

SUDAN ECONOMIC UPDATE

May 2025

Economic Policy
Eastern and Southern Africa Region



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The Economic and Social Consequences of the Conflict:
Charting a Path to Recovery



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Acknowledgements

The Sudan Economic Update (SEU) is a World Bank report series that assesses key economic developments, prospects, and policies in Sudan. The SEU is intended for a wide audience including policy makers, business leaders, the community of analysts and professionals engaged in economic debate, and the general public. The SEU reiterates the urgent need to end the recent conflict, facilitate reconstruction, support the poorest groups, and leverage the potential of the agriculture sector for recovery. The SEU was prepared under the overall guidance of Maryam Salim (Division Director), Yoichiro Ishihara (Country Manager), Hassan Zaman (Regional Practice Director for Prosperity), Marco Hernandez (Practice Manager) and Tehmina Khan (Program Leader and Lead Economist). The core team that produced the SEU was Kamer Karakurum Ozdemir (Senior Economist, Task-Team Leader, TTL), Dalia Mohamed Elfatih Zein (Consultant), and John Litwack (Consultant). The SEU draws on the draft background paper "Realizing the Potential of Agriculture to Cope with Fragility, Manage Macroeconomic Instability, and Support Growth" by Kene Egemenari (Senior Economist), Fareed Hassan (Consultant) and Alzaki Alhelo (Consultant), which was funded by Sudan Transition and Recovery Support Trust Fund (STARS TF) and the background paper "Sudan Trade Diagnostic Update: Challenges and a Path to Recovery" by Mike Nyawo (Economist), both prepared under the Country Economic Memorandum work program in FY24. Valuable contributions were made by Cristina Savescu (Lead Economist). Nani Makonnen (Senior Program Assistant) provided administrative and logistical support during the preparation of the report. Angela Takats provided editorial support. The report was designed by Lucy Victoria Davis.



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List of Acronyms

| | |
|-----------------|--|
| AFDB | African Development Bank |
| FAO | Food and Agriculture Organization |
| GDP | Gross Domestic Product |
| HIPC | Heavily Indebted Poor Countries |
| IFPRI | International Food Policy Research Institute |
| IMF | International Monetary Fund |
| IPC | Integrated Food Security Phase Classification |
| NGOs | Non-Governmental Organizations |
| SDG | Sudanese Pound |
| STARS TF | Sudan Transition and Recovery Support Trust Fund |
| UNHCR | United Nations High Commissioner for Refugees |
| UNICEF | United Nations Children's Fund |
| UNMAS | United Nations Mine Action Service |
| USD | United States Dollar |
| WFP | World Food Program |
| WHO | World Health Organization |

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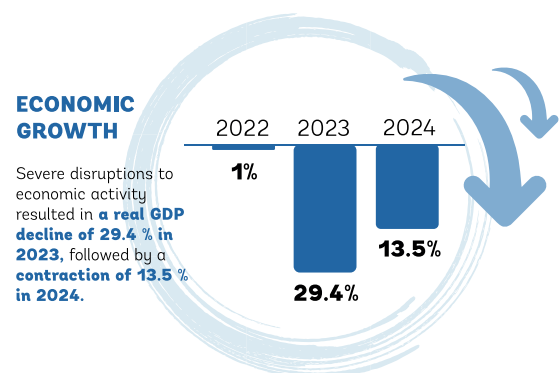
Executive Summary

The “Sudan Economic Update: The Economic and Social Consequences of the Conflict: Charting a Path to Recovery” outlines the country’s macroeconomic developments and challenges, as well as a range of policy recommendations to support post-conflict recovery efforts. The special focus of the update is on the potential of agriculture to bring long-term economic stability.

Almost two years into the conflict that erupted in April 2023, Sudan remains trapped in a deepening crisis with widespread social and economic consequences. The conflict has claimed more than 61,000 lives in Khartoum state alone between April 2023 and June 2024, and has also caused the world’s largest displacement, with 12.9 million people forcibly displaced, including 8.9 million internally and 3.8 million seeking refuge in neighboring countries. Sudan has the fourth highest prevalence of global acute malnutrition, estimated at 13.6 percent, and is facing a public health crisis with multiple disease outbreaks. Efforts to bring the warring factions to the negotiation table have so far made little progress.

Real GDP is estimated to have contracted by approximately 29.4 percent in 2023, followed by an estimated 13.5 percent in 2024, underscoring the severe disruptions to economic activity due to the conflict (Figure ES 1). Even if the conflict is resolved in the coming months and significant structural reforms are implemented, Sudan’s economy is unlikely to return to its pre-conflict GDP level before 2031.

Figure ES 1: Economic Growth

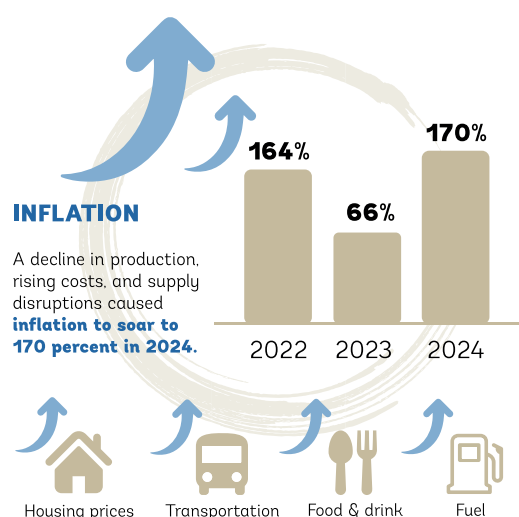


The exchange rate remained relatively stable until early 2023, supported by reforms that unified the official and parallel market rates. However, since the onset of the latest conflict, a gap between the official exchange rate and the parallel market rate has emerged. As of December 2024, the official exchange rate depreciated by 233 percent compared to April 2023, reaching SDG 1,994/USD, while the parallel exchange rate depreciated by 355 percent over the same period, reaching SDG 2,550/USD. As of March 2025, the official exchange rate stabilized around SDG 2,019 USD, compared to a parallel market rate of around SDG 2,679/USD following the reopening of key trade routes, which facilitated the flow of goods and services to local markets.

Inflation soared to 170 percent (year-on-year) in 2024 from 66 percent in 2023 (Figure ES 2).

This increase is primarily driven by the cost of housing, transportation, and food and beverages amid sharp declines in production.

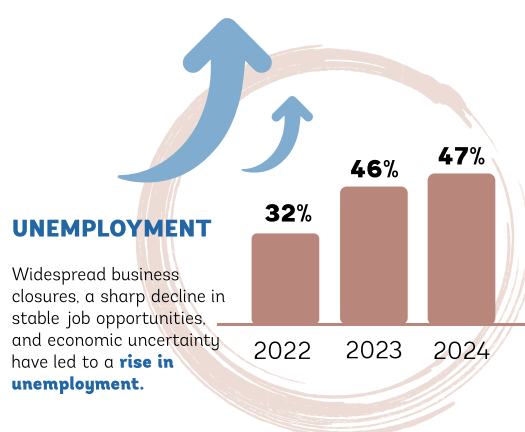
Figure ES 2: Inflation



The unemployment rate surged from 32 percent in 2022 to 47 percent in 2024 (Figure ES 3).

This increase is driven by widespread business closures, economic uncertainty, and a sharp decline in stable job opportunities due to the severe impact of the conflict on the labor market.

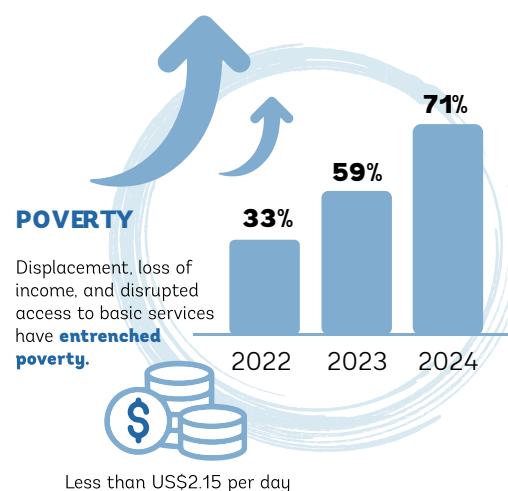
Figure ES 3: Unemployment



Sudan's fiscal challenges have deepened, with government revenues as a share of GDP declining from 10 percent in 2022 to below 5 percent in 2023. Public debt remains high, leaving the country with essentially no capacity to issue new debt. Sudan's external position deteriorated in 2023, driven by a conflict-related decline in the trade balance. However, it is projected to improve in the medium term, as export capacity increases.

Poverty remains alarmingly high with the proportion of the population living on less than US\$2.15 per day estimated to have nearly doubled from 33 percent in 2022 to 71 percent in 2024 (Figure ES 4). Poverty levels vary significantly across regions, with notably higher incidences in the Red Sea, Kordofan, and Darfur states. This regional disparity highlights the uneven distribution of resources.

Figure ES 4: Poverty



The weak institutions and lack of investment in social services pose an ongoing challenge.

Sudan's policy and institutional performance indicators are below the Sub-Saharan African average and have been declining. Institutional weaknesses and inefficiencies in public sector management continue to hinder progress. Sudan's education and healthcare systems are in urgent need of support.

The presence of landmines poses severe risks to civilian safety, humanitarian operations, and economic recovery. Decades of civil war have left large areas contaminated with landmines. Renewed instability and ongoing conflicts have exacerbated the issue, with reports of new mine deployments in conflict-affected areas.

Meanwhile, the agriculture sector, which forms the backbone of the economy, faces persistent challenges. Contributing approximately 35 percent of GDP and employing over 40 percent

of the labor force, the sector has experienced a decline in productivity due to disrupted trade routes, farmer displacement, destruction of agricultural infrastructure, lack of access to financing, and climate change. Agriculture is vital for the livelihood and food security of the Sudanese population and should be a central pillar of post-conflict recovery for the country.

Recommendations: The path to recovery

Macroeconomic policies

The resumption of the Heavily Indebted Poor Countries (HIPC) initiative¹ would provide Sudan with essential debt relief, creating fiscal space to invest in productive sectors. Key HIPC triggers include improving efficiency in the electricity sector, rationalizing the foreign trade regime, and developing an effective public financial management framework which would enhance fiscal transparency and long-term economic resilience. As Sudan successfully reached the HIPC Decision Point prior to the conflict, the completion of the agreed HIPC triggers remains the key to unlocking needed debt relief.

Preventing excessive commodity subsidies is essential for Sudan's post-conflict economic recovery and long-term fiscal stability. A structured roadmap for cost recovery in the electricity sector is vital for macroeconomic stability while allowing savings to be redirected toward infrastructure and social services, ensuring that electricity remains affordable for the vulnerable population.

A unified exchange rate is crucial for enhancing economic stability and facilitating foreign trade recovery. This reform reduces economic distortions, promotes transparency, and enhances foreign investor confidence, encouraging financial flows through formal channels.

Structural reforms

Unlocking the agriculture sector's potential is essential for economic recovery in post-conflict Sudan. Policies that support the sector's transition to commercialization and strengthen value addition can boost farmers' incomes, uplift rural communities, and contribute to long-term economic stability. This includes the renewed enforcement of a unified economic space for the movement of goods, prioritization of reconstructing key roads and infrastructure to expand agricultural markets, and strategic targeted public programs for investment and support to farmers.

¹ Sudan's progress towards accessing this international debt relief initiative was interrupted by the 2021 military intervention.

Prioritizing the reconstruction of critical infrastructure damaged by the conflict would help to restore essential services and facilitate the return of the displaced population. This reconstruction effort, particularly for key roads, buildings, and parts of the electricity grid, would also create a more stable and conducive environment for investment, attracting both domestic and foreign investors to key sectors that drive economic growth and sustainable development.

Shifting toward demilitarizing Sudan's economy is essential for unlocking growth potential by reallocating essential resources to social and productive sectors post-conflict. Additionally, enhanced transparency and reduced military involvement would promote economic stability and foster a more favorable environment for foreign investment.

Eliminating barriers to domestic and foreign trade is essential for economic recovery. Addressing infrastructure damage to connectivity and reducing high import tariffs, including those resulting from a manipulated customs exchange rate, will facilitate trade and attract investment. Honoring commitments to the African Continental Free Trade Area and advancing tariff liberalization with member states will further benefit the country.

Social and humanitarian policies

National reconciliation and inclusive governance are essential for rebuilding trust among Sudanese communities. Truth and reconciliation commissions, inter community dialogues, and reintegration programs should be prioritized to heal divisions.

Strengthening governance and institutions is critical for post-conflict recovery. Sudan should prioritize building institutional capacity, upholding the rule of law, and ensuring inclusive decision-making to foster a stable environment conducive to recovery. This includes both critical reforms for the central government and building upon a needed peace agreement to develop an effective structure for state and local administrations.

Investing in social services, particularly education and healthcare, is essential for rebuilding human capital in Sudan. Efforts should focus on rebuilding schools and healthcare facilities, training educators and medical professionals, and expanding access to essential services.

Addressing landmine issues is critical to restoring safe access to land and resources. This requires systematic mapping and clearance of affected areas, strengthened partnerships with international organizations, expanded mine risk education, as well as supporting survivors with rehabilitation programs.





Photo: Sudan Somoud – Enhancing Community Resilience Project, World Bank.

Introduction

1. Almost two years into the conflict that began in April 2023, Sudan remains in a deepening crisis with widespread social and economic consequences.

The country is facing a severe humanitarian crisis with the ongoing conflict claiming more than 61,000 lives in Khartoum state alone between April 2023 and June 2024.² The conflict has led to the world's largest displacement, with 12.9 million forcibly displaced, including 8.9 million internally and 3.8 million in neighboring countries including Chad, Egypt and South Sudan.³ Military operations have caused extensive damage to residential housing across Sudan, particularly in Khartoum, and forced 31 percent of urban households to relocate to other states.⁴

2. Sudan is grappling with an escalating humanitarian crisis including worsening food insecurity and heightened risks of widespread famine and malnutrition.

Famine was first confirmed in August 2024 in Zamzam camp in North Darfur, Sudan's largest camp for internally displaced persons, according to the Integrated Food Security Phase Classification (IPC) system,⁵ and has since spread 10 areas.⁶ Sudan is now among the top four countries in the world with the highest prevalence of global acute malnutrition, estimated at 13.6 percent of the population.⁷

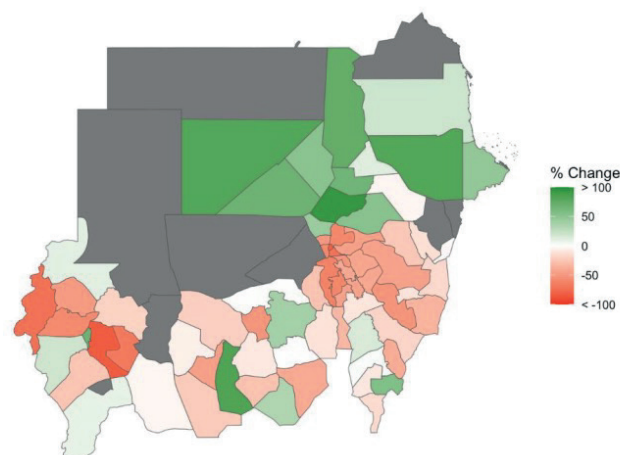
3. At the same time, a public health crisis is unfolding with multiple disease outbreaks severely impacting the most vulnerable populations.

The health system has been severely affected by the conflict. Cholera, dengue fever, and malaria are spreading rapidly, with an estimated 3.4 million children under the age of five at high risk of epidemic diseases as of mid-September 2024.⁸ This crisis is primarily driven by a significant decline in vaccination rates and the destruction of essential infrastructure, including health, water, sanitation, and hygiene services due to the ongoing conflict. It is estimated that 70 to 80 percent of health facilities in the areas hardest hit by the conflict – such as Al Jazirah, Kordofan, Darfur, and Khartoum – are either barely operational or completely shut down.⁹

4. The economy has plunged into a crisis due to the conflict.

Economic activity contracted by an estimated 29.4 percent in 2023 and is estimated to have declined by another 13.5 percent in 2024, after an estimated 1 percent decline in 2022. Extensive damage to the services sector – including healthcare, education, telecommunications, and trade – caused a significant supply shock, since services activities are concentrated in Khartoum, the area most affected by conflict.

Figure 1: Change in Nighttime Lights, Post-War versus Pre-war



Source: Sudan Welfare Monitoring System. Findings from Survey Round One on Displacement, Food Security, and Mental Health. The World Bank, 2024.

² Relief Web (2024): The accurate estimation of total fatalities remains challenging due to limitations in reporting of deaths, disruptions in communication channels, and limitations of methodological techniques.

³ UNHCR (2024a).

⁴ The International Food Policy Research Institute and the United Nations Development Program (2024).

⁵ IPC (2024).

⁶ <https://www.wfp.org/emergencies/sudan-emergency>

⁷ UNOCHA (2024).

⁸ <https://www.unicef.org/sudan/press-releases/over-three-million-children-heighted-risk-cholera-and-other-deadly-diseases-sudan>

⁹ WHO (2024).

This impact is evident in Khartoum's night-time lights which dropped significantly, by nearly 64 percent in April to December 2023, compared to the pre-conflict period of January to March 2023, highlighting the severe disruption to infrastructure and economic activity.¹⁰ Furthermore, a significant reduction in private and government consumption and investment due to the ongoing conflict has depressed economic activity.

5. The conflict has profoundly impacted the labor market, further exacerbating the persistently high unemployment rate. The unemployment rate surged dramatically, rising from 32 percent in 2022 to 46 percent in 2023 and 47 percent in 2024.¹¹ The most significant labor market shift has been the collapse of full-time wage employment, which has plummeted from 33 percent before the conflict to just 16 percent, reflecting widespread business closures, economic uncertainty, and a sharp decline in stable job opportunities.¹² The destruction of infrastructure, supply chain disruptions, and capital flight have further constrained employment prospects, pushing many into informal or precarious work, deepening economic hardship for millions across the country.

6. Based on the Sudan Economic Sentiment Survey¹³ conducted in September 2024 across three northern and eastern states, employment conditions have deteriorated significantly since the onset of the conflict. Nearly 68 percent of the respondents reported worsening job conditions compared to the pre-war period, highlighting the sustained impact of the conflict on labor markets. Additionally, almost 80 percent of the respondents described the current economic situation as worse than before the war, citing rising prices and declining incomes.

7. The conflict afflicted agriculture, the country's key employer and engine of growth, causing a sharp decline in production, soaring food prices, and deteriorating food security. As the conflict spreads, farmers were forced to abandon their lands, while widespread looting of food stocks and agricultural equipment in Al Jazirah and Kordofan has further crippled the sector. Although agriculture had shown greater resilience to the April 2023 conflict compared to other sectors, critical shortages of essential supplies like seeds, fertilizers, and fuel – coupled with disrupted trade routes – have made it increasingly difficult to produce and distribute food. Cereal production in 2023 is estimated to have been approximately 40 percent below the average of the previous five years, having declined by 46 percent compared to 2022.¹⁴

8. The presence of landmines remains a critical challenge in the post-conflict landscape, posing severe risks to civilian safety, humanitarian operations, and economic recovery.¹⁵ Decades of civil war, particularly in Kassala, South Kordofan, and Darfur states, have left large areas contaminated with mines. Renewed instability and ongoing conflicts have exacerbated the issue, with reports of new mine deployments by both warring parties. Key areas of Khartoum, including strategic sites like the Al-Jaili refinery and military communication facilities, have been heavily mined, transforming these areas into hazardous zones. This widespread contamination not only endangers civilians but also hinders humanitarian efforts, delays the return of displaced communities, and obstructs the rebuilding of critical infrastructure and livelihoods.¹⁶

¹⁰ World Bank, Sudan Welfare Monitoring System, Findings from Survey Round One on Displacement, Food Security, and Mental Health, 2024.

¹¹ The International Monetary Fund, World Economic Outlook Database. Accessed on March 2025.

¹² The International Food Policy Research Institute and the United Nations Development Program (2024).

¹³ The Sudan Sentiment Economic Survey was funded by STARS trust fund.

¹⁴ FAO (2024).

¹⁵ <https://www.un.org/en/observances/mine-awareness-day/messages>

¹⁶ <https://www.unmas.org/en/programmes/sudan>

9. The country was already facing significant challenges prior to the conflict in 2023 that have greatly exacerbated the situation.

Sudan's policy and institutional performance indicators are underperforming averages of Sub-Saharan Africa International Development Association countries and have been declining, according to the World Bank's Country Policy and Institutional Assessment.¹⁷ There are particular weaknesses in institutions and economic and public sector management. These persistent challenges have historically undermined efforts to implement structural reforms, exacerbated macroeconomic vulnerabilities, and deepened the country's fragility. Key sectors essential for sustainable development, such as agriculture, education, and health, had been poorly managed, hindering Sudan's path toward economic recovery and stability. Key sectors essential for sustainable development, such as agriculture, education, and health, had been poorly managed, hindering Sudan's path toward economic recovery and stability.

10. Efforts to achieve peace by bringing the warring factions to the negotiation table have yet to bear fruit, with hostilities and violence escalating in different areas of the country.

High-level peace talks held in Geneva in August 2024, co-hosted by Saudi Arabia and the United States, yielded no tangible results. A previous attempt in Jeddah in May 2023 secured a ceasefire, but it was short lived, highlighting the challenges of achieving sustainable peace.

11. The conflict poses considerable risks to regional stability, given the scale of displacement.

The growing number of refugees is placing significant humanitarian and economic strains on host countries, increasing the risk of further destabilization in the region. Over 3 million people are already seeking refuge in neighboring countries, prompting the United Nations High Commissioner for Refugees (UNHCR) to warn that Sudan's crisis is likely to escalate.¹⁸

12. Despite these enormous challenges, Sudan remains positioned to benefit greatly from a resolution of the conflict and re-engagement with the international community.

Prior to the 2021 military takeover and 2023 conflict, Sudan had been making progress toward receiving debt relief and renewed access to international finance under the HIPC initiative on the basis of policy commitments toward achieving sustained growth and poverty reduction. Much of the initial post-conflict growth could come from agriculture, which has immediate implications for poverty reduction, and where Sudan appears to already have some important comparative advantages. Economic reforms and policies that are key to a successful recovery and subsequent growth include more transparent and effective governance, preventing a revival of excessive commodity subsidies, maintaining a unified exchange rate, and alleviating substantial barriers to both domestic and foreign trade.

13. The “Sudan Economic Update: The Economic and Social Consequences of the Conflict: Charting a Path to Recovery” report is structured as follows:

Part I covers the recent macroeconomic developments; Part II focuses on the agriculture sector as a main vehicle for alleviating the impact of the conflict and supporting recovery; and Part III concludes by discussing the way forward and offering policy options to support post-conflict recovery efforts. Box 1 below summarizes how the enormous current data challenges were managed for the SEU.

¹⁷ World Bank (2024b).

¹⁸ UNHCR (2024b).

Box 1: Main Data Sources

The ongoing conflict has severely limited access to reliable and timely data, necessitating the incorporation of diverse and unconventional sources in the macroeconomic analysis. This approach includes leveraging historical trends, night-time lights analysis, satellite imagery, and regional comparators to supplement official data sources. However, due to the inherent difficulties in accurately capturing economic and social dynamics in conflict-affected environments, these data should be interpreted with caution. The following points outline the primary data sources utilized in this SEU.

Monetary and exchange rate data are primarily sourced from the Central Bank of Sudan and the banking sector, while inflation data is provided by the Central Bureau of Statistics. Fiscal data, including historical data on government revenues and expenditures, comes from the Ministry of Finance and Economic Planning, while public announcements by ministry officials are used to inform more recent fiscal estimates. Trade flow estimates are informed by satellite-based data from the IMF Port-Watch.

Sector-specific insights are derived from organizations such as the Food and Agriculture Organization (FAO) and the International Food Policy Research Institute (IFPRI), which provide agricultural production statistics. Migration, displacement, and refugee data are sourced from the International Organization for Migration, while various UN agencies, including UNHCR, WHO, and UNICEF, contribute data on food insecurity, malnutrition, damages to hospitals and health facilities, and the impact of disease outbreaks on children.





Sudan's MultiDonor Trust Fund in action. Scene from Al Obaied Crop Market, North Kordofan Workers sorting Gum Arabic lots. Photo by Salahaldeen Nadir, World Bank.

Part 1: Recent Economic Developments and Medium-Term Outlook

14. The economic, social, and humanitarian fallout from the ongoing conflict has been severe. The economy contracted sharply, about 8.8 million people were internally displaced, and malnutrition and risk of famine continued to rise. The conflict erupted in Khartoum – the financial and industrial center of the country – before quickly spreading to other areas, and was characterized by widespread looting, damage, and occupation of private residences and public institutions. The conflict caused the collapse of local markets and damaged essential infrastructure, worsening what was already an extremely difficult economic situation (Table 1).

Table 1: Sudan's Key Economic Indicators and Projections. (Annual percent change unless indicated otherwise)

| Key Economic Indicators | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|------------------------------------|-------|-------|-------|-------|-------|-------|
| Real GDP Growth | -1,0 | -29,4 | -13,5 | 5,0 | 9,3 | 4,1 |
| Agriculture | 1,0 | -14,9 | -7,6 | 4,7 | 8,5 | 4,4 |
| Industry | -0,7 | -25,8 | -13,1 | 2,0 | 7,5 | 3,7 |
| Service | -3,0 | -43,2 | -22,0 | 8,9 | 12,4 | 4,2 |
| Inflation (Consumer Price Index) | 164,2 | 65,8 | 170,0 | 89,4 | 33,1 | 20,0 |
| Trade Balance (% of GDP) | -2,2 | -11,2 | -9,0 | -2,6 | 0,1 | 3,2 |
| Current Account Balance (% of GDP) | -6,0 | -6,2 | -12,0 | -4,8 | -1,5 | 3,6 |
| Fiscal Balance (% of GDP) | -1,7 | -3,8 | -4,1 | -3,7 | -3,7 | -3,4 |
| Revenues and Grants (% of GDP) | 10,0 | 4,8 | 4,7 | 5,6 | 6,2 | 6,8 |
| Expenditures (% of GDP) | 11,7 | 8,6 | 8,8 | 9,3 | 9,9 | 10,2 |
| Debt (% of GDP) | 183,6 | 167,3 | 147,4 | 142,7 | 124,2 | 106,4 |

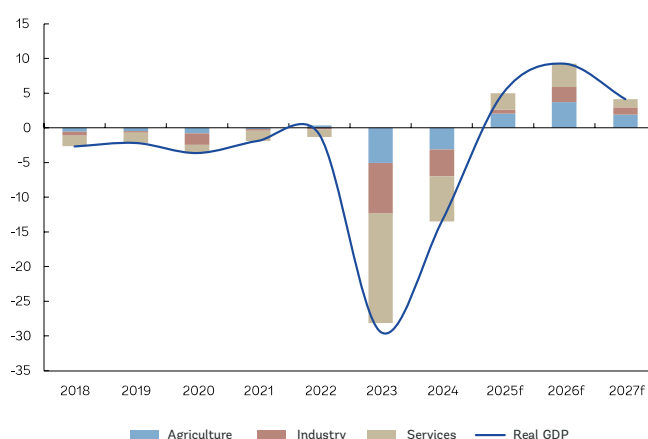
Source: Ministry of Finance and Economic Planning, Central Bank of Sudan, Central Bureau of Statistics, and World Bank Staff estimates.

1.1 The conflict caused a collapse in economic activity

If growth rates remain within the same subdued range as those observed in the pre-conflict period, the recovery to pre-conflict real GDP will be prolonged, underscoring the need for broad-based reforms to accelerate economic revival.

15. The conflict has significantly affected the economy, impacting all its sectors. As a result, real GDP is estimated to have contracted by approximately 29 percent in 2023, with a further contraction of 13.5 percent in 2024 (Annex 1). On the supply side, this decline reflects major damage to infrastructure. The contribution of the services sector to GDP is estimated to have contracted by 15.8 percent in 2023 and by 6.5 percent in 2024. The sector is comprised primarily of health, education, telecommunications, finance, and retail/wholesale services that were concentrated in Khartoum. The manufacturing sector has also been severely impacted by infrastructure damage, including destruction to factories and disruptions to supply chains. Similarly, in the oil sector, damage to pipelines and oil facilities disrupted production and foreign trade. Consequently, the contribution of the industrial sector to GDP is estimated to have contracted by 7.3 percent in 2023 and 3.9 percent in 2024 (Figure 2). On the demand side, the loss of income and massive displacement of population have led to a substantial drop in private consumption and investment.

Figure 2: Contribution to GDP Growth (Percent)



Source: Central Bureau of Statistics and World Bank staff estimates.

16. Assuming a peaceful resolution to the conflict within 2025, growth is expected to turn positive initially due to the positive economic benefits of the peace and the restoration of stability. Specifically, economic growth of 5 percent is projected in 2025, followed by a stronger rebound to 9 percent in 2026, as the economic benefits of the peace are fully realized throughout the year. On the demand side, economic growth will be driven by a rebound in private consumption and renewed investment, following the resumption of business operations. A gradual recovery in exports is also expected. Additionally, an increase in government spending is projected to further stimulate demand, reinforcing the overall growth trajectory. On the production side, growth is projected to be driven by a rebound in the services and agriculture sectors. The gradual recovery in the industrial sector is also expected to contribute to growth, though at a slower pace given the severe infrastructure damage to the sector. However, without reforms, growth is likely to revert to the pre-conflict subdued trajectory, limiting the economy's potential to achieve sustained and inclusive development. Part III lays out key features of alternative long-term development scenarios building on this medium-term outlook.

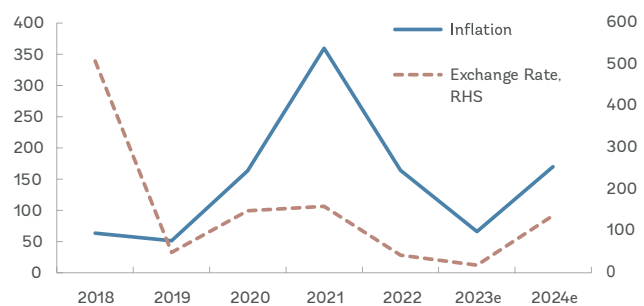
1.2 Inflation shot up due to severe disruptions in key sectors

Sudan's inflationary crisis intensified in 2024, with living costs skyrocketing due to severe disruptions in key sectors of the economy.

17. A few years before the conflict, inflation was primarily driven by the Central Bank's monetization of the fiscal deficit that ultimately destabilized the economy and fueled high inflation rates. The Central Bank printed money to finance government expenditures, most notably commodity subsidies on and off budget. Supply shortages and trade disruptions caused by the COVID-19 pandemic added to the inflationary pressures.

18. Inflation soared to 170 percent (year-on-year) in 2024 from 66 percent in 2023,¹⁹ primarily driven by the rising costs of housing, transportation, and food and beverages according to the Central Bureau of Statistics (Figure 3). The ongoing conflict has severely disrupted distribution channels, restricting the transportation of agricultural products and food to markets, causing significant supply shortages. At the same time, a sharp decline in production due to insecurity, displacement, and lack of access to essential inputs has further strained supply. As a result, the availability of food, fuel, and other essential goods has drastically decreased, driving prices higher, making them increasingly unaffordable for a growing number of households. In response to resource shortages following the outbreak of conflict in April 2023, the authorities resorted to increasing money supply, potentially due to deficit monetization, thereby contributing to the inflationary pressures.

Figure 3: Inflation and Exchange Rate (Percent, year-on-year)



Source: Central Bureau of Statistics and World Bank staff estimates.

19. Inflation is expected to remain in double digits. Although inflation is projected to decline in the next few years – along with an end to the conflict, a decline in housing rents, and an alleviation of constraints to transport – it is expected to remain in double digits due to monetization of persistent government budget deficits. Inflation is projected to decline significantly from 89 percent in 2025 to 33 percent in 2026. In the medium-term, beyond the projection period, restoring supply capacity and phasing out monetization will support a disinflationary path. Maintaining excess liquidity in the struggling financial sector will likely be another source of continuing pressure on money supply and inflation.

¹⁹ Central Bureau of Statistics (2025).

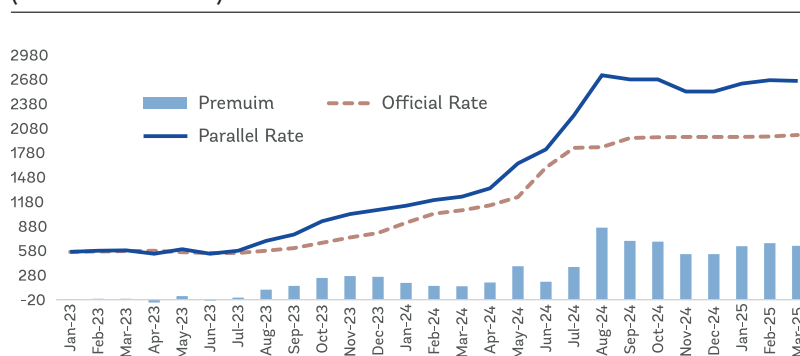
1.3 Recent monetary and exchange rate reforms came under strain

The premium between the official and parallel market exchange rates widened following the outbreak of the conflict.

20. Since the outbreak of the conflict in April 2023, the Central Bank has allowed to widen the gap between the official exchange rate and the parallel market rate (Figure 4). As of December 2024, the official exchange rate depreciated by 233 percent compared to April 2023, reaching SDG 1,994/USD, while the parallel exchange rate depreciated by 355 percent over the same period reaching SDG 2,550/USD. The sharp deterioration in both official and parallel market rates was driven primarily by increased demand for foreign currency

in an increasingly unregulated exchange market, exacerbated by foreign-currency shortages. Demand for foreign exchange rose significantly due to the partial re-opening of Sudan's airspace in 2023, enabling the resumption of commercial flights from Port Sudan airport, and the increased need to import essential goods, such as medicine, agricultural inputs, and fuel, amid severe domestic shortages caused by the conflict expansion. In 2024, the conflict spread to new regions, further intensifying pressures on the currency. As of March 2025, the official exchange rate stabilized around SDG 2,019/USD, compared to the parallel market rate of SDG 2,679/USD, following the reopening of key trade routes, which facilitated the flow of goods and services to local markets.

Figure 4: Exchange Rate Developments: Official vs. Parallel Rates (SDG vis-à-vis USD)



Source: The Central Bank of Sudan and World Bank staff estimates.

21. The administered customs exchange rate, a key tool for revenue mobilization employed by the Ministry of Finance and Economic Planning, has been raised multiple times since the onset of the conflict in April 2023. Sudan employs a separate exchange rate for the evaluation of foreign trade transactions that functions entirely as an implicit tariff. As of December 2024, the custom rate was increased by 161 percent compared to December 2023, reaching SDG 1,700/USD, while the official exchange rate stood at SDG 1,994/USD. Import tariffs in Sudan, both explicit and implicit through the customs exchange rate, remain among the highest in the region.

22. On monetary policy, the Central Bank reduced the legal reserve requirement in 2024 to 15 percent of the total amount of eligible deposits that banks hold in local and foreign currency – down from 20 percent in 2023. It also capped daily cash withdrawals from commercial banks to SDG 3 million²⁰ while increasing daily transfer limits through mobile banking applications to SDG 15 million²¹ after restoring electronic systems to alleviate pressure on cash transactions in May 2024.

²⁰ SDG 3 million is equivalent to US\$1,480, calculated using an exchange rate of 2027.57 SDG per USD as of March 2025.

²¹ SDG 15 million is equivalent to US\$7,398, calculated using an exchange rate of SDG 2027.57 per US\$ as per March 2025.

23. Additionally, in July 2024, the Central Bank launched a joint financing portfolio, in collaboration with commercial banks, with foreign exchange resources amounting to US\$1 billion. Operating under the direct supervision and oversight of the Central Bank, this mechanism aims to provide foreign currency for importing strategic and essential goods identified by the Ministry of Trade and Supply, such as petroleum products, in response to domestic production shortfalls and foreign exchange shortages. Furthermore, the Central Bank announced that it will continue coordinating with regional and international financial institutions to expand foreign exchange resources. This mechanism remains in operation, ensuring a stable supply of foreign currencies to support the ongoing import of essential goods.

24. In November 2024, the Central Bank announced a comprehensive banknote replacement initiative that involves introducing new 500 and 1,000 Sudanese pound denominations into circulation (Box 2). As part of this process, individuals without existing bank accounts will have the opportunity to open new accounts to facilitate the deposit of the old denominations. The governor of the Central Bank stated that this process aims to address the adverse impacts of theft and looting that have affected the banking sector since the onset of the conflict, which has led to the circulation of large amounts of counterfeit currency.

Box 2: An Overview of the Central Bank of Sudan's Banknote Replacement Operation

The Central Bank's comprehensive banknote replacement initiative was implemented in late December 2024.

Initially it included seven states under the control of the Sudanese Armed Forces, including Red Sea, Kassala, Al Qadaf, River Nile, Northern State, Blue Nile, and White Nile (Annex 3). This initiative excluded states that were partially or fully controlled by the Rapid Support Forces. Sinnar State was later included after the Sudanese Armed Forces regained control over the state. In an effort to promote cashless transactions, the Central Bank directed the commercial banks to develop and activate their mobile banking applications, ensuring integration with available interconnection payment gateways – such as a new electronic clearing service for banks which was launched in December 2024 – to enable seamless transfers between customer accounts across different banks. However, the replacement process was also combined with placing daily limits on cash withdrawals on both individuals and corporates.

The daily limits on cash withdrawals, imposed alongside the replacement operation, have restricted the amount of physical currency available to individuals and businesses, creating imbalances between the demand for cash and supply by the Central Bank. As a result, these limits have caused cash shortages, affecting access to basic services, and forced some individuals and businesses to exchange money in bank accounts for cash at high commission rates. The cash shortage has also put pressure on households, businesses, and humanitarian agencies, disrupting daily operations and aid delivery. These challenges not only hamper aid distribution and economic activity but could also undermine public confidence in the financial system.

This shortage of cash is likely to have a temporary impact on inflation through demand suppression and cash supply disruptions. In the short term, reduced cash availability could suppress demand, especially in cash-reliant informal sectors, creating disinflationary pressures. However, potential disruptions to supply chains may also lead to inflation in certain areas. Lessons from India's 2016 demonetization experience suggest that these effects are short-lived and depend on the effectiveness of digital infrastructure and liquidity management.²² In the medium to long term, transitioning to digital payments and broader financial inclusion, a key policy objective of Sudan's currency replacement, can help stabilize inflation and promote macroeconomic stability.

²² Chodorow-Reich, et al. (2019).

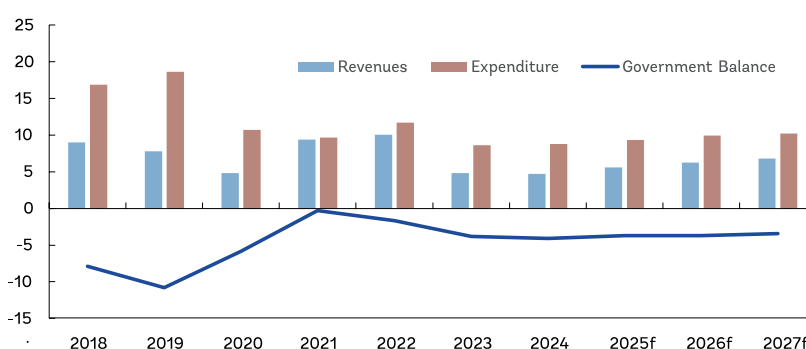
1.4 Revenue collection collapsed

Sudan's fiscal challenges have deepened due to a collapse in revenue collection as a result of the conflict, with government revenues in 2024 dropping to 4.7 percent of GDP compared to 10 percent in 2022.

25. The size of government finance has contracted sharply since 2023 due to an erosion of the tax base and reduced government capacity to collect tax and non-tax revenues. Government revenues as

a share of GDP are estimated to have fallen from 10 percent in 2022 to 4.8 percent in 2023, and further to 4.7 percent in 2024 (Figure 5). Business shutdowns, the collapse of government institutions, challenges to enforcement, and the massive displacement of the population has reduced the tax base – causing a sharp decline in revenues. Most of the revenue shortage is reflected in much lower government spending, including substantial cuts to salaries and current transfers, although the fiscal deficit is still estimated to have increased from 1.7 percent of GDP in 2022 to 3.8 percent and 4.1 percent in 2023 and 2024 (Figure 5).

Figure 5: Fiscal Performance of the Central Government (Percent of GDP)



Source: Ministry of Finance and Economic Planning and World Bank staff estimates.

26. Public debt remains high, leaving the country with no capacity to issue new debt. Prior to the October 2021 military coup, Sudan had been making progress toward receiving debt relief and renewed access to international finance under the HIPC initiative, which was interrupted by the 2021 military intervention. Currently, the government is essentially unable to issue new public debt, leaving monetization as the only option for financing deficits. Public debt is expected to remain high, with a rise in expenditures to 9.9 percent of GDP, despite a projected uptick in revenues to 6.2 percent of GDP in 2026 due to ongoing fiscal challenges and the absence of debt relief under the HIPC initiative.

1.5 Imports and exports have contracted sharply

The conflict has led to a decline in production and disrupted the supply chain, reducing export capacity, while the sharp drop in domestic demand lowered imports.

27. Sudan's external position deteriorated in 2023, with exports declining to 9.4 percent of GDP and imports rising to 20 percent, driven by a lower GDP and increased reliance on imports amid disrupted domestic production, resulting in a trade deficit of 11.2 percent of GDP. Remittance inflows helped narrow the overall current account deficit to 6.2 percent. However, in 2024, the current account deficit is estimated to have widened to 12.0 percent of GDP due to a sharp drop in official remittances, reflecting the growing divergence between official and parallel exchange rates.²³ This was partially offset by a recovery in exports, as the government regained control over mining areas, while imports declined to 19.2 percent amid subdued domestic demand (Table 2).²⁴

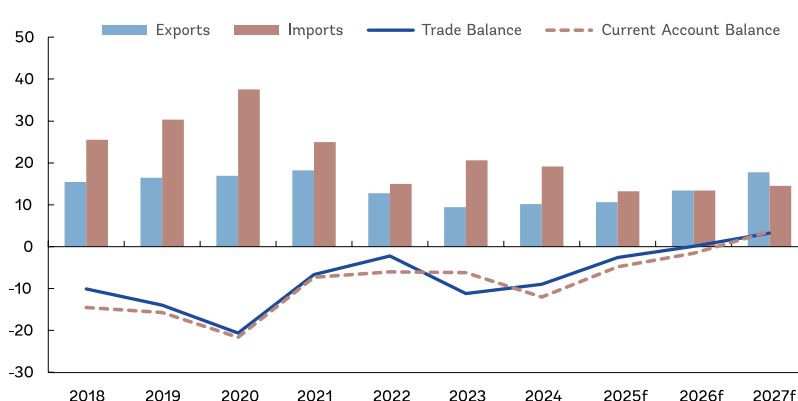
Table 2: Current Account Balance (Percent of GDP)

| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|-------------------------------|------|-------|-------|------|------|------|
| Current Account Balance | -6.0 | -6.2 | -12.0 | -4.8 | -1.5 | 3.6 |
| Trade Balance | -2.2 | -11.2 | -9.0 | -2.6 | 0.1 | 3.2 |
| Exports | 12.8 | 9.4 | 10.2 | 10.7 | 13.4 | 17.7 |
| Imports | 15.0 | 20.6 | 19.2 | 13.2 | 13.4 | 14.5 |
| Primary and Secondary Incomes | -3.8 | 5.0 | -3.0 | -2.2 | -1.6 | 0.4 |

Source: Central Bank of Sudan, Central Bureau of Statistics, and World Bank Staff estimates.

28. The current account deficit is projected to narrow in the medium term, primarily driven by a steady recovery in exports and a decline in imports. The trade balance is projected to improve as export capacity gradually recovers, leading to higher export earnings. By 2027, the current account deficit is projected to improve to 3.6 % of GDP, reflecting these positive trends (Figure 6).

Figure 6: External Sector Performance (Percent of GDP)



Source: Ministry of Finance and Economic Planning, Central Bank of Sudan, and World Bank staff estimates.

²³ A higher inflow of informal remittances would not be visible in the current account data shown in Table 2 and would show up as positive "errors and omissions" in the country's balance of payments if the latter could be properly measured. In the current Sudanese context, the full balance of payments picture is unclear as changes in foreign reserves in Sudan are not publicly available.

²⁴ Primary incomes in the balance of payments represent cross-border income flows and are key to understanding international economic relations. They include compensation of employees, investment income, and other primary income sources such as taxes on production, subsidies, and rents on natural resources not classified elsewhere. Secondary incomes in the balance of payments reflect the redistribution of income without a corresponding exchange of goods, services, or financial assets, and play a significant role in economic relationships between countries. They include current transfers such as personal and government transfers, as well as other types of transfers like insurance premiums and claims, and various miscellaneous transfers.

1.6 Poverty has reached alarmingly high levels

Extreme poverty – the share of the population living on less than US\$2.15 per day – is estimated to have nearly doubled from 33 percent in 2022 to 71 percent in 2024.²⁵

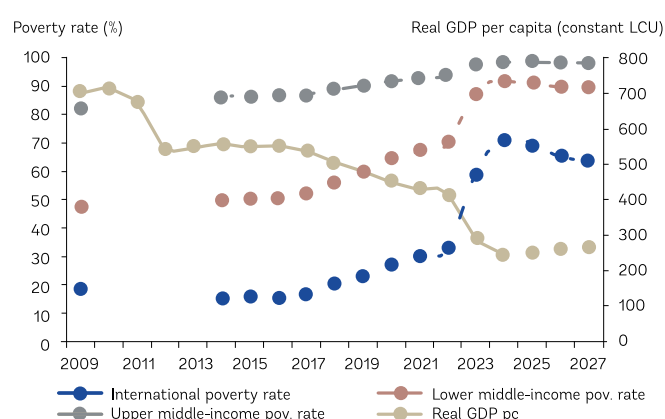
29. This stark increase in poverty rates reflects the devastating effects of the conflict on livelihoods, with widespread displacement, loss of income, and disrupted access to basic services further entrenching poverty. Simultaneously, GDP per capita experienced a steep decline during the same period, underscoring the broader collapse (Figure 7). These trends reveal the deepening economic vulnerabilities and hardship faced by Sudan's population in the face of the ongoing conflict-induced instability (Annex 2).

30. Even prior to the conflict, households faced severe shocks from the COVID-19 pandemic and the 2021 military takeover which significantly reduced employment and labor income, disproportionately affecting women and rural communities.

Additionally, droughts, erratic rainfall, and soaring prices have further strained Sudanese households, forcing them to adopt detrimental coping strategies such

as reducing consumption and shifting from farming to nonfarm or wage-earning activities. Before the current conflict, only 1 percent of households reported receiving social assistance, with international organizations and Non-Governmental Organizations (NGOs) serving as the primary providers for support.²⁶ These programs were largely funded by external resources, which were later suspended, significantly reducing their reach. As a result, social assistance – already limited before the conflict – has become even scarcer, if not nonexistent, with major programs halted (Box 3).

Figure 7: Poverty Rates and GDP per Capita



Source: Central Bureau of Statistics and World Bank staff estimates.

²⁵ World Bank (2024a).

²⁶ World Bank (2023a).

Box 3: Delivering Humanitarian Aid and Food

The United Nations and its affiliated organizations have encountered significant challenges in delivering food assistance to Sudan's conflict-affected regions since the eruption of the conflict in 2023. Ongoing violence and military operations in these areas have severely limited access, creating substantial risks for aid workers and disrupting logistical operations. Additionally, impassable roads brought on by the rainy season from June to September, and the remote locations of many communities, further hinder the effective transportation of food and humanitarian aid.

However, as of November 2024, the World Food Program (WFP) successfully delivered aid to Zamzam camp in North Darfur state, where famine has already been confirmed since last August, for the first time following months of restricted access. Additionally, WFP announced a surge in its operations across Sudan to provide critical assistance to thousands of displaced people. This achievement followed the Sudanese Government's decision to designate six airports and seven land crossings to facilitate the delivery of humanitarian aid to conflict-affected areas.²⁷

In December, WFP's efforts to reach populations in need were significantly delayed due to the challenging operational environment, including liquidity shortages and sporadic Humanitarian Aid Commission approvals, resulting in WFP reaching 2.1 million people. In 2024, WFP provided food assistance to 4 million people, cash-based transfers to 2 million, and nutrition rations to another 2 million.²⁸

Collaboration between local authorities and international organizations is crucial to overcoming the challenges posed by the conflict and logistical obstacles, to ensure that aid and assistance reaches affected populations. By working together, local governments can facilitate critical permissions and access routes, while international organizations bring technical expertise, operational capacity, and global resources to address urgent needs. Strengthened partnerships are essential not only for immediate relief efforts but also for building resilient systems that can sustain long-term recovery and mitigate the impact of future crises.

²⁷ <https://www.wfp.org/news/wfp-announces-major-surge-food-aid-sudans-hard-reach-areas>

²⁸ WFP (2024).



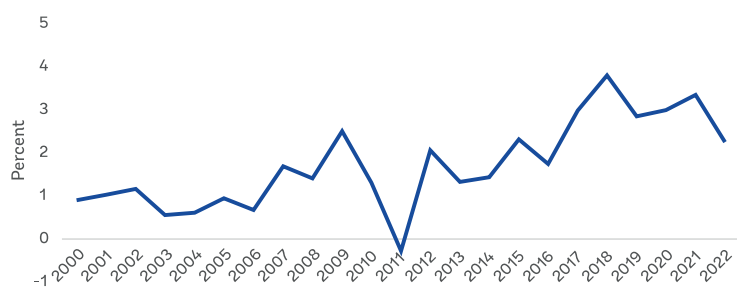
Photo: Sudan Somoud – Enhancing Community Resilience Project. World Bank.

Part 2:

The Vital Role of Agriculture for Livelihoods and Food Security

32. Agriculture is the backbone of the economy, serving as a primary source of income for most of the rural population, and contributing approximately 35 percent of GDP and 40 percent to total employment in 2023.²⁹ The sector is the main supplier of food and raw materials to the industrial sector, playing a crucial role in generating foreign exchange, achieving food security, supporting livelihoods, and reducing poverty, especially in rural areas. The share of agriculture increased from 9 to 31 percent of Sudanese exports between 2012 and 2022, thus moving to comprise the majority of exports from the country other than gold (40 percent of all exports as of 2022). Approximately 88 percent of cultivated land is allocated to dryland farming, which accounts for 75 percent of the country's food grain production and represents the primary economic activity for a considerable segment of the population.³⁰

Figure 8: Growth in Employment in Agriculture Sector in Sudan



Source: WDI and World Bank staff estimates

33. Following the secession of South Sudan in 2011, Sudan experienced a sharp decline in agricultural employment, largely driven by the repatriation of South Sudanese workers previously employed in the sector. However, the sector witnessed a recovery in the following years, primarily driven by labor adjustments and improved security and stability in certain states (Figure 8). Particularly, the return of displaced households to their homes in Darfur stimulated agricultural activity, creating additional employment opportunities and contributing to the sector's overall growth.³¹

²⁹ World Bank Development Indicators and World Bank staff estimates.

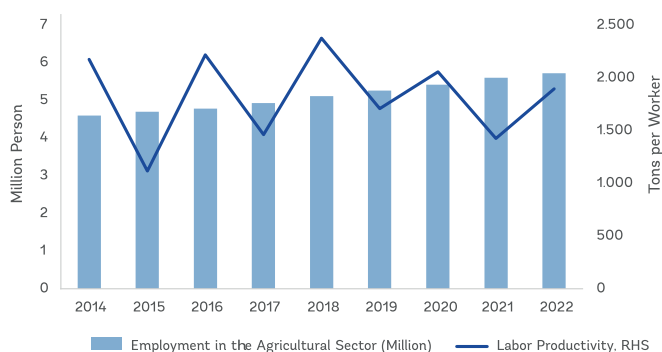
³⁰ Siddig, et al. (2024)

³¹ FAO (2019).

34. Seasonal labor demand, driven by rainfall-dependent farming cycles, contributes to fluctuating labor productivity in agriculture sector.

Limited access to modern farming techniques, inadequate infrastructure, and supply chain disruptions further hinders consistent labor productivity growth. Conflicts and insecurity in key agriculture states such as Darfur, and recently in Al Jazirah, had led to frequent displacement of the rural population, reduced workforce availability, and instability in farming cycles, all of which contribute to labor productivity volatility (Figure 9). This volatility poses significant risks, including reduced food security, lower rural incomes, and heightened vulnerability to external shocks such as droughts and economic downturns.

Figure 9: Labor Productivity in the Agriculture Sector in Sudan



Note: Agricultural products include wheat, millet, sorghum, peanut, and cotton. Labor productivity is calculated as the total production divided by employment in the agriculture sector.
Source: US Department of Agriculture, WDI, and World Bank staff estimates.

35. The diversity and market power of the agriculture sector can drive post-conflict recovery. The agriculture sector is notably diverse compared to regional peers like Uganda, Zambia, and Zimbabwe according to the latest data for the Herfindahl-Hirschman Index (2018). While some of these countries rely more on specific crops, Sudan benefits from a broad mix of agricultural products, including gum arabic, sesame, sorghum, cotton, and a well-integrated livestock sector. This diversity – coupled with Sudan's strong market power as a global price setter in gum arabic and sesame seeds, as well as Sudan's dominant position in regional trade for sheep and sheep meat – will enhance its economic resilience once the conflict finishes. A recent analysis suggests that Sudan likely possesses genuine comparative advantage for the export of several agricultural products, including seeds, nuts, gum arabic, leather, and livestock.³² This combination of agricultural diversity and market influence provides a strong foundation for post-conflict economic and social recovery, supporting employment, trade stability, and sustainable growth. The key components of the sector include:

- **Crop production:** Sudan boasts a highly diversified crop portfolio, including essential and commercial crops (e.g., sorghum, millet, wheat, rice, and maize) and oilseeds (e.g., sesame, groundnuts, and sunflower). Commercial crops include cotton and sugarcane along with a variety of horticultural crops including okra, onions, tomatoes, and citrus fruits.
- **Livestock farming:** Sudan has one of Africa's largest livestock populations, including cattle, sheep, goats, and camels. Livestock is raised in almost all parts of the country and animals are owned primarily by nomadic tribes. The livestock subsector contributes about 12 percent of total GDP and 33 percent of agriculture GDP, serving as a critical livelihood component for the population.³³
- **Forestry:** Sudan is notable for the production of several key products, including gum arabic, with the country being one of the world's largest producers and exporters of this valuable commodity.³⁴
- **Fisheries:** Smaller in scale compared to other components of the agriculture sector, Sudan's fisheries contribute largely to local diets and livelihoods.³⁵

³² World Bank (2020b).

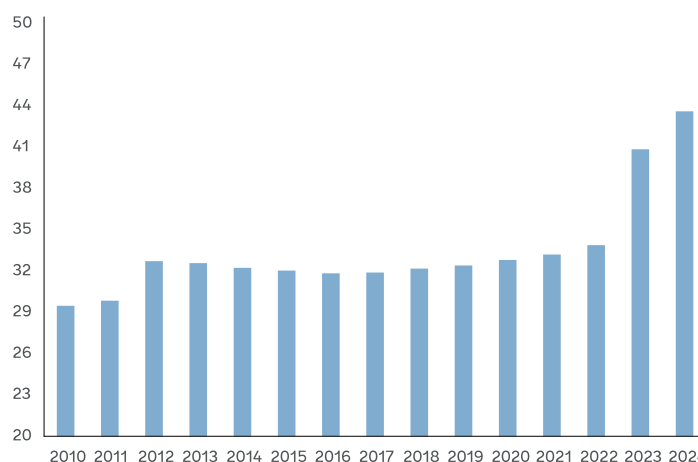
³³ International Food Policy Research Institute (2023).

³⁴ World Bank (2020b).

³⁵ *ibid.*

36. Agriculture has reemerged as a central pillar of the economy. The performance of the agriculture sector began to decline following the large-scale production of oil in 1992. However, following South Sudan's secession in 2011 – which resulted in the loss of three-quarters of Sudan's oil output and two-thirds of its foreign exchange earnings – the share of the agriculture sector in GDP gradually increased over time (Figure 10). The sector's increasing contribution to Sudan's GDP in recent years underscores a significant shift in the country's economic landscape, highlighting both its resilience and the growing fragility in the face of persistent challenges. Part of the growth in the relative importance of agriculture reflects an increase in land under cultivation, which expanded by an estimated 220,000 square hectares between 1992–2020.

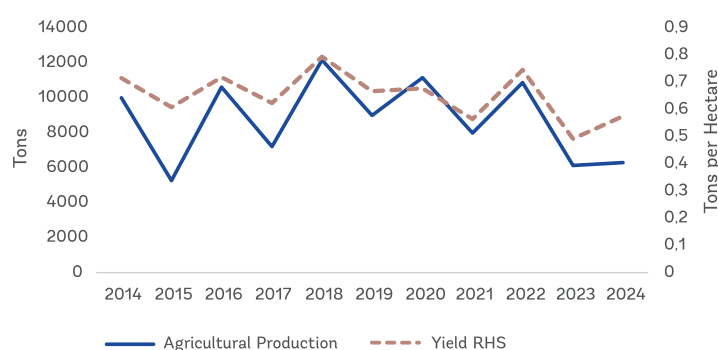
Figure 10: The Share of Agriculture Sector in GDP in Sudan



Source: Central Bureau of Statistics and World Bank staff estimates.

37. Despite its crucial role in the economy, the agriculture sector continues to underperform relative to its potential, with productivity remaining highly volatile and subject to significant fluctuations over the years. The sector has followed a cyclical pattern of growth and contraction, driven by economic, environmental, and policy-related challenges (Figure 11). However, Sudan holds substantial growth opportunities in agriculture, supported by both underutilized arable land and the potential for improving yields. Currently, less than 23 percent of the country's arable land is cultivated, leaving vast areas of fertile land untapped, highlighting the need for strategic interventions to unlock the sector's full capacity.

Figure 11: Agriculture Sector and Yields in Sudan (Tons)



Note: Agricultural products include wheat, millet, sorghum, peanut, and cotton. Yield is calculated as the total production divided by cultivated area.
Source: US Department of Agriculture.

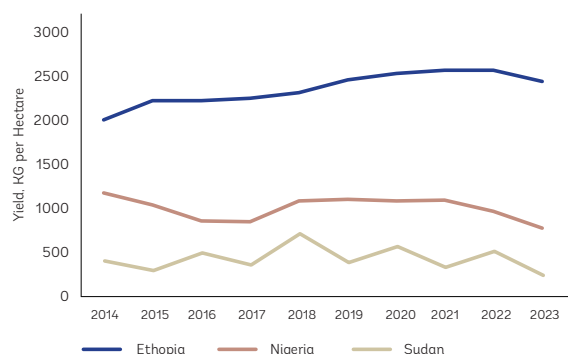
38. Agricultural output fell significantly in 2023, with crop yields remaining below their historical peak levels. National cereal production fell 46 percent below the previous year's output and approximately 40 percent below the average of the preceding five years. Additionally, the average sorghum yield in 2023 is estimated to have declined by 30 percent compared to 2022 and is 17 percent lower than the five years average (2018–2023). Similarly, the average millet yield has decreased by 54 percent from 2022 and 53 percent below the five-year average (2018–2022).³⁶ This significant decrease in the crop production was mainly due to the impact of the ongoing conflict on agriculture operations as well as the limited availability and high prices of agriculture inputs. The erratic spatial and temporal distribution of seasonal rains with prolonged dry spells contributed to the reduction in crops.³⁷

³⁶ FAO (2024).

³⁷ *ibid.*

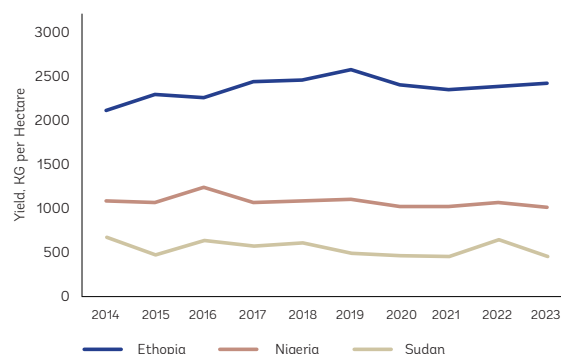
39. Sudan has recorded lower yields for sorghum and millet over the past decade compared to its African counterparts, despite being among the world's leading producers of both crops. These trends indicate significant opportunities to enhance agricultural productivity by adopting successful policies implemented in neighboring countries (Figure 12) and (Figure 13).

Figure 12: Millet Yields in Top Producing African Countries



Source: FAOSTAT 2025.

Figure 13: Sorghum Yields in Top Producing African Countries



Source: FAOSTAT 2025.

2.1 The agriculture sector continues to face significant challenges

While the agriculture sector holds considerable economic potential, persistent challenges have constrained its growth, resulting in reduced sector productivity.

40. The agriculture sector has long faced a range of challenges as follows:

(i) Conflict and political instability: Historically, conflicts have displaced farmers and significantly reduced productivity. In Darfur state, heightened ethnic tensions and intensified competition for land between farmers and herders, often results in crop damage, blocked routes, and violence that further disrupts agriculture production.³⁸ The Al-Fashaga region, situated along the border between Sudan and Ethiopia, has remained a contentious area despite multiple trade and economic cooperation agreements between the two countries. Renowned for its production of high-value white sesame, this territory serves as a vital economic resource for both countries. However, violent conflicts in the region have severely disrupted the trade of essential commodities, displaced thousands from productive farmlands, and resulted in the militarization of critical trade routes further constraining productivity.³⁹

³⁸ OXFAM (2014).

³⁹ Chatham House (2024).

In December 2023, conflict erupted in Al Jazirah state, which has historically been a cornerstone of agricultural production due to its fertile lands and being home to one of the largest irrigation schemes in the world.⁴⁰ The outbreak of the violence forced farmers to flee their lands, abandoning fields that had been cultivated by their families for generations. This displacement not only shattered livelihoods but also undermined the state's contribution to national food security. Cereal production in 2023 was nearly halved, with the most severe declines observed in conflict affected areas, including Kordofan and Darfur states where production fell to an estimated 80 percent below average. Livestock production in these states has also been disrupted due to the intensified Rapid Support Forces offensive.⁴¹

(ii) Barriers to the distribution of agricultural products and market access: Poor road networks, limited transportation services, and deteriorating storage facilities significantly hinder the efficient movement of agriculture goods from production areas to markets. In many rural areas, seasonal flooding and unpaved roads further restrict farmers' ability to transport their produce, leading to high post-harvest losses. Additionally, internal conflicts exacerbate the formidable infrastructural challenges in transporting agricultural products by disrupting trade routes and destroying essential agriculture infrastructure – including irrigation systems, storage facilities, and transportation networks – further limiting market access.⁴²

(iii) Limited agriculture spending and lack of access to finance: The sector faces significant funding constraints due to limited available resources, a situation further exacerbated by the economic sanctions imposed on Sudan between 1997 and 2017, which had restricted foreign direct investment, limiting access to international development finance.⁴³ Moreover, the government has historically accorded high priority to agriculture-related infrastructure, allocating more than 80 percent of total agriculture expenditure to this area. The remaining funds are largely absorbed by irrigated agriculture, leaving other important sectors – such as rain-fed agriculture which accounts for more than 80 percent of the sector – and research and agriculture sector support with meager resources.⁴⁴

(iv) Frequent climate shocks: Rising temperatures, declining rainfalls, flooding, and desertification are significantly impacting the agriculture sector. Climate change poses a substantial threat for rain-fed agriculture, which is predominant across the country, particularly in the western Darfur and Kordofan states. Crop yields in these areas are especially vulnerable to erratic rainfall, which reduces productivity. Notably, the 2023 rainy season was marked by erratic spatial and temporal rainfall patterns. Western regions experienced above-average rainfall, leading to flash floods between July and September, which caused localized crop losses.⁴⁵

⁴⁰ FAO (2024).

⁴¹ *ibid.*

⁴² Diao, et al. (2023).

⁴³ World Bank (2020b).

⁴⁴ Ali Siddig and Hassan (2016).

⁴⁵ FAO (2024).

2.2 Agriculture can play a significant role post-conflict

Investing in agriculture and resilience-building has the potential to drive economic recovery and reduce poverty in the post-conflict period.

41. The agriculture sector has been less impacted by the conflict compared to the industrial and services sectors. While urban centers like Khartoum – which hosts essential services such as education, healthcare, and financial services – were heavily disrupted, agriculture, primarily located in rural areas, was at least somewhat shielded from the immediate effects of the conflict. This relative resilience stems from the decentralized nature of agriculture, as many farming communities are dispersed across rural regions that are often far from the epicenters of conflict.

42. Since April 2023, income from agriculture has become increasingly essential for household survival. With the conflict initially concentrated in Khartoum, economic activity and employment opportunities in the capital were severely disrupted. In response, many households turned to agriculture as a key source of income and food security, primarily cultivating subsistence crops to withstand the ongoing instability in areas less affected by the conflict.

43. Lessons from other countries that have emerged from similar crises highlight the critical role of agriculture in addressing economic shocks caused by conflicts and driving economic recovery. Countries such as Mozambique and Rwanda have shown that agriculture can serve as a crucial catalyst for economic revival, providing immediate livelihood opportunities while laying the groundwork for sustained economic growth.

44. Rwanda adopted a strategy for post-1994 recovery that placed a high priority on measures to ignite growth in agriculture. In the wake of the genocide, Rwanda faced widespread poverty, food insecurity, and deep economic and social fractures. The government prioritized the agriculture sector in its recovery plan, recognizing it as the backbone of the economy and a means to rebuild rural livelihoods and national stability. Key initiatives included substantial investment in smallholder farming, as well as providing access to improved seeds, fertilizers, and modern irrigation systems to increase productivity. This resulted in a boost to rural incomes and fostered stability by addressing underlying economic grievances.⁴⁶

45. Mozambique's agricultural transformation post-civil war is another success story, where strategic investments in rural development and agriculture infrastructure helped drive economic progress in a post-conflict setting. After the peace agreement in 1992, the country focused on rebuilding its rural economy, which had been devastated by years of conflict. Recognizing that agriculture was the primary livelihood for the majority of the population, the government prioritized policies and investments to revitalize this sector which helped to accelerate food production, reduce dependency on imports, create jobs, and improve food security.⁴⁷

⁴⁶ Aragie, et al. (2022).

⁴⁷ World Bank (2020a).

2.3 Unlocking the sector's potential is vital for strengthening communities

Urgent action is needed to address the escalating food insecurity crisis by providing life-saving food aid and supporting essential agriculture activities to enhance resilience.

46. Cash and voucher assistance is recommended in areas where local markets and supply chains are operational, enabling vulnerable populations to directly purchase essential goods. This approach allows families to meet their specific needs while supporting the local economy and reducing the logistical challenges of large-scale distributions. Life-saving food aid can involve distributing staple foods and nutritional supplements to prevent malnutrition and starvation. The WFP continues to use commodity vouchers in areas where traditional food distribution is not feasible due to access challenges, serving as an alternate modality to reach those in need. This initiative was implemented in the famine-hit Zamzam camp, and risk-of-famine areas including Abu Shouk camp, Elsalam camp, and Sheikan in North Kordofan state, reaching nearly 170,000 people in December 2024.⁴⁸ Simultaneously, agricultural assistance could include providing seeds, tools, and other inputs to help families resume or maintain food production, thereby enabling them to rebuild their livelihoods and enhance resilience to future food crises.

47. Supporting the production of essential local staple cereals for the planting seasons is crucial. This can be achieved by distributing high-quality seeds to farmers in a timely manner. Such measures will improve crop yields and resilience, particularly under challenging climatic conditions, while promoting immediate food production and reducing reliance on imported food aid.

48. Focusing strategically on supporting small-scale farmers can significantly boost productivity and reduce poverty, particularly in rural areas. This support includes access to high-quality seeds and fertilizers, along with training in sustainable farming practices which enhance both productivity and production quality, allowing farmers to generate more income, elevating their standard of living and supporting the wider rural community. Additionally, these efforts encourage displaced farmers to return, especially with the availability of incentives to support their integration. The Sudan Somoud Project⁴⁹ – a key development project financed by the World Bank – is designed to complement the current humanitarian aid to Sudan by laying the groundwork for medium- and longer-term development in areas with a high concentration of internally displaced persons. It aims to enhance food security and resilience by supporting over 16,000 farmers and cooperatives in conflict-affected areas and revitalizing the private sector as part of a functional market system. This includes improving strategic crop production, developing agriculture value chains, and strengthening community market points and kitchens.⁵⁰ Furthermore, despite the ongoing conflict and related disruptions, local farmers in several states exemplified the potential of such targeted support by successfully increasing wheat production during the summer agriculture season in 2024 (typically spanning from July to September) meeting over one-fifth of the country's wheat needs. This notable achievement is largely attributed to the Sudan Emergency Wheat Production Project – a collaborative effort between the WFP and the African Development Bank (AfDB). The project provided climate resilient seeds and fertilizers to over 170,000 smallholder farmers across five states, including River Nile, Gezira, Kassala, Northern, and White Nile. In some regions, farmers saw up to a 70 percent increase in wheat yields. Significantly, many of the participating farmers were newly displaced by the conflict, highlighting the initiative's critical role in supporting vulnerable communities during a challenging period.⁵¹

⁴⁸ WFP (2024).

⁴⁹ UNICEF (2024).

⁵⁰ <https://www.worldbank.org/en/news/press-release/2024/04/15/new-afe-world-bank-initiative-sudan>

⁵¹ <https://www.wfp.org/stories/sudans-war-rages-its-farmers-help-fill-hunger-gap>

49. Restoration of degraded lands can play a transformative role in driving growth in the sector.

Reclaiming previously unusable areas for cultivation would expand the amount of arable land available for farming. Restoration efforts – including soil amendment and reforestation, enhancing soil fertility, reducing desertification, and improving water retention – all contribute to increased productivity and sustainable agriculture growth.

50. Rebuilding agriculture infrastructure is crucial for revitalizing agriculture productivity and ensuring long-term food security. Key infrastructure, including irrigation systems, roads, storage facilities, and marketplaces that were damaged or destroyed during the conflict, play a vital role in job creation and fostering rural development – both essential components for recovery.

51. In the medium and longer term, transitioning from subsistence farming, which remains widespread, to commercial agriculture can drive economic growth and reduce poverty. This shift requires strengthening of the systems, policies, and institutions that support agriculture development. Key elements of this approach include:

(i) Promoting access to modern technologies: Providing farmers with advanced technologies such as mechanized equipment and mobile irrigation systems significantly enhances productivity. Additionally, the adoption of climate-smart technologies and practices would enable farmers to better manage climate-related challenges.

(ii) Expanding access to financial services: Financial products such as affordable loans, crop insurance, and savings accounts enable investment while protecting against market and climate risks. Access to financial services is vital for funding farm investments, improving post-harvest practices, smoothing household cash flow, enhancing market access, and managing risks. Such access also plays a significant role in climate adaptation and increasing agriculture's resilience to climate change, contributing to long-term food security.⁵²

(iii) Reforming land holdings: Clear and fair land tenure is essential for promoting sustainable agriculture. Secure land tenure encourages farmers to invest in sustainable land management practices, thereby improving agriculture productivity and food security.⁵³ For instance, the traditional communal land tenure systems applied in the Darfur states, governed by customary laws, have long been a source of conflict, fueling disputes over land access and usage. Comprehensive land tenure reforms must prioritize equitable access to land for all stakeholders, including displaced communities and marginalized groups. This includes formalizing land rights, enhancing legal frameworks, and strengthening mechanisms for dispute resolution. Such reforms will serve as a foundation for peacebuilding, economic recovery, and long-term development.⁵⁴

⁵² Hishigsuren, et al. (2015).

⁵³ FAO (2013).

⁵⁴ Augustinus, et al. (2020).

52. Increasing value-add in agriculture involves enhancing the profitability and marketability of agricultural products. Key strategies to achieve this include:

(i) Developing agro-processing industries: Establishing facilities for processing crops such as sorghum, sesame, and ground nuts into products like flour, oil, and packaged foods would add significant value to locally produced goods, making them more profitable. This shift could stimulate economic activity in underserved regions and reduce Sudan's dependence on imported goods.

(ii) Improving quality standards: Ensuring Sudan's agriculture products meet higher quality standards could significantly boost their competitiveness in both domestic and international markets. Certified products not only command higher prices but also enhance the country's agriculture reputation globally, creating opportunities for farmers to tap into more lucrative international trade channels.



Close up of cotton. Abu Asher, Sudan. Photo by Arne Hoel, World Bank.

Part 3:

A Way Forward and Policy Options

53. Sudan's path to recovery from conflict and achieving sustainable development requires addressing fundamental preconditions, including the deep-rooted economic and social challenges. Sustainable development and peace can only be achieved through a comprehensive approach that promotes inclusivity, stability, and economic revitalization.

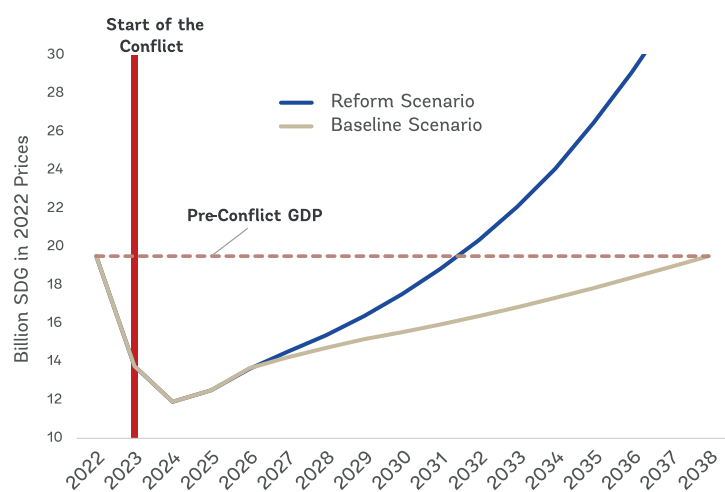
54. The trajectory of economic recovery will depend on the extent of conflict resolution, governance and economic reforms, and re-engagement with the international community. Different development scenarios presented in this section highlight the potential pace and scale of economic revival, driven by key policy choices and the level of external support.

3.1 Post-conflict growth scenarios: Pathways to economic recovery

A strategic focus on macroeconomic stabilization, investment in critical sectors, and structural reforms will be essential for accelerating growth and achieving long-term economic resilience.

55. The SEU considers a baseline scenario along with a reform scenario, both of which assume that conflict resolution will be achieved within 2025. The magnitude of conflict-related displacement and destruction is likely to result in economic scarring, prolonging the path to full recovery. These scenarios project higher growth rates in the initial years of 2025 and 2026, reflecting the resumption of economic activities made possible by the conflict resolution (Figure 14). Each scenario has a different assumption on the completion date of the HIPC process, which corresponds to the implementation of key policy triggers.

Figure 14: Recovery Scenarios of Real GDP in Sudan (Billion SDG)



Source: World Bank Staff estimates.

- **Baseline Scenario (limited reforms and moderate growth):** Economic recovery is primarily driven by natural post-conflict stabilization rather than proactive policy changes and reforms, which constrains both the speed and sustainability of growth. Progress towards HIPC completion is slow due to challenges in meeting debt relief requirements. Persistent structural challenges hinder significant transformation, leading to a projected recovery to pre-conflict levels by 2038.
- **Reform Scenario (comprehensive reforms and accelerated growth):** In this scenario, the country commits to a transformative economic agenda, ensuring the rapid and comprehensive implementation of broad and deep reforms. The pace of international re-engagement is accelerated, unlocking greater financial support and investment inflows. This momentum enables the country to achieve HIPC completion and regain pre-conflict GDP levels more quickly by 2031.

3.2 Key policy options for sustainable recovery and economic stability

Restoring Sudan's economy in the post-conflict period requires a comprehensive policy framework that promotes stability, resilience, and sustainable development. This would be based on a specific recovery plan, and would be financed by domestic revenue mobilization as well as assistance from development partners and informed by a comprehensive assessment of physical damages, economic losses, recovery needs, and corresponding priorities for the allocation of resources. Successful recovery will also depend on effective governance, strong institutions, and coordinated engagement with domestic and international stakeholders. This section presents key reforms and policy options necessary for accelerating growth and ensuring long-term resilience.

3.2.1 Macroeconomic policies

56. The resumption of the HIPC initiative holds significant potential for post-conflict economic recovery by providing critical debt relief and creating fiscal space for development-focused investments. The initiative has proven successful in other post-conflict countries such as Liberia and the Democratic Republic of Congo,⁵⁵ and more recently in Somalia, which reached HIPC completion point in December 2023, resulting in reducing debt from 64 percent of GDP in 2018 to under 6 percent by the end of 2023.⁵⁶ This substantial reduction allows Somalia to access additional financial resources to invest in poverty reduction, job creation, and economic stability and provides a foundation for the country to attract external financing to drive inclusive growth and resilience. Sudan faces a high debt burden, with over US\$60 billion in foreign obligations currently in arrears, that constrains its ability to invest in essential sectors like infrastructure, healthcare, and education. By completing the HIPC process, the country can move toward comprehensive debt relief, which will reduce annual debt servicing costs and redirect funds towards social and economic rebuilding efforts. The initiative can help stabilize the economy and lay a foundation for sustainable growth by restoring creditor confidence and enabling a more resilient fiscal policy. In addition, the HIPC completion triggers, which were already agreed with Sudan in June 2021, represent key reforms and policies that can provide a foundation for sustainable growth and poverty reduction.

⁵⁵ <https://www.imf.org/en/News/Articles/2015/09/14/01/49/pr10274>

⁵⁶ <https://www.imf.org/en/News/Articles/2023/12/13/pr23438-imf-and-world-bank-announce-us-4-5-billion-in-debt-relief-for-somalia>

57. One critical HIPC completion trigger involves measures to increase cost recovery in the electricity sector. A few years before the conflict, energy subsidies (both on and off budget) became so massive, amounting to well over 100 percent of budgetary revenues, that macroeconomic stabilization became impossible. Almost all other public expenditures were crowded out. When thermal electricity supply is revived in the post-conflict period, macroeconomic stabilization, and consequently economic growth, will depend critically on constraining the size of commodity subsidies. Savings generated from reducing energy subsidies will facilitate the consolidation of public finances – both on and off budget – thereby reducing the need for the Central Bank monetization and contributing to macroeconomic stabilization. This implies progress on a steady course toward cost recovery in the electricity sector, consistent with the HIPC trigger, and maintaining the discipline not to revive other commodity subsidies.

58. Other HIPC triggers that would improve the investment climate for small business activity include providing a “one stop shop” for regulation and tax issues and facilitating the expansion of secured lending to entrepreneurs through the strengthening of creditor rights. Reforms to reduce tariffs, particularly for key investment-related imports, and to rationalize the foreign trade regime, also have strong growth enhancing potential. Another key trigger is the creation of an effective and comprehensive framework for public financial management in the country, including the governance of state-owned enterprises.

59. Preventing the resurgence of excessive commodity subsidies is critical to ensuring sustainable economic recovery and long-term post-conflict fiscal sustainability. A successful post-conflict recovery hinges on maintaining control over commodity subsidies that had previously destabilized the economy and adopting a more sustainable approach to public spending. The implementation of a structured roadmap toward cost recovery in the electricity sector is vital for ensuring fiscal sustainability and macroeconomic stability while redirecting savings from reduced subsidies toward public investment in infrastructure, social services, and other growth-enhancing sectors. This process, which serves as a trigger for debt relief under the HIPC initiative, involves gradually reducing subsidies while ensuring that electricity remains affordable for vulnerable populations through targeted support mechanisms. The reduction/elimination of fuel subsidies also helps moderate consumption and promotes alternative clean sources of energy that have long-lasting beneficial effects on the climate and the environment.⁵⁷

60. A single unified market exchange rate can enhance economic stability and help facilitate a foreign trade recovery. Sudan has made use of multiple exchange rates that, in essence, implement implicit taxes and subsidies in areas such as gold, imports, and foreign inflows, including remittances. To the degree that these taxes or subsidies are maintained, they can be implemented in a more efficient and transparent manner than through a non-market exchange rate. Sudan’s reform to unify the exchange rate was a significant step forward for improving the context for foreign trade, and this progress should be sustained.

⁵⁷ The World Bank, HIPC Initiative, the Republic of Sudan, March 2021.

3.2.2 Structural reforms

61. Unlocking agricultural potential is crucial for driving post-conflict economic recovery. Policies that enhance the sector's productivity and support its transition to a commercialized industry will foster growth and reduce poverty. Strengthening value addition in agriculture by improving the profitability of Sudanese agricultural products can further boost farmers' incomes and uplift rural communities. Additionally, these efforts will enhance social resilience and contribute to long-term economic stability. The joint WFP and AfDB initiative,⁵⁸ which provided targeted support for farmers in five states in 2024, underscores the transformative impact of well-designed agricultural policies and strategic partnerships. This initiative reinforces agriculture's critical role as a catalyst for post-conflict recovery and long-term resilience.

62. A coordinated approach, focused on mobilizing multi-donor and domestic resources, is crucial to rebuilding Sudan's economy and infrastructure. Sudan had effectively engaged with the international community prior to the conflict, which will give the country a head start for rapid re-engagement. Success stories from post-conflict countries like Liberia and Sierra Leone highlight the effectiveness of utilizing multi-donor trust funds to support economic recovery. In both cases, these funds pooled resources from international partners to finance critical projects in transportation, electricity, education, and healthcare – addressing urgent needs while supporting long-term development goals. This model demonstrates the importance of coordinated international support in fostering sustainable recovery and growth in post-conflict settings.

63. A multi-donor trust fund could play a crucial role in addressing urgent post-conflict needs and laying the foundation for long-term development. The STARS Trust Fund, established in April 2020, was able to galvanize about US\$500 million in funding from 14 donors. STARS TF served as the primary financing vehicle for a large social impact mitigation program in support of the critical macro-economic reforms which paved the way to Sudan's arrears clearance to International Development Association and the reaching of the HIPIC Initiative decision point in June 2021. The military Coup of October 2021 has led to a pause in World Bank support to the Government of Sudan, including support of STARS TF.⁵⁹ Going forward, STARS TF remains a tool for partner dialogue, collaboration, and a financing vehicle for Sudan's emergent needs and priorities.

64. Shifting toward the demilitarization of the economy could unlock significant growth potential by reallocating resources to social and productive sectors post-conflict. The 2019 revolution marked a critical turning point, with the government aiming to transition from a militarized to a more civilian-led economy. However, challenges persist as military institutions continue to wield considerable economic and political influence. This includes control of key state-owned enterprises and shadow budgets generated from various sources that are separate from the national budget. Redirecting resources to social and productive sectors lays the foundation for economic stability and poverty reduction. Additionally, increased transparency and reduced military involvement would create a more favorable environment for foreign investment. These reforms are crucial for supporting Sudan's recovery and restoring public trust.

⁵⁸ <https://www.wfp.org/stories/sudans-war-rages-its-farmers-help-fill-hunger-gap>

⁵⁹ World Bank (2023b).

65. Eliminating barriers to domestic and foreign trade is essential for economic recovery.

Infrastructure damage has created new trade obstacles that will take time to address, requiring prioritization based on cost and impact on markets, and on the livelihoods of citizens. Maintaining a unified economic space in Sudan necessitates addressing the growing trend of local governments and groups to impose tolls or security fees on the transportation of goods. Additionally, imports tariffs – both explicit and implicit through a manipulated customs exchange rate – remain among the highest in the region. Honoring commitments to the African Continental Free Trade Area and advancing tariff liberalization with other member states will benefit the country. A broader reform to rationalize and enhance tariff transparency is also necessary, alongside simplifying and streamlining customs processes.

66. Post-conflict recovery can be strengthened through regional cooperation and integration.

Sudan should strengthen ties with neighboring countries, drawing lessons from nations like Ethiopia and Kenya that have benefited from regional trade agreements and partnerships. This could involve establishing trade agreements, promoting cross-border investments, and collaborating on infrastructure projects that improve connectivity. Such efforts would support economic recovery by expanding markets and resources, ultimately benefiting the entire region.

3.2.3 Social and humanitarian policies**67. The severe humanitarian crisis highlights the urgent need to restore security and stability to mitigate the conflict's devastating impacts on the economy and population.**

Recovery efforts should prioritize rebuilding infrastructure to attract foreign investment in high-potential sectors where the employment of low-income workers and entrepreneurs is concentrated, like agriculture and mining, while creating job opportunities that empower local communities and protecting the most vulnerable through social programs. Ensuring equitable resource distribution and accountability will be crucial for addressing regional disparities and fostering economic growth. These measures will help improve living standards and build long-term resilience for the future.

68. Investing in social services, particularly education and healthcare, is essential for rebuilding human capital in post-conflict settings.

Countries like Liberia and Sierra Leone have demonstrated that prioritizing education and health can lead to significant social improvements and economic recovery. In Sudan, efforts should focus on rebuilding schools and healthcare facilities, training educators and healthcare workers, and providing access to essential services. These investments not only address immediate needs but also lay the groundwork for a skilled workforce that can contribute to long-term economic growth and development. The World Bank-financed Somoud project supports communities amid the ongoing conflict and challenges.⁶⁰ The project focuses on improving access to essential services such as healthcare and education while enhancing food security. Implemented in collaboration with UNICEF and the WFP, the project has been implemented in the more stable areas such as Northern, River Nile, Al Qadarif, and Kassala states.⁶¹ The initiative addresses immediate needs by delivering health, education, water, sanitation, and hygiene services to vulnerable communities, while also prioritizing both immediate relief and long-term recovery. Expanding the geographical coverage of Somoud project to other areas considered safe in the future could improve opportunities and extend support to other communities.

⁶⁰ <https://www.worldbank.org/en/news/press-release/2024/04/15/new-afe-world-bank-initiative-sudan>

⁶¹ UNICEF (2024).

69. National reconciliation and public participation are vital in rebuilding trust among Sudanese communities. Truth and reconciliation commissions, inter-community dialogues, and reintegration programs for displaced persons and ex-combatants can help heal divisions and prevent future violence. A strong civil society and free media are essential for holding the government accountable and promoting civic engagement. By prioritizing inclusive governance, Sudan can lay the foundation for a more peaceful, democratic, and sustainable future.

70. Strengthening governance and institutions is critical for post-conflict recovery. Establishing transparent and accountable systems can help rebuild public trust, attract investment, and ensure the effective implementation of recovery efforts. Post-conflict experiences in countries like Rwanda, where governance reforms and anti-corruption measures were prioritized, can offer valuable insights.⁶² Sudan should focus on enhancing the capacity of local institutions, promoting the rule of law, and ensuring inclusivity in decision-making processes to foster a stable environment conducive to recovery.

71. Addressing landmine contamination in post-conflict Sudan is critical to restoring safe access to land and resources, thereby facilitating socio-economic development in affected regions. Previously, Sudan has made significant progress in demining efforts, notably through collaboration with international organizations such as the United Nations Mine Action Service (UNMAS). These partnerships have provided crucial technical and operational support, concentrating on areas heavily impacted by landmines and explosive remnants of war. Since 2015, Sudan has successfully declared large portions of the eastern states free of landmines, including Red Sea and Al Qadarif.⁶³ Effectively tackling landmine contamination post-conflict requires a multifaceted approach that includes systematic mapping and clearance of affected areas as well as medical care and rehabilitation programs for survivors. Equally important is mine risk education, which informs and educates communities about the dangers of landmines and explosive remnants of war, promoting safe practices that reduce the risk of injury. This educational outreach is particularly vital for protecting vulnerable groups, such as children, and preventing accidents in high-risk areas.

⁶² Office of the Ombudsman (2012).

⁶³ <https://ihl-in-action.icrc.org/case-study/sudan-neutralisation-and-removal-landmines>





Sudan's MultiDonor Trust Fund in action. Scene on the Asphalt road between Gadami and Hamashkoreeb. Waterpoint where people and their animals can access clean drinking water as they move in search of pasture. Photo by Salahaldeen Nadir, World Bank.

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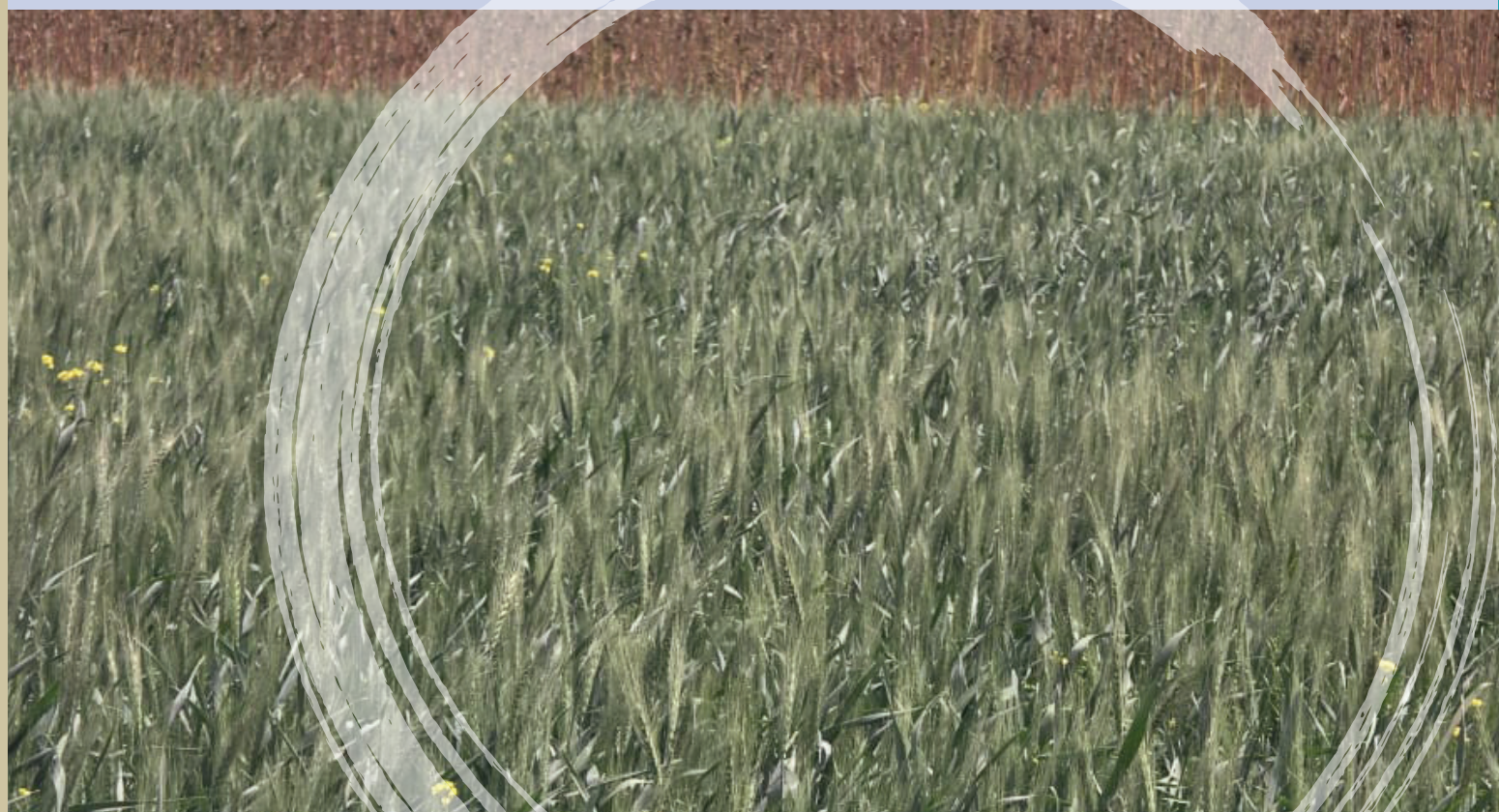


Photo: Sudan Somoud – Enhancing Community Resilience Project, World Bank.

Annexes

Annex 1: GDP projections in Sudan

GDP growth rates are projected using an expenditure-based approach that combines historical trends, economic theory, and forecasting techniques. This methodology, which is based on the World Bank's Macro-Fiscal Model, integrates theoretically grounded model equations to estimate private consumption, government consumption, gross fixed investment, and trade flows. These components are subsequently aggregated to calculate overall GDP, while also informing sectoral growth forecasts.

Private consumption and gross fixed investment: Private consumption is projected by factoring in changes in disposable income, inflation, exchange rates movements, fiscal performance, and past consumption trends. The model accounts for how households adjust their spending in response to economic changes. Gross fixed investment is estimated based on past GDP growth, assumed capital stock utilization, and fiscal performance, reflecting the relationship between economic activity and fixed capital formation.

Trade flows and government consumption: Trade flow estimates utilize satellite-based data from the IMF Port-Watch to track export and import activity. Additionally, export projections are influenced by global demand factors, price competitiveness, and historical trends, while imports are driven by domestic demand, fiscal spending, and import costs. Government consumption projections rely on fiscal measures frequently announced by the Ministry of Finance and Economic Planning and other government officials in the absence of formal government budgets during the ongoing conflict. Moreover, trends in wages, social assistance, and other expenditure priorities are also incorporated. This dynamic approach ensures that projections reflect both current fiscal policies and broader macroeconomic conditions, providing a robust view of Sudan's economic growth trajectory.

Annex 2: Estimating poverty rates in Sudan

Poverty rates in Sudan have been estimated based on projections from the last available household poverty survey conducted in 2014. This methodology adjusts the baseline data using GDP per capita growth rates and applies a pass-through rate to estimate how changes in the economy affect household welfare. Historically, a low pass-through rate of 0.7 was used, assuming "distribution neutrality," where all households are scaled equally based on economic growth trends. Estimates are further standardized using the 2017 purchasing power parity framework to ensure comparability across regions.

Given the worsening economic and humanitarian conditions, the low pass-through rate has proven inadequate. For example, the IPC estimates indicated that 57 percent of the population faced acute food insecurity in mid-2024. To better reflect these realities, a medium pass-through rate was adopted, producing poverty projections more aligned with the severity of the current crisis. This shift highlights the urgent need for updated and nationally representative data to provide more accurate poverty estimates and inform targeted policy interventions.

Annex 3: Map of Sudan









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