

# The Impact of **MILITARY INFIGHTING**

## on the Sudanese Economy Present Resources and Permanent Exclusions

### **Introduction**

The war casts a shadow on everyone, leaving no one untouched by it. Starting from the loss of life, to terrorizing the safe, spreading a state of uncertainty and spreading fear among civilians, the war finds its way to the economy through the destruction of infrastructure and humanity in the country in conflict.

The Sudanese economy is considered one of the most primary economies in Africa, as it is highly dependent on oil production. Since the end of the two-decade civil war and the discovery of oil fields in the middle of the last century, the Sudanese economy has been steadily expanding. However, much of the population still relies on subsistence farming, with an estimated total population of 45.7 million in 2021, up from 36 million in 2013, indicating a huge population and human strength. Perhaps what confirms this is that 41% of the population is between the ages of 0 and 14 years, and 56% for the age group (15-64). This is compared to 3.4% for the age group over 60 years.

In this way, the current article seeks to monitor the impact of the ongoing war on the Sudanese economy, through the following points:

### **First: Overview of the Sudanese economy**

Sudan's gross domestic product (GDP) reached US\$34.33 billion in 2021, according to data from the World Bank. The added value ratio in the agricultural sector (as a percentage of GDP) will reach 6.4% in 2021, and 38% of the workers will work in it. This is compared to 7% for the added value of the industry - noting that it declined from 23.3% in 2020 - and by 17% for workers, while the added value of services represents 9.7% - noting that it declined from 51% in 2018 - and there are 45% working in it.

Sudan's GDP per capita was last recorded at \$3,701.07 in 2021 through purchasing power parity (PPP). This is equivalent to one-fifth (21%) of the global average. On the other hand, Sudan suffers a current account deficit of 10% of the

country's GDP in 2021. The degree of economic freedom in Sudan has reached 32.8, which makes its economy the 173rd freest in the 2023 index.

Sudan ranks 47th out of 47 countries in Sub-Saharan Africa, and its overall score is well below the regional and world averages<sup>(1)</sup>.

The large informal economy is an important source of employment. Also, outside the hydrocarbon sector, economic development is limited by its political instability. Attempts to develop and diversify the economy are constrained by a lack of institutional capacity. Endemic corruption and insufficient respect for private property rights are serious impediments to the long-term development of the private sector. Military regimes have dominated Sudanese politics since independence from Anglo-Egyptian rule in 1956. In 2019, the security services overthrew President Omar al-Bashir. In 2021, elements of the security apparatus of the transitional government took over. In July 2022, in the face of popular protests, the security services announced that they would allow the civil political movement to form its own government<sup>(2)</sup>.

Overall, oil has driven most of Sudan's GDP growth, but the secession of South Sudan cost Sudan two-thirds of its oil revenues. Almost half of the population lives at or below the poverty line and depends on subsistence agriculture.

## **Second: Sudanese infighting and its relationship to discrimination and minorities**

Heartfelt spread in Sudan is widespread, so it is not afraid that those who are close to the authority and its tribe are bliss, while those who are far from it in thought and position remain in a state of hardship that is not outside of it. Overall, approximately 70% of the population of Sudan is classified as Sudanese Arabs, with a significant black African minority of 30%, including the Fur, Beja, Nuba, and Falata. More than 500 ethnic groups speaking more than 400 languages live within the borders of Sudan. While the intermarriage and coexistence of Arab and African peoples in Sudan over centuries has blurred ethnic boundaries to the point where distinction is often considered impossible, ethnic boundaries have re-emerged in response to decades of conflict invaded by the political manipulation of identity<sup>(3)</sup>.

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(1) The Heritage Foundation. 2023. The Index of Economic Freedom in Sudan

<https://www.heritage.org/index/country/sudan>

(2) IBID

(3) World Directory of Minorities and Indigenous Peoples

<https://minorityrights.org/country/sudan/>

The facts indicate a very disappointing level<sup>(4)</sup> of persecution and violation of human rights. Meanwhile, Sudan's economy suffers as sectarian clashes and other armed violence increase, and civilians pay a heavy price. Many lives are lost and homes destroyed in the Darfur region and the states of South Kordofan and Blue Nile. The ongoing political crisis has exacerbated marginalization and political grievances, as well as unresolved disputes over land ownership. Not only that, Sudan hosts 1.13 million refugees and more than 3.7 million internally displaced persons. Recently, it has witnessed new displacements from South Sudan and within Sudan. UNHCR and its partners continue to respond to the needs of some 47,200 Ethiopian refugees in eastern Sudan and some 8,800 Ethiopian asylum-seekers in Blue Nile State<sup>(5)</sup>.

Sudan is a destination and transit country for asylum seekers, refugees and migrants from at least ten countries. These include refugees from Eritrea, the Central African Republic, Ethiopia, Chad, Syria and Yemen. Refugees in Sudan are settled in camps, out-of-camp settlements, and urban areas in 18 states. Of the 1.1 million refugees in Sudan, about 75% (763,000 people) are South Sudanese – 51% of them are women. Among the refugees, 48% are under the age of 18. Khartoum and White Nile states host two-thirds of all South Sudanese refugees in the country, and Khartoum has the largest number of all states. After Uganda, Sudan hosts the second largest number of refugees fleeing violence in South Sudan.

This infighting also hides within it many of the reasons that generated it, including the deliberate economy of the leadership positions of the inhabitants of the western region<sup>(6)</sup>, which indicates that Sudan suffers from double crises and a dormant volcano of fragility, especially since the situation of the state is in continuous deterioration, and Sudan is ranked sixth in terms of state fragility. The average value for Sudan during the period (2007-2020) was 109.8 index points, with a minimum of 104.8 points in 2020 and a maximum of 113.7 points in 2007. The latest value from the year 2022 is 107.1 points. For comparison, the global average in 2022 based on 177 countries is 65.81 points<sup>(7)</sup>.

(4) UK Parliament. 2023. Human Rights and Religious Minorities: Sudan. February 23

<https://hansard.parliament.uk/commons/2023-02-23/debates/B902B35B-8000-43AD-A940-6839F87B4BBE/HumanRightsAndReligious-MinoritiesSudan>

(5) UNHCR. 2023. Background to a crisis: In Sudan, the stakes are high for the whole of Africa. 28 April

[https://news.un.org/en/story/2023/04/1136187?gclid=Cj0KCQjw9deiBhC1ARIsAHLjR2BlhVDDlaRIEaZFXxoNihYuCmL-4rfTQUte5PuOfe5bR\\_bTf\\_ZX64hwaAr4REALw\\_wcB](https://news.un.org/en/story/2023/04/1136187?gclid=Cj0KCQjw9deiBhC1ARIsAHLjR2BlhVDDlaRIEaZFXxoNihYuCmL-4rfTQUte5PuOfe5bR_bTf_ZX64hwaAr4REALw_wcB)

(6) This is according to what one of the leaders said in a YouTube video

<https://www.youtube.com/shorts/8bE2ikQ8ywl>

(7) For more details, refer to the database

[https://www.theglobaleconomy.com/Sudan/fragile\\_state\\_index/](https://www.theglobaleconomy.com/Sudan/fragile_state_index/)

All of this falls under the category of ethnic motives and exclusion that prompted many military personnel to join the Rapid Support Forces led by Mohamed Abd al-Rahman Dagalo, known as (Hamidti), in exchange for the National Army forces led by Abdel Fattah al-Burhan. As this conflict hides within it a struggle over resources and power, it also carries within it discriminatory conflicts of the first degree. This indicates that marginalization, exclusion, and dire financial conditions could be a major cause of the continuation of the fighting.

Under light of the current fighting, the ability to finance the needs of the most needy groups, minorities, and refugees remains restricted on the one hand, and on the other hand, the increasing number of deaths and the spread of diseases and epidemics as a result of the fighting, not to mention the destruction of infrastructure and facilities.

Accordingly, the logical result of this infighting means that the longer discrimination remains at its pace without a real treatment for it, the more there will remain main motives for fragmentation and armed fighting, especially since Sudan has a historical legacy of military coups and crises.

### **Third: The impact of the ongoing war on the overall indicators of the Sudanese economy**

The war causes severe effects on economies, turning them from a stable state into a state of weakness and weakness. In view of the state of Sudan, it is one of the most frequently countries exposed to a state of instability, sometimes due to civil war and divisions, and others due to attempts at rebellion and secession, and recent history indicates that Sudan does not last a decade until it suffers a major crisis that is reflected in the indicators of the economy and negatively affects it.

Therefore, in this item, an attempt is made to monitor the possible and expected effects of the ongoing war in Sudan on macroeconomic indicators, as follows:

1. Oil is in danger: According to the Central Energy Administration, crude oil production in Sudan rose to 74,000 barrels per day in December, from 71,000 barrels per day in November of 2022. Sudan, along with its sister South Sudan, has 5 billion barrels of proven oil reserves, and they are ranked 23rd in the world and represent about 0.3% of the total global oil reserves. Sudan has proven reserves equivalent to 97.8 times its annual consumption. And in light of the ongoing war between the Sovereign Council forces and the Rapid Support Forces that would prolong the state of political instability, it is expected that oil will be in danger due to its great sensitivity and rapid response to political risks and crises of this kind.

2. The growth path was disrupted by the war. According to the Central Bureau of Statistics in Sudan, the GDP growth in Sudan recorded 0.5% in 2022, after a contraction of 3.6% in 2021, and indicates the first economic growth since 2017. Hence, the outbreak of war between different parties in Sudan heralds the return of economic contraction on the one hand, and on the other hand, the erosion of economic growth that occurred during the last year.

3. A contrasting trend for declining inflation: Sudan records one of the highest inflation rates in the world, despite the decline in the annual inflation rate to 63.3% in February 2023, from 83.6% in January of the same year. This indicates that Sudan suffers from price instability. Therefore, the ongoing war will lead to inflation taking a different direction and increasing rates again. Especially since the consumer price index rose to 68,884.50 points in February from 67,701.90 points in January 2023, according to data from the Central Bank of Sudan.

4. Unemployment without limits and eroding the capabilities of youth: The Sudanese economy suffers from structural and chronic unemployment, which increased to 19.81% in 2021, from 17.17% in 2020. This is the highest rate during the period (2013-2021). In addition, unemployment in Sudan is characterized as youth unemployment, as the unemployment rate among this group recorded 34.5% in 2021. This indicates that the repercussions of the war, in the event of its prolongation, will affect the increase in unemployment rates, and youth unemployment in particular, which means the erosion of human capabilities on the one hand, and on the other hand, the growing intensity of discontent with decision-makers.

5. Public budget deficit: Sudan recorded a government budget deficit equivalent to 4.50% of the country's GDP in 2021. Thus, it has decreased from 5.6% in 2020. In light of the outbreak of war and the increase in the volume of internal strife, this war will inevitably lead to double action on the side of the general budget, starting with the decrease in the volume of revenues due to the cessation of economic activity in the places where the fighting is taking place, to negatively affecting the entire business environment. On the other hand, an increase in military expenditures, as the war is financed and financial support is directed to achieve its goals. This means that the public budget will fall between the hammer of declining revenues and increased expenditures, which will eventually lead to a growing public budget deficit. Not to mention the inability of the general budget to achieve its objectives.

6. Poverty in Sudan: Almost half of the population falls into a state of poverty at the income line, and the poverty rate reaches 16% at the \$3.65 per day line. On the other hand, 86% of Sudanese are considered poor at the poverty line of \$6.85 per day. This is according to the World Bank database. Hence, the war will exacerbate

the state of poverty, as the effects of this war will spread far and wide. The biggest impact of this war is represented in the rise in basic commodity prices, which leads to more inflation, as a result of which poverty rates increase and widen.

It is worth noting that this is not only related to current poverty or income poverty, but also extends to child poverty, which is qualitative and generational poverty at the same time, especially since today's children are the pillar of tomorrow's economy. The 2021 Family Budget and Poverty Survey conducted by UNICEF showed that the rates of extreme child poverty in Sudan increased from 12% in 2014 to 46% in 2018 and 85% in 2020, and extreme poverty rates from 31% in 2014 to 71% in 2018 and 95% in 2020, and overall poverty rates from 43% in 2014 to 80% in 2018 and 97% in 2020<sup>(8)</sup>.

7. Weak investment in the country that is subject to war, where the business environment is negatively affected by the state of destruction caused by the war, which leads to a decrease in commercial profits, productivity rate, high prices, and the lack of an appropriate climate for business, which leads to the flight of foreign investment and the cessation of domestic investment activity and economic stagnation, which is reflected in the decrease in the volume of production and the demobilization of workers....etc. In addition, weak security leads to a decrease in the desire of investors to invest in countries that are exposed to war, which makes them undesirable countries in terms of investment. Net foreign direct investment flows (% of GDP) were 1.5% in 2021. Sudan ranks 171 out of 190 economies in the ease of doing business, as its rank deteriorated to 171 in 2019 from 162 in 2018; according to the World Bank databases.

8. The collapse of the infrastructure of the state that fought wars and the need for time to rebuild it, as it is considered one of the most important negative effects of every war. What was built in decades, the war destroys in a few minutes. This wastes the accumulation of capital and necessarily leads to the loss of the financial resources and construction wealth of the state. Not to mention the generational dimension related to the need to rebuild this structure after the end of the war.

9. Population displacement and reduced food security Sudan has close to 3 million internally displaced persons and an estimated 15 million people face acute food insecurity. Therefore, the existence of war and internal fighting means that the humanitarian situation in Sudan will continue to be in its impasse, and there will be a steady increase in hunger. More than a third of the population, an estimated 15 million people including refugees are acutely food insecure, according to the World Food Program<sup>(9)</sup>.

(8) EF. 2021. Policy, Evidence and Social Protection  
<https://www.unicef.org/sudan/policy-evidence-and-social-protection>

(9) World Food Programme. 2023. Sudan  
<https://www.wfp.org/countries/sudan>

10. The collapse of the educational system and the loss of values, which is one of the most disastrous effects of wars and internal strife, as society lacks the desire for progress and learning, which instills hatred in the hearts of all, and deepens the bonds of disagreement between the parties. According to the Human Capital Index for the year 2021, Sudan scored 0.508 points, which puts the country in the low human development category, and makes it 172 out of 191 countries<sup>(10)</sup>.

## Conclusion

Internal fighting and conflict is a permanent situation in Sudan, as it erupts from time to time and is not new to the state of Sudan. The Sudanese economy is considered fragile and depends on primary sectors, and it has not been able to develop its capabilities from its oil revenues during the past decades.

Therefore, the outbreak of war and the intensification of internal strife will inevitably lead to many negative effects on the Sudanese economy, foremost of which are the decline in economic growth rates, the rise in food and fuel prices, displacement and the decline in the level of food security. In addition, the growing state of political instability is the prevailing situation in Sudan, which is what caused and will cause severe damage to all macroeconomic indicators, not to mention pushing people to more poverty, destitution and hunger.

Accordingly, the longer discrimination remains at its pace without a real treatment for it, the more there will remain major motives for fragmentation and armed fighting, especially since Sudan has a historical legacy of military coups and crises, and thus greater harm to the neediest groups and minorities.

(10) United Nations Development Programme. 2023. Human Development Index. <https://hdr.undp.org/data-center/specific-country-data#/countries/SDN>

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