) for investigation. The FIU is empowered to present its findings to the Ministry of Justice for adjudication.

13. Bilateral Investment Agreements

Sudan has bilateral investment agreements with Germany, Netherlands, Switzerland, Egypt, France, Romania, China, Indonesia, Malaysia, Qatar, 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.

14. Foreign Trade Zones/Free Ports

Sudan has established two free trade zones—Suakin on the Red Sea near Port Sudan and Aljaily near Khartoum. The governments of Egypt and Sudan are scheduled to inaugurate the Argeen border crossing located on the western bank of the Nile. The Sudanese side will house a Free Trade Zone. 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 depending 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.

Sudan was in the process of creating a free trade zone in Kosti, near South Sudan, but the mid-December 2013 outbreak of internal strife in South Sudan dramatically slowed trade between the two countries.

15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

The GoS does not publish investment statistics on a regular basis. There is neither U.S. Foreign Direct Investment into Sudan nor Sudanese direct investment into the U.S. due to U.S. sanctions policy.

Table 2

Host Country Gross Domestic Product (U.S.D)	2015	\$90B	2016	\$109B	GoS Budget 2016
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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, IFRC, 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
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	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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