An International Partnership for Sudan’s Transition: Mobilizing Support, Preventing Instability

Germany has helped lead efforts to mobilize international support for Sudan’s transition process since President al-Bashir was ousted last year. To be successful, Germany and its partners must deliver on their promises to support the transitional government’s economic reforms with substantial aid. They should keep Sudan’s diverse partners aligned while broadening their outreach. Sudan is thus a test case for how much political capital Germany will spend on its stated objective of conflict prevention.

Although Sudan’s transition process is a tremendous opportunity for sustainable peace and long-term democratic transformation, the collapse of the transitional government – resulting in a return to military rule and large-scale political violence – remains possible.

Currently, Sudan’s economic crisis represents the greatest danger to the transition process. Grievances resulting from spiraling inflation and increasing food insecurity undermine the domestic legitimacy of the transitional authorities.

Sudan’s transitional government has recently initiated important economic reforms, including a cash-transfer system to offset macroeconomic adjustments. Donors have long requested such groundwork before they mobilize further aid.

Germany should ensure that international support responds to the demands of Sudan’s vibrant civil society and is based on the expectation that the civil-military coalition government sticks to the 2019 constitutional declaration.
Sudan’s transition process is one of the most important recent developments affecting peace and stability in the Horn of Africa. Well-organized grassroots protests led by women and youth resulted in the downfall of President Omar al-Bashir after thirty years of authoritarian rule in April 2019, when his own military toppled him. Asking for a civilian government, the protesters sustained demonstrations despite brutal violence by security forces. In August 2019, after mediation by Ethiopia and the African Union (AU), the generals agreed on a power-sharing deal with the civilian forces of civil society organizations and political parties represented by the Forces of Freedom and Change (FFC). Given close support for the security forces by Arab powers, the democratic transition in Sudan affects the larger geopolitical rivalry in the Middle East and East Africa.

Supporting Sudan’s transition process has become one of the most high-profile issues in Germany’s Africa policy. Three main reasons explain this engagement.

First, Germany recognizes the opportunity that the transition process represents to turn the page on decades of repression, civil wars, and support to international terrorism. Consequently, Germany has provided mediation support to peace in Sudan for several years. Moreover, through the European Union, Germany has engaged in the Khartoum Process to combat irregular migration and people smuggling as Sudan is a key host and transit country along a migration route towards the central Mediterranean.

Second, Germany’s Sudan diplomacy is an expression of a recent trend in which policymakers have started to marshal Germany’s political capital in the service of its growing work on peace promotion, crisis prevention, and stabilization. The Normandy For-
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mat on Ukraine (with Germany, France, Ukraine, and Russia) and the Berlin Process on Libya are high-level examples of this trend. German policymakers are, however, still on a steep learning curve. They struggle to deal with transactional power politics, including holding their national and international interlocutors to account when they violate agreements. Equipping their diplomatic efforts with sufficient staff and resources has also been an issue for Germany. Nonetheless, these initiatives represent a greater propensity to take risks – and oft-cited civilian “responsibility” – in world politics.

Third, Germany’s role in Sudan reflects the growing role of middle powers in a changing world order and heightened expectations for Europe’s largest economy in international affairs. With the US retreating from its traditional role of power broker in the Middle East and Africa, China and India embracing a narrow focus on state sovereignty, and the UK engulfed by Brexit, Europe needs to step into the fray. Given Africa’s economic growth, innovation, resources, multilateral engagement, and migration patterns, stability in Europe’s neighboring continent is in its own interest.

The German government also faces high domestic expectations to deliver tangible successes as a result of its diplomatic leadership. In February 2020, the German Bundestag called on the German government to support Sudan’s transition process. Two rival draft resolutions by the opposition groups of the Greens and the Left Party underscored the high parliamentary attention on Germany’s engagement in Sudan.

Peace and stability in Sudan will require a successful transition process toward democratic elections, inclusive economic growth, the establishment of representative institutions, accountability for past crimes, and the reconciliation of relations between communities and the state in the center and periphery. These aims were agreed upon by the military junta and the FFC in the constitutional declaration that they signed in August 2019. The document, which functions as Sudan’s interim constitution, established the 39-month transition period that is supposed to end with democratic elections.

The key challenges for Germany and its European partners in supporting these aims are the stabilization of the economy, keeping spoilers in Sudan and the region at bay, and broadening the basis of the Friends of Sudan, the main forum of international cooperation. An impending new international partnership with Sudan needs to address these issues.

WHY SUDAN URGENTLY NEEDS INTERNATIONAL ECONOMIC SUPPORT

Today, Sudan’s transitional government faces an economic crisis on several levels. Inflation is over one hundred percent, pushing an already vulnerable population deeper into poverty and food insecurity. Food prices have doubled from May 2019 to 2020. Sudan is in arrears with the International Financial Institutions (IFIs) and unable to pay back $54.5 billion in debt accumulated over the past decades. Almost two thirds of the government’s tiny revenues were spent on economic subsidies in 2019, according to IMF estimates. Around 60 percent of the economy takes place in the informal sector outside the reach of government taxes. The government maintains multiple exchange rates of the Sudanese pound (SDG) to the US dollar (USD); the central bank’s official rate differs markedly from the parallel exchange rate, which covers 80 percent of all transactions.

The cabinet is currently fighting on a daily basis to maintain essential import shipments, scraping together every hard currency it can get its hands on. It finds itself in this difficult position because of a vicious cycle governing Sudan’s economy (Figure 1). Fuel prices are fixed in SDG terms, but fuel imports are paid in USD. The government has maintained fuel prices at some of the lowest levels in the world, leading to large fiscal deficits. To fund these deficits, the government has resorted to monetization, i.e. “printing money” (raising the money supply). The greater supply of SDGs has pushed up inflation as well as the exchange rate. The parallel exchange rate has fallen from 47 SDG/USD in December 2018 to 146 SDG/USD in June 2020. As the SDG has depreciated, the amount of hard currency needed to finance the fuel subsidy has increased in turn. This
spending has pushed up expenditure and enlarged the deficit. As import prices soar, the central bank struggles to find enough hard currency to facilitate trade operations.

This economic instability is a significant threat to Sudan’s transition process. Rising bread prices ignited the protests that started in December 2018 and quickly evolved into general anti-government demonstrations. The ongoing economic crisis also risks undermining domestic support for the transitional government.

A Legacy of the Former Regime’s Political Business Model

Sudan’s current economic woes are a direct result of Bashir’s political business model. Bashir’s government neglected the development of agriculture and other productive sectors. Instead, it lived off sprawling oil revenues for the first decade of the 21st century, which created significant economic growth. These oil revenues allowed Bashir to buy off political rivals and pacify large sections of the urban population through generous subsidies for fuel, wheat, electricity, and medicines, most of which were imported.

Bashir’s political business model came under threat when the economic situation changed drastically. After the secession of South Sudan in July 2011, Sudan lost three quarters of its oil production, two thirds of its exports (Figure 2), and half its public revenue sources. Sudan was able to compensate some of the losses through gold mining that took off around the same time. However, even if gold exports quickly became Sudan’s most important source of foreign currency, large amounts were smuggled. By 2018, the remaining gold exports delivered less than a tenth of former revenues from oil exports. Moreover, the government bought the gold from the mines at above market price to prevent smuggling – a strategy that also added to the inflationary pressure created by the economic subsidies. In the end, the government was unable to maintain this system. In late 2018, it started to lift the subsidies. When bread became more expensive and scarcer due to import difficulties, it provided a spark for long-simmering discontent to break out into open protests.

11 IMF, Sudan 2019 Article IV Consultation Staff Report, p. 7.
Momentum and Challenges in Domestic Reforms

Securing international assistance to ameliorate this crisis has been a key deliverable for the civilian-led cabinet from the start. Prime Minister Abdallah Hamdok and Finance Minister Ibrahim Badawi, who both had previous careers in international organizations, called for $10 billion in support in their first weeks in office. But international partners first wanted assurances that crucial reforms were on their way and had the buy-in of the transition’s main stakeholders. The IMF and donors insisted that mitigation measures had to be in place before subsidies were removed.\(^\text{13}\)

Lifting the subsidies has, however, been politically contentious in Khartoum. In December 2019, Finance Minister Badawi had to withdraw an initial proposal for phasing out the fuel subsidies after facing protests by the FFC. Fearing rising prices, FFC representatives instead pointed to the large amount of spending in the security sector and revenues of companies controlled by that sector. A national economic conference to resolve these differences that was scheduled for late March 2020 had to be postponed due to the arrival of COVID-19.

At the same time, economic pressure resulting from the restrictions introduced to suppress the coronavirus pandemic spurred on reform decisions by the Sudanese government. The government restricted subsidized fuel to few outlets, despite previous resistance from the FFC. This forced fuel stations to sell benzine and diesel at non-subsidized rates. The government abolished customs exemptions, which used to be a major loophole in its revenue stream. It also announced new regulation of the gold trade to combat smuggling. Hundreds of companies owned by the security sector are slated to be privatized, transferred to civilian state control, or dissolved. A commission to investigate holdings by members of the former regime has announced asset seizures that it priced at $4 billion.

\(^\text{13}\) IMF, Sudan 2019 Article IV Consultation Staff Report, p. 15.
The necessary adjustments to stabilize the Sudanese economy will create short-term hardships as prices of transport, domestic production (reliant on diesel generators), and daily goods will soar. As mitigation measures, the government announced a hike of civil service salaries by an average of 569 percent. In addition, it introduced a temporary cash-transfer system that is ultimately supposed to reach 80 percent of Sudan’s population, providing 500 SDG per person per month (currently 3 to 4 USD), payable in quarterly installments to each family. This “Sudan Family Support Programme” (SFSP) will cost $1.9 billion per year and last for up to two years. The World Bank, IMF, and World Food Programme have provided technical assistance in the past few months to develop the distribution system and set up a multi-donor trust fund to support it.

Rolling out the SFSP faces major challenges. Ten million potential beneficiaries still need to be registered, many in remote and conflict-affected areas where trust between the government and communities is low. Given the pressure on aid budgets worldwide because of the COVID-19 pandemic, collecting sufficient external funding is difficult. Communication efforts need to be revamped to explain to the population that the program, while temporary, will lay the groundwork for the expansion of a long-term social safety net.

**KEEPING SPOILERS AT BAY**

Despite recent progress on economic reforms, the government remains under the immense risk of falling apart. The members of the broad domestic and international coalition currently supporting Sudan’s transition have widely differing understandings of stability. For Prime Minister Hamdok and leading countries in the Friends of Sudan such as Germany, the situation requires careful management of competing power centers in a context of transactional elite bargaining – neither of which they are used to. In contrast, Arab powers such as the UAE, Egypt, and Saudi Arabia, are providing financial and diplomatic support to military and security forces, their preferred interlocutors in Sudan.

The transitional government has been plagued by fragmentation and a fragile balance of power, both between civilians and security services as well as among each of them individually. The Umma Party, which was in power during Sudan’s last civilian government in the late 1980s, left the FFC in May 2020. It has also repeatedly called for early elections before the end of the 39-month transition period. The Sudanese Professionals Association, a key member of the FFC and crucial actor during the revolutionary protests in 2019, has been taken over by the far left (Sudan’s Communist Party).

While initially endowed with enormous political capital, Hamdok’s civilian cabinet and the FFC have lost significant political support. Furthermore, the government and the FFC have not been able to agree on the appointment of civilian governors and the transi-
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Despite the allegations against him, RSF leader Hemeti has made himself indispensable in Sudan’s current dispensation. He is the deputy head of the Sovereign Council and chairs the main joint economic committee of the Sovereign Council, the cabinet, and the FFC. He has personally injected cash into the central bank, handles relations with the UAE and other Arab powers with massive financial interests in Sudan, and plays a central role in peace negotiations with armed groups in Juba, the capital of South Sudan.

Germany and other European countries still struggle to find a modus operandi with Hemeti and the generals as well as their Arab backers. The Europeans’ own record is mixed; while the EU abhorred the human rights violations by Bashir’s regime, it sought its cooperation on curbing illegal migration and people smuggling after 2015.

THE FRIENDS OF SUDAN: A MORE INCLUSIVE FORMAT

The Friends of Sudan have become the most important international forum for Sudan’s transition process. They bring together both Western and Gulf countries with the government of Sudan in a regular diplomatic exchange to monitor the progress of the transition.

Germany played a leading role in convening the group. When the protests in Sudan persisted in early 2019, the German government called on an informal contact group that had monitored a mediation process with Darfuri armed groups sponsored by

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The main advantages of the Friends of Sudan are their flexibility and relatively broad and growing membership. The group exchanges views frequently in a small steering group format, including the founding members and the United Nations, and meets every few months with all members. These formats allow for a degree of cohesion and like-mindedness in the steering group while coopting potential spoilers and smaller actors in the larger format. Bringing together key stakeholders with influence on the parties on the ground, in particular the Gulf countries close to the security sector, is a key benefit of the Friends of Sudan compared with more established formats – including the Troika of the US, UK, and Norway – which have coordinated policy on Sudan and South Sudan since negotiations on the Comprehensive Peace Agreement on Sudan began in the early 2000s. Furthermore, the Friends of Sudan are also nimbler and less affected by polarization than the UN Security Council, which mandates and controls the UN peace operations in Sudan.

The same features – its membership and informality – also limit the effectiveness of the Friends of Sudan. Since the transitional government was formed, civilian members of the cabinet have participated regularly. However, there is no formalized exchange with the other Sudanese stakeholders in this format, in particular with the FFC as well as civil society actors not represented by the FFC. Furthermore, the statements made by the Friends of Sudan are mere chair summaries and have no binding character on all members. With the rotating chair between meetings and the lack of a support structure, it is difficult to ensure a consistent follow-up.

Now is the time to give the international partnership with Sudan a more solid foundation. Many pieces that the Friends of Sudan and the transitional government have been working on for the past months are falling into place. The Family Support Programme is being rolled out, if only as a small pilot. In May, the Friends of Sudan and the government agreed on a “mutual partnership framework” with principles of financial accountability, transparency, efficiency, and a commitment to the constitutional declaration. The IMF has begun negotiating a staff-monitored program, a first step in building a track record toward debt relief. The World Bank is preparing pre-arrears clearance grants to accelerate Sudan’s access to funds from IFIs. Finally, the United States is moving closer to removing Sudan from their list of state sponsors of terrorism as the transitional government is about to agree on financial settlements with the victims of terror attacks in which the previous regime had been implicated.

If the new partnership with Sudan is to be meaningful, Germany and the other partners should heed the following recommendations:

1. Mobilize enough funds to roll out the SFSP as planned.

Despite its small individual amounts, the SFSP will bring tangible dividends to large sections of the population. This will strengthen the civilian part of the government and help them move forward with their reforms to halt the downward economic spiral. If European countries manage to pledge substantial aid money on their own, their influence in Sudanese politics may also rise in relation to the Gulf countries that pledged large sums to the transition to prop up the security sector.

2. Adopt a holistic approach to funding and transition support.

Sudan needs many different kinds of support, all of which have their own governance mechanisms and conditions attached. The partners need to ensure that their contributions to humanitarian aid, bilateral development cooperation, aid related to COVID-19, peacebuilding, and macroeconomic stabilization through the IFIs are transparent and mutually reinforcing. Building on current discussions concerning the “triple nexus” among humanitarian, development, and peacebuilding work, Sudan’s partners need to foster resilience, focus on the causes of poverty and conflict (for example land rights and environmental degradation), and help the transitional authorities ramp up their own governance capacities. The new UN mission UNITAMS will have an important role in this regard.

3. Make support conditional on the timely implementation of the constitutional declaration.

Sudan’s international partners need to make it crystal clear that any unilateral abrogation of the constitutional declaration, for example through a military takeover, would pose a serious risk to the international partnership. It seems that even the UAE and Saudi Arabia, early supporters of the military coup in April 2019, recognize that their economic investments will only be secure if Sudan receives coordinated international assistance, regains access to financial markets, and maintains political stability. Their economic interests thus depend on the successful completion of the macroeconomic reforms, support from IFIs, and broader pledges to the SFSP.

4. Expand the participation of Sudanese civil society and peripheries.

Given the transitional government’s deteriorating domestic legitimacy, the Friends of Sudan should increase their consultations with all facets of Sudanese civil society on a regular basis. Establishing a civil society forum that meets in parallel to the Friends of Sudan, with representatives from Sudan and the Friends’ member states, could be a viable approach, maybe initially in a virtual format. Special consideration should be given to women and youth groups as well as representatives from Sudan’s many peripheries.

CONCLUSION

The Sudan partnership conference on June 25, co-hosted by Germany, the EU, UN, and Sudan, has the chance to provide new momentum to Sudan’s transition process. Every six months or so, follow-up conferences will provide opportunities to take stock of the progress made in implementing the objectives of the constitutional declaration and the promises of the international partners, as well as mobilizing further financial resources. If they manage to abide by their ambitious plans, Sudan’s partners and stakeholders can respond to the courage of the Sudanese that toppled an entrenched dictatorship.
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