

COUNTRY PROFILE

SUDAN



Full Name:	Republic of Sudan
Area:	2.505.810 km ²
Capital:	Khartoum
Main Languages:	Arabic, English, Local dialects
Currency:	Sudan Pound from January 2007
Head of State:	President Omar Hassan Ahmed al-Bashir



The Profit 2007 Regional Investment Conference in Kampala, Uganda is a component of the Pro€Invest programme which is a common initiative of the European Commission (EC) and institutions from the ACP states (Africa, the Caribbean and the Pacific).

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The authors accept sole responsibility for the profile which does not necessarily reflect the views of the organizers: Pro€Invest, the Centre for the Development of Enterprise (CDE), the European Investment Bank (EIB), the African Union (AU) and the Common Market for Eastern and Southern Africa (COMESA).

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1. BUSINESS OVERVIEW

1.1 Key Economic Indicators

Table 1 shows the recent trend for selected key economic indicators using the most up-to-date available information.

Table 1: Key Economic Indicators 2002-06

	2002	2003	2004	2005	2006
Population (mn.)	31.1	31.9	32.7	33.6	34.5
Population Growth (%)	2.30	2.60	2.50	2.75	2.60
GDP (US\$ bn. at current prices)	15.115	17.582	21.460	27.542	37.571
GDP per capita (US\$ at current prices)	486	551	657	820	1,090
GDP growth at constant prices (%)	6.40	4.90	5.20	7.90	12.10
Current account balance (US\$ bn.)	(1.488)	(1.369)	(1.352)	(2.919)	(2.229)
Inflation Rate (%)	8.30	7.70	8.40	8.50	7.00
Exchange Rate: Annual average Sudanese dinars* to US\$	263.31	260.98	257.91	243.61	217.20

* In late 2006, the Government announced its intention to introduce a new currency, the Sudan Pound, from January 2007, at an exchange rate of \$1.00 = 2 Sudanese Pounds.

Sources: COMTRADE, World Development Indicators, Oanda.com

1.2 Economic Context

The Sudanese economy has grown quite rapidly over the last five years with total GDP at current market prices increasing from just over US\$15 billion in 2002 to almost \$37.6 billion in 2006. Real GDP growth has been especially strong in 2005 and 2006 registering 7.9 percent and 12.1 percent, respectively, largely as a result of increased oil production, higher oil prices and expanded export processing zones. It is estimated that the services and agriculture sectors contributed almost 40 percent and 25 percent, respectively, to GDP in 2006. Industry accounted for the remaining one-third. Notwithstanding the ongoing strife in Darfur, the Comprehensive Peace Agreement between Khartoum and the Sudan People's Liberation Movement has led to increased stability in the south of the country.

Net official development assistance to Sudan tripled from 2003 to 2005 when it reached over \$1.8 billion. According to the OECD statistics, over 80 percent of the total in 2004 - 2005 was bilateral assistance with the US providing an annual average of \$575 million and the UK and the Netherlands contributing \$157 million and \$126 million, respectively. The EU was the largest contributor of the multilateral agencies with average annual assistance of \$141 million in the same years.

1.3 Population and Labour Force

The population was estimated at nearly 34.5 million in 2006. The overall population density is approximately 14 persons per km². No recent labour force data is available, but it was estimated at 11 million in 1996. The unemployment rate was assessed at 19 percent in 2002.

1.4 Role of Tourism

The tourism sector is relatively underdeveloped but nevertheless, according to the World Travel & Tourism Council (WTTC), Sudan's travel and tourism economy (direct and indirect impact) in 2007 is expected to account for 8.6 percent of GDP and 7.1 percent of total employment (361,000 jobs) in 2007.

1.5 General Institutional and Regulatory Framework

Sudan's legal system is based upon English common law and Islamic law (which was introduced in the northern states in 1991). The legal system in the south is still evolving under the Comprehensive Peace Agreement signed in 2005.

1.6 Infrastructure Services

1.6.1 International access

Air

Khartoum International Airport (KRT) is 4km south-east of the city. The national airline is Sudan Airways (SD) which operates services to/from Africa (Addis Ababa, Cairo, Kano, Nairobi, N'djamena and Tripoli) and the Middle East (Al Ain, Dubai, Jeddah, Sharjah and Riyadh). Other airlines serving Sudan include British Airways, Egyptair, Emirates, Ethiopian Airlines, Etihad Airways, Gulf Air, Kenya Airways, KLM, Lufthansa, Qatar Airways, Royal Jordanian, Saudia, Syrian Arab Airlines, Turkish Airlines and, Yemenia.

Water

The only sea ports are Port Sudan and Suakin on the Red Sea. Piracy has been reported in the area. There are car ferries from Aswan in Egypt through Lake Nasser to Wadi Halfa on the Egypt/Sudan border.

Rail

Rail links run from Cairo to Aswan High Dam and then by riverboat to Wadi Halfa.

Road

Entry to Sudan by road is at present only possible at Wadi Halfa.

1.6.2 Internal transport

Travel outside of Khartoum requires internal travel permits.

Air

Sudan Airways (SD) runs services to 20 destinations, including Dongola, Juba, El Obeid and Port Sudan. The most reliable route is Port Sudan to Khartoum. There is also an air-taxi service operating twice weekly to Nyala, available from Khartoum.

Water

River steamers serve all towns on the Nile but conditions are mostly unsuitable for tourist travel. Services depend on fluctuating water levels.

Rail

Sudan has an extensive rail network, which is being rehabilitated. Sleeping cars are available on main routes from Khartoum to Wau/Nyala, Khartoum to Kassala/Wadi Halfa and Port Sudan to Khartoum.

Road

Major roads are asphalted; road conditions are poor outside cities and towns. Roads outside cities and towns are being constructed or improved.

1.6.3 Telecommunications

Telephone: IDD is available. The country code is 249. Sudan's telecommunication services are considered one of the best systems in Africa

Mobile telephone: Roaming agreements exist with some international mobile phone companies. Coverage is available in main cities and towns.

Internet access is available in the main cities and towns.

2. TOURISM SECTOR

Sudan has only recently emerged as a tourist destination. Communications and facilities are still limited outside Khartoum while travel restrictions are also in force in some areas (particularly Darfur) owing to political instability. This has negatively impacted upon recent attempts to kick-start touristic growth in the country. Nevertheless, there has been steady growth in international tourist arrivals in the past decade, the number having increased from 29,000 in 1995 to 52,000 in 2003 and 61,000 in 2004, but this consists mostly of official, business and family visitors rather than leisure tourists.

Sudan's tourist attractions are plentiful – from Nile tours to virgin rainforests to wildlife safaris and game parks, Red Sea diving and archaeological sites in the north, from the rolling deserts of the north to the lush rainforests rising on its southern borders. Africa's largest country, Sudan is also its most diverse; the nation has more than 500 tribes, each with its own dialect, traditions, customs and dances.

2.1 Product Offer

Khartoum

Khartoum State: the capital which also encompasses Omdurman and Khartoum North, is situated at the confluence of the Blue and White Niles. Among the tourist attractions here are the Omdurman camel market, the Arab souk and the National Museum (which contains archaeological treasures dating back to 4000 BC and earlier), and the Khalifa's House Museum (relating to the reign of the 19th century Mahdi). A trip along the Nile may be made to the Gezira model farm and to the dam at Jebel Aulia.

Archaeological

The main areas of archaeological interest in Sudan are to be found beside the Nile, north of Khartoum. They include Bajrawiya, El Kurru, Meroe, Musawarat, Naga and Nuri. A multi-national team of archaeologists is currently working on the restoration of World Heritage Sites in the Barkal Mountains and the Napatan Region.

Dinder National Park

The Dinder National Park, on the Ethiopian border, is one of the largest in the world, and home to numerous species of wild animals, including lion, giraffe, leopard, kudu, bushbuck and antelope, and birds such as guinea fowl, vulture, pelican, stork, kingfisher and the crown crane.

Red Sea

With the transparency of its water, the variety of its fish and the charm of its marine gardens and coral reefs, the Red Sea is one of Sudan's main tourist attractions. Port Sudan, Suakin and the Arous Tourist Village (50km north of Port Sudan) are the main centres from which to explore the coast. Normally, there is great scope for undertaking water sports activities on the Red Sea coast, including swimming, diving on coral reefs, and fishing for barracuda, sharks and grey cod, but this can be affected by security concerns. Erkowit, 1200m above sea level, is an attractive resort in the coastal mountains, famed for its evergreen vegetation.

The South

The southern states (now recovering from years of conflict) are characterised by green forests, open parkland, waterfalls and treeless swamps abounding with birds and wild animals such as elephant, black and white rhino, common eland, Nile lechwe, lesser kudu, bisha oryx, zebra, crocodile, hippo, hyena, buffalo and the almost extinct shoebill.

2.2 Accommodation

Tourist accommodation is expanding outside Khartoum and Port Sudan. Khartoum has around 10 major hotels, including some of international standard, and there are several in Port Sudan.

2.3 Market Trends

2.3.1 Visitor arrivals

The estimated number of foreign visitors was 61,000 in 2004, of which around 14 percent were from other African countries, and the remaining 86 percent from other countries (particularly China, Egypt, Canada and the United States) and those whose nationality was not stated. Europeans accounted for about 22 percent of the total.

Practically all international visitors arrive in Sudan by air, apart from a small number of ferry and other ship passengers.

2.3.2 Visitor expenditure

In 2005, international tourism receipts (mainly from business visitors) amounted to an estimated \$89 million compared with \$21 million in 2004 and \$18 million in 2003. This compares with total export earnings from oil and petroleum products, cotton, gum arabic and other products of approximately \$7.5 billion in 2006.

2.4 Institutional Arrangements

The main responsibility for tourism development and promotion lies with the Ministry of Tourism and Wild Life. The principal private sector body is the Sudanese Business & Employer Federation

2.5 Future Outlook

According to WTTC projections, Sudan's travel and tourism economy is expected to grow by 8.3 percent in 2007 and by 6.4 percent per annum, in real terms, between 2008 and 2017.

3. INVESTMENT OPPORTUNITIES IN TOURISM

With its abundant mineral resources (including petroleum), fertile agricultural lands, abundant livestock, plentiful fresh water and varied natural resources, the importance of Sudan as target for investment has increased over the last few years. Foreign direct investment inflows increased from \$312 million in 2000 to \$3.2 billion in 2005, and the number of foreign investment projects from 84 to 338 over the same period. Investment opportunities are expected to further increase following the consolidation of the southern peace process which will allow investors to more fully utilize the resources of the country, although fighting continues in war-torn Darfur.

As the Ministry of Tourism and Wild Life prepares to promote Sudan as a nascent tourism destination, overseas investors are beginning to realise the opportunities that the tourism sector holds. A European-Egyptian company is already investing in the tourism sector, but there are many more opportunities available for investors.

3.1 Investment Sectors

Much of the infrastructure in Sudan is being rehabilitated (particularly electricity, airports and seaports, and roads). However, projects are presently underway or proposed for partnership with foreign investors for the upgrading and, in some cases, the rebuilding of the internal road and rail infrastructure and the rehabilitation of the country's power generation and distribution and telecommunications infrastructure. These developments will have positive implications for the tourism industry.

Prospects for investing in the tourism sector are also enhanced by the existence of important tourism assets; the limited capacity of hotels of international standard; and growing recognition of Sudan as one of the world's rare undeveloped destinations for nature and discovery tourism.

Priority tourism investment sectors have been identified as follows:

Leisure

- Business hotel renovation and upgrades.
- New leisure resorts and lodges

Infrastructure

Roads, electricity, water, and airport projects at Khartoum, Port Sudan, Malakal and Abu Gibieha and seaport developments at Suakin and Osaif.

4. INVESTMENT ENVIRONMENT

4.1 Investment Framework

4.1.1 Government policy

Sudan's attractiveness to investors includes its strategic location as entrance to Africa from the east and a sea outlet for its land-locked African neighbours; its rich resources; the availability of a plentiful supply of skilled and low cost labour; a liberalised and restructured economy (including privatisation of public corporations); a competitive range of investment incentives; and the establishment of a range of regional agreements aimed at encouraging investment and creating trade opportunities with other nations.

The recent establishment of a Ministry of Investment reflects the attention the Government paying to the investment process and the importance of creating a favourable climate for investors. The Ministry is doing this by simplifying procedures and putting in place the tools to protect investors' rights. It has implemented a 'one-window-service' system to remove bureaucratic barriers and shorten time periods and unify all channels for investors. The Investment Act provides guarantees and concessions for investors, and non-differentiation between domestic and foreign investors with similar projects and capital.

4.1.2 Investment agencies

The Ministry of Investment is responsible for formulating strategies, policies, goals and programs aimed at developing local and foreign investments in Sudan. Underscoring the Government's concern for investment, the former investment authority was upgraded to a Ministry in 2002.

4.1.3 Investment Guarantees

Sudan is a member of the Multilateral Investment Guarantee Agency (MIGA) which protects investors against non-commercial risks. In addition, the Investment Law states no confiscation of property will occur except through the legal system and after payment of a reasonable compensation.

4.2 Investment Incentives

Sudan's investment incentives vary for what are deemed strategic or non-strategic projects. Investment in the following fields are deemed strategic investment: infrastructure (roads, ports, electricity, dams, communications, energy, transport, contracting business, education, health and tourist and information technology services and water projects); extraction of subterranean and deep seas wealth; agricultural, animal and industrial production; and projects crossing more than one state.

The incentives include

- complete exemption from customs fees for capital projects;
- exemptions from profit taxes of 10 years for strategic projects and 5 years for non-strategic projects, both periods may be extended;
- customs exemptions for strategic projects and non-strategic capital goods;
- strategic projects are given the necessary land free-of-charge; non-strategic projects are given land at an encouragement price;
- accelerated depreciation; and
- the right to operate without a Sudanese partner.
- There are enhanced incentives for investors locating in the free zones in Suakin and El-Jaili cities.

4.3 Access to Finance

The Bank of Sudan is the country's central bank. The banking sector in Sudan was the only national system that was totally Islamic, after the agreement Sudan is considering the introduction of traditional banking system besides the existing islamic system

4.3.1 Commercial Banks

There are 26 commercial banks operating in Sudan, comprising four state-owned banks, a handful of well established private operations and a large number of small banks established by consortiums of local business families trying to get around the bureaucratic and slow state-owned banks. With the banking system now deregulated, the actual need for these small banks has dropped and many are suffering because of their narrow capital and deposit base, eroded by the high inflation of the past years. Non-performing loans in the sector are also high, representing 18 percent of total loans.

The major banks include Agricultural Bank of Sudan, Al- Baraka Bank, Bank of Khartoum, Blue Nile Mashreq Bank, El Nilein Bank, Faisal Islamic Bank (Sudan), Habib Bank, Middle-East Bank, National Bank of Abu Dhabi, Farmer's Commercial Bank, Omdurman National Bank, Sudan Savings Bank and Social Development, Saudi Sudanese Bank, Byblos Bank, Africa.

Recently-established foreign banks include the Al Salam Bank, the Emirates and Sudan Bank, Sudanese Egyptian Bank.

4.3.2 International Financial Institutions

Sudan, as a signatory to the agreement between African, Caribbean and Pacific nations (ACP) and the European Union, known as the Cotonou Agreement, has access to the facilities of the European Investment Bank (EIB).

As a member of the World Bank, the facilities of the International Finance Corporation (IFC) would also be available for projects in Sudan. Other potential development finance sources include the Abu Dhabi Fund for Arab Economic Development, the African Development Bank (ADB), the Kuwaiti Fund for Arab Economic Development and the New Partnership for Africa's Development (NEPAD).

4.3.3 Transfer of Capital and Profits

Investors have the right to free transfer of profits and the costs of finance, and re-transfer of the capital in case the project is not executed or is liquidated.

4.4 Residential and Work Visas

The foreign visitor must present a valid passport at the port of arrival and, if a potential investor, must provide proof of himself as an investor, businessman or ties with a currently investing party. Investors are granted entry visas to Sudan at the port of arrival, thus facilitating their entry into the country. The duration of the visa is one month. The investor must present himself to the National Administration for Immigration to be registered as a foreigner before any procedures of visa renewal can be completed. Visitors may also obtain entry visas from Sudanese embassies, consulates or diplomatic missions abroad.

4.5 Technical and Promotional Assistance

Generic tourism promotion is undertaken by the Ministry of Tourism and National Heritage, including participation at international tourism fairs (such as WTM-London). The comparatively small marketing budget is complemented by limited private sector marketing initiatives.

5. LIST OF KEY CONTACTS

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