

*The Impact of Sudan's Efforts to Attract Foreign Investment on
Economic Development in Sudan: Analytical Study 1996 – 2013*

**أثر جهود السودان في جذب الاستثمار الأجنبي على التنمية الاقتصادية: دراسة
تحليلية في الفترة من 1996م – 2013م**

Dr. Mutaz Yousif Ahmed Abuagl: University of the People-USA -
California

المخلص:

يهدف هذا البحث لمعرفة أثر جهود السودان في جذب الاستثمار الأجنبي على التنمية الاقتصادية، فقد بذل السودان جهودًا كبيره في سبيل جذب الاستثمار الأجنبي الى السودان وأستخدم الكثير من طرق التحفيز والتشجيع، ولا شك أن جذب الاستثمار الأجنبي للسودان له تأثير كبير على التنمية الاقتصادية، تبرز أهمية هذه الدراسة من عدة جوانب فمن الناحية العلمية بالرغم من وجود الدراسات التي تناولت جهود السودان في جذب الاستثمار الا أنه مازالت الحاجة قائمة لمزيد من الدراسات في هذا المجال، خاصة بعد تنافس الدول لجذب الاستثمارات الأجنبية، وعليه يتوقع أن تشكل هذه الدراسة إضافة في هذا المجال، أما من الناحية العملية: فيتوقع أن تكون هذه الدراسة وما تتوصل اليه من نتائج مفيدة بالنسبة لمتخذي القرار الاقتصادي في البلاد، ومن أهم النتائج التي توصلت لها الدراسة أن الاستثمارات الأجنبية تساعد في رفع معدلات النمو الاقتصادي، وأهم التوصيات لابد من العمل على ازالة كل العقبات التي تقف في طريق الاستثمار الاجنبي للسودان.

كلمات مفتاحية: التنمية الاقتصادية، الاستثمار الأجنبي، النمو الاقتصادي، السودان.

Abstract:

This research aims to know the impact of Sudan's efforts in attracting foreign investment on economic development. Sudan has made great efforts to attract foreign investment to Sudan and used many methods of stimulation and encouragement. There is no doubt that attracting foreign investment to Sudan has a significant impact on economic development, highlighting the importance of this study is from several aspects. From a scientific point of view, although there are studies that dealt with Sudan's efforts to attract investment, there is still a need for more studies in this field, especially after countries compete to attract foreign investments. Therefore, it is expected that this study will constitute an addition in this field. As for the practical aspect: it is expected that this study and its findings will be useful for the economic decision-makers in the country, and one of the most important findings of the study is that foreign investments help raise economic growth

rates, and the most important recommendations are to work on removing all the obstacles that Stand in the way of foreign investment in Sudan.

Key words: economic development, foreign investment, Economic growth, Sudan.

Introduction:

The revitalization of the investment movement with the aim of raising rates of economic growth and social welfare is considered one of the most important components of progress and development for any country, and Sudan has been interested in encouraging investment in various economic sectors, believing in the importance of investment and its role in advancing development⁽¹⁾. Investment is considered one of the most important variables that contribute to the acceleration of the development process, due to the basic elements provided by domestic and foreign investments for this process, especially in developing countries, as these countries work hard to create the environment and conditions surrounding investment and remove obstacles that stand in front of it to attract greater A measure of national and foreign capital. Sudan, like those countries, is interested in investments and has tended towards liberalizing its economy, as Sudan has witnessed positive economic changes represented in allowing foreign investments to enter it, enacting encouraging laws, and working to remove obstacles that hinder attracting investments, and adopting investment policies that are characterized by flexibility. . As a result, many foreign investments entered him in various economic fields⁽²⁾.

¹– Yaqoub Ali, and Alam El Din Abdullah, Evaluation of Sudan's Experience in Attracting Foreign Direct Investment, Khartoum, University of Khartoum Journal of Administrative Sciences, 2005, p. 39.

²- Al-Fatih Muhammad Othman, “Foreign Direct Investment and a Course in Achieving Economic Development in Sudan, Amarabac, American Arab Academy for Science and Technology, Volume Four, Issue 11, 2013, p. 16

The problem of the study:

Sudan has long been making a lot of effort to attract foreign investment to Sudan and I use many methods of stimulation and encouragement, as there is intense competition between countries to attract foreign investment, because of its great importance in supporting the economies of countries, so the problem of the study is the main question to what extent Sudan sought to attract foreign investment? And branches thereof:

- 1- What are the ways and means used by Sudan to attract foreign investment?
- 2- What is the impact of Sudan's attraction of foreign investment on development in Sudan?

Study Objectives: The study aims at the following:

- 1-To know the impact of Sudan's efforts in attracting foreign investment.
- 2-The methods, means and mechanisms used by Sudan in attracting foreign investment.
- 3- Knowing the number and size of foreign direct investments in Sudan during the study period

The importance of the study:

The importance of this study is evident in several aspects. From the scientific point of view, despite the existence of studies that dealt with Sudan's efforts to attract investment, there is still a need for more studies in this field, especially after countries compete to attract foreign investments, and therefore this study is expected to be formed In addition, in this field, as for the practical aspect: it is expected that this study and its findings will be beneficial to the economic decision-makers in the country.

Hypotheses of the study:

- 1- Foreign investments contributed to raising rates of economic growth
- 2- There is an increase in the volume of foreign direct investments entering Sudan
- 3- The increasing number of projects targeted by foreign investments in

Study methodology: The study uses the historical, descriptive, and analytical method.

Sudan the theoretical framework of the study:

The efforts made by Sudan to attract investments and capital have had a significant and clear impact on foreign investment flows to the country, as Sudan witnessed a tangible increase in the volume of those flows during the period from 1996 to 2004, as it rose from 4.0 million dollars in 1996 to About 1,500 million dollars in 2004, with an average annual growth of 96% during that period. Sudan also achieved an advanced rank among the Arab countries and a prominent position among the countries of the world as a whole, with regard to foreign direct investment flows to it in the period 2001-2003 And tables (1) Below illustrate that:

Table (1): Sudan is ranked globally among the Arab countries according to the performance index of foreign direct investment flows From (2001 - 2003)

Country	Arrangement
Belgium and Luxembourg (for comparison)	1
Sudan	29
Morocco	32
Bahrain	51
Tunisia	58
Qatar	67
Jordan	84
Lebanon	90
Algeria	91
Arab Emirates	101
Libya	116

Syria	121
Egypt	123
Yemen	124
Amman	126
Kuwait	137
Saudi	149

Source: UNCTAD, World Investment Report2004. P14.

The above table displays the global ranking of Sudan within the Arab countries according to the performance index of foreign direct investment flows during the period 2001-2003, which is an indicator that compares the country's share of foreign direct investment with its share of the gross domestic product in the same period, where Sudan's ranking came first among the countries The Arab countries whose performance was analyzed, while it came in the twenty-ninth place out of the 140 countries whose performance was analyzed. This indicates that there are great efforts made by the state to attract foreign investments, and that there is a favorable climate for investment that may have existed in Sudan during that period, which attracted local and foreign investors to invest, so that the investor, whether a natural or legal person, resorted to investing his money and experience. Technical and technological conditions in a country are due to the appropriate climate for investment in that country, and the appropriate climate generally means the entirety of the legal, economic, political and social conditions that make up the structure in which the investment process takes place.

As for the relative distribution of foreign direct investment flows to the Arab countries for the year (2003), Sudan occupied an advanced position in the ranking, as shown in Table. (2) below.

Table (2): The proportional distribution of foreign direct investment flows for Arab Countries for the year (2003)

Country	Inflows (millions of dollars)	Relative weight %
Morocco	2279	27,2
Sudan	1349	16,0
Libya	700	8,3
Algeria	634	7,6
Tunisia	584	7,0
Bahrain	517	6,2
UAE	480	5,7
Diameter	400	4,8
Jordan	379	4,5
Lebanon	358	4,3
Egypt	237	2,8
Saudi	208	2,5
Syria	150	1,8
Amman	138	1,6
Kuwait	67	0,8
Iraq	-	-
Palestine	-	-
Yemen	89	-

Source: UNCTAD, 2003, UNCTAD Handbook International Statistics, New York & Geneva, 2003 & UNCTAD 2004 World Investment Report.

From the above table, it becomes clear that Sudan ranked second after Morocco according to the relative distribution of foreign direct investment flows to Arab countries for the year 2003, as the inflows of Sudan in that year amounted to 1349 million dollars, with a relative weight of 16%. Sudan got large foreign investment inflows outperforming in many Arab countries, this was a result of the work and effort made by the state in encouraging investment and granting incentives to foreign investors.

The number of projects targeted by foreign investments in Sudan increased, and the size and value of those investments increased in the period 2000-2004 as a result of the improvement in the investment climate in the country during that period. Table (3) below illustrates this.

Table (3): The number and the volume of foreign direct investment In Sudan in the period (2000 - 2004)

Year	Number of projects	Rate of change	Size and values of investments (million dollars)	Rate of change
2000	84	-	312	-
2001	105	25%	710	127.6%
2002	152	44.8%	967	36,2%
2003	173	13.8%	782	19.1%
2004	207	19.7%	889	13.7%
The first half of 2005	150	-	962	-

Source: Sudanese Ministry of Investment.

The above table shows the number and values of foreign projects other than oil competent projects that were ratified by the authorities in

Sudan during the period from 2000 to 2004. It is noticed from the data that there is a significant increase in the number of approved projects , as the percentage of increase in the number of approved projects reached 25 The rate of increase in the value of approved projects amounted to about 127.6% for the year 2001 than it was in the year 2000, and the largest increase in the number of projects Approved in 2002, the year in which the Ministry of Investment was established, which worked to facilitate procedures for obtaining certification for investment projects.

There has been an increase in the volume of foreign direct investment entering Sudan from 1996 -2006 as a result of improvement in the promotion of investment laws in that period and Table 4 below illustrates this.

Table (4): Inflows of foreign direct investment in Sudan, millions of dollars

Year	The size of the investment	Rate of growth
1996	0,4	-
1997	2.7	575%
1998	370,7	13.65%
1999	370,8	0.02%
2000	392,2	0.5%
2001	574,0	46.4%
2002	713,2	24.3%
2003	1349,2	89,2%
2004	1511,1	12.0%
2005	2304	52.4%
2006	3532	53,2%

Source: Annual Reports of the Central Bank of Sudan (1996-2006).

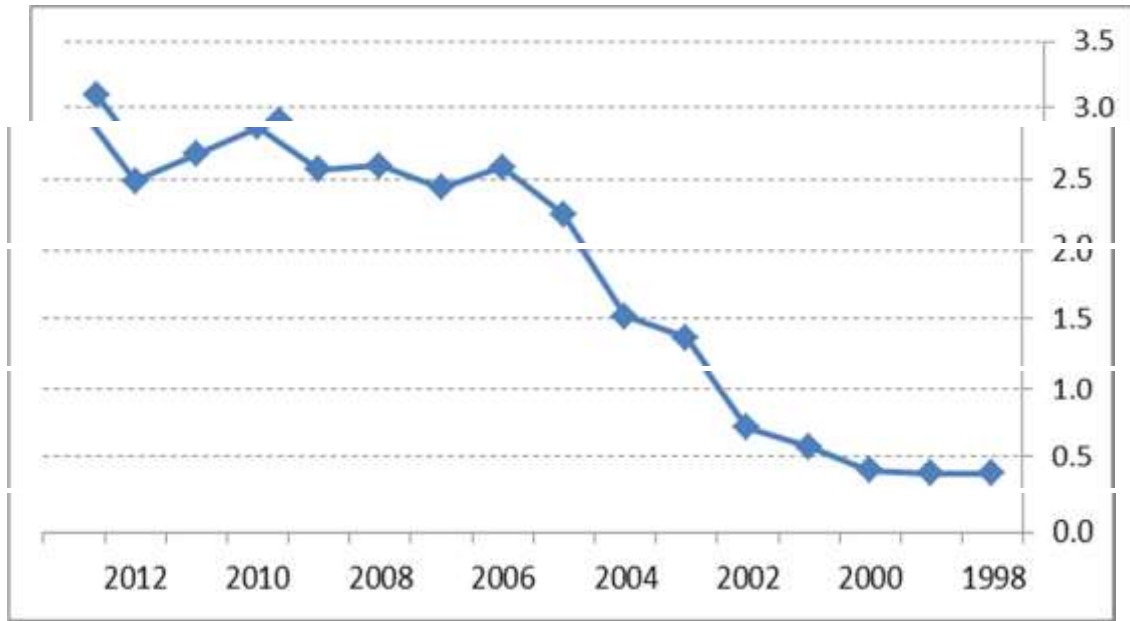
Through the data of the above table, it is clear that there has been a significant increase in the inflows of foreign direct investments, as the average annual investment flow increased from 186.2 million dollars during the last four years of the 1990s to an annual average of 907.9 million dollars during the period 2000 - 2004, an increase of 3876%, and it can be noted that there is an increase in the years 2005-2006.

In a report by the International Monetary Fund in 2006, he explained that the increase in the Sudanese oil export revenues led to covering the balance of payments deficit despite the increase in the amount of imports and the decrease in the amount of non-oil exports. The report also clarified that the increase in capital flows into Sudan, especially in the form of foreign direct investment in the industrial sector, The telecommunications sector, the conductors sector, and the banking sector led to an increase in reserves in 2005⁽³⁾. The best stage for foreign direct investment that Sudan went through was during the period (2000-2010), as this period was marked by important economic policies in the movement of economic activity in Sudan, and these policies are among the most important requirements for joining the World Trade Organization, and that period witnessed many developments such as continuation In the export of oil, the establishment of the Ministry of Investment, the conclusion of the Comprehensive Peace Agreement with the People's Movement for Southern Sudan, and other developments that encouraged local and foreign companies to invest in Sudan. The agricultural and industrial sectors received a large share of capital inflows in the field of investment in Sudan, and the services sector received estimated inflows as well. Foreign investments contributed to raising economic growth rates from (3.5%) to (7.8%) in the year (2010). This increase contributed to stabilizing the exchange rate, attracting more financial resources, and covering the deficit in the trade balance and the balance of payments from Through the values of petroleum exports, which amounted to (85%) of the total Sudanese export revenues⁽⁴⁾.

³- Yaqoub Ali, and Alamuddin Abdullah, previous reference, p. 46..

⁴- Ahmed Al-Tijani, Expatriates' Investments and their Role in the National Economy, Migration Horizons Magazine, Issue Six, Sudan Center for the Study of Migration, Development and Population in Expatriates, 2011, p50.

Figure 1 - FDI flows to Sudan, 1998-2013 (billions of dollars)



Source: UNCTAD (2014a).

Before 1988, total foreign direct investment flows to Sudan were less than 100 million dollars per year, and in 2006 the total foreign direct investment inflows to Sudan amounted to 2.2 billion dollars. After that, the numbers fluctuated, but remained at a level that generally exceeds the 2.5 barrier. One billion dollars a year and the above figure show that, and during the period from 2006 to 2011, Sudan was only surpassed in North Africa by Egypt in terms of the volume of capital flows, and Nigeria and South Africa at the level of the African continent. As of 2011, the capital of foreign direct investment inward to Sudan amounted to 24 billion dollars, occupying the fourth position in North Africa after Egypt, Morocco and Tunisia⁽⁵⁾.

In the report of the Arab Corporation for the Guarantee of Investment in Kuwait about foreign investments in Sudan from 2000 to 2010, it was stated that Sudan occupied an advanced position in terms of the volume of

⁵– United Nations Conference on Trade and Development, Division on Investment and Enterprise Development, Investment Policy Review in Sudan, New York and Geneva 2014a.

foreign direct investments that flowed into it, as Sudan obtained during that period 18 billion dollars, which is equivalent to 5% of the total foreign direct inflows to Arab countries, and Sudan was the fourth center out of a total of 18 Arab countries, where the number of projects submitted for investment reached 556 projects in the sectors of agriculture, industry and services that provided about 20,600 job opportunities, the percentage of national employment reached 82%, while the employment rate reached Foreign 18%. As for the percentage of implemented projects compared to the charter, it reached 30% in the industrial sector, 22% in the service sector, and 17% in the agricultural sector. Most of the foreign investments were concentrated in the sectors of petroleum, telecommunications, banking, and the sugar and cement sector⁽⁶⁾.

The Ministry of Investment in Sudan issued a report that included higher figures than those reported by the Arab Investment Guarantee Corporation, noting that the total volume of foreign investments amounted to 28.4 billion dollars, of which about 21.05 billion dollars were investment flows in the field of oil and minerals, i.e. what is Its rate was 74%, and the rest of it was in the other sectors, agriculture and industry. These investments poured in from a number of Arab countries, at the forefront of which were Kuwait 25%, then Saudi Arabia 16%, then the UAE 15%, then Jordan 9%, then Qatar 6%, and there are also investments in South Africa, China, Malaysia, Turkey, Britain and some other countries⁽⁷⁾. In the year 2014, Sudan succeeded in attracting foreign direct investment in the range of two billion dollars, most of which came from the Kingdom of Saudi Arabia and the United Arab Emirates.

⁶– Al-Fatih Mohammad Osman, “Foreign Direct Investment and a Course in Achieving Economic Development in Sudan, Amarabac, American Arab Academy of Science and Technology, Volume Four, Issue 11, 2013, p. 22.

⁷– Republic of Sudan, Ministry of Investment, Annual Report, 2011.

Conclusion:

It includes findings and recommendations:

First: Results:

- 1- Foreign investments help in raising rates of economic growth
- 2- During the study period there was an increase in the volume of direct foreign investments entering Sudan
- 3- The number of projects targeted by foreign investments in Sudan is increasing
- 4- Sudan has an advanced rank among the Arab countries and a prominent position among the countries of the world as a whole, with regard to foreign direct investment flows to it.

Second: Recommendations: Based on the findings of the researcher, he recommends the following:

- 1- Innovation and flexibility in investment laws in order to attract foreign investment.
- 2- Removing all obstacles to attracting foreign investment.

References:

- 1- Ahmed Al-Tijani, Expatriates' Investments and their Role in the National Economy, Migration Horizons Magazine, Issue Six, Sudan Center for the Study of Migration, Development and Population in Expatriates, 2011,
- 2- Al-Fatih Muhammad Othman, "Foreign Direct Investment and a Course in Achieving Economic Development in Sudan, Amarabac, American Arab Academy for Science and Technology, Volume Four, Issue 11, 2013
- 3- UNCTAD, World Investment Report 2004.
- 4- UNCTAD, 2003
- 5- UNCTAD Handbook International Statistics, New York & Geneva, 2003
- 6- Sudanese Ministry of Investment.

- 7- Annual Reports of the Central Bank of Sudan (1996-2006).
- 8- UNCTAD (2014a)
- 9 -Yaqoub Ali, and Alam El Din Abdullah, Evaluation of Sudan's Experience in Attracting Foreign Direct Investment, Khartoum, University of Khartoum Journal of Administrative Sciences, 2005
- 10- United Nations Conference on Trade and Development, Division on Investment and Enterprise Development, Investment Policy Review in Sudan, New York and Geneva 2014a
- 11- Republic of Sudan, Ministry of Investment, Annual Report, 2011.