



THE WORLD AS WE DON'T KNOW IT

Possibilities for
Enterprise Development in Sudan

by Karen Kun

In a country that has been at war over the last 50 years, recently punctuated by the conflict in Darfur, Corporate Knights went on a mission to learn about entrepreneurship in the country and the possibility for a prosperous future in one of Africa's richest nations—Sudan.

IT SEEMED LIKE SUCH DANGEROUS work—researching enterprise development in south Sudan and Darfur. But Samer Abdelnour was entering this troubled territory to research demobilized ex-combatants and their relationship to enterprise in Sudan. I couldn't help but think, "Why Sudan?"

In 2006, Dr. David Wheeler of the Schulich School of Business (now Dean of Management at Dalhousie University) introduced me to Abdelnour's research.

Dr. Wheeler had worked in Darfur in the 1980s with the British Red Cross. Wheeler visited Sudan again in 2004, eager to understand entrepreneurship post-peace agreement. Well-known for his work on Sustainable Local Enterprise Networks (SLENs), he published a paper on the subject in the *MIT Sloan Management Review*.

Wheeler was impressed by what he found: "Entrepreneurs thrive where there is hardship," he says.

A few weeks later, Wheeler got a call from Abdelnour, who had just returned from spending time in the Palestinian refugee camps in Lebanon and was keen to find a graduate opportunity to mix development work with his business background. Soon after their first meeting, Abdelnour began his Masters at York University and under Wheeler's supervision, studied these ideas

in Sudan. Wheeler felt Abdelnour's Palestinian-Canadian background would allow him to move unobtrusively through the complex country.

Abdelnour, currently a PhD student at the Richard Ivey School of Business at the University of Western Ontario, was particularly interested in the social enterprise opportunities in Sudan. "The ingredients for success differ between western entrepreneurs and those in developing countries," he says. "Entrepreneurs in poverty and war contexts are often driven by necessity, sometimes spun from their traditional subsistence ways of life."

He uses the example of a blacksmiths' collective in Darfur, a group of lower caste, war-displaced metal workers who collaborated for survival and success.

"With minor intervention in legalizing their business model, they have not only thrived economically, but overcome some of the social discrimination that exists with the blacksmith trade," he says.

I, too, was struck by the emergence of opportunity in such a challenging environment, having worked on micro-lending in Latin America in my pre-CK life. In April 2007, I attended the 'Forum on Sustainable Enterprise and Development in Sudan' at Ahfad University for Women, near Khar-



Sun Life Financial is proud to sponsor this international series. As a Canadian financial services organization with operations around the world, we support an international viewpoint on sustainability and the future of our societies.

toum. I witnessed the exceptional growth of the city, the blending of southern and northern Sudanese, and was inspired by entrepreneurs and youth leaders from Darfur's Internally Displaced Persons (IDP) camps.

During this visit, I met Abdullah Arabi, the executive committee leader from a blacksmith cooperative in El Fasher, Northern Darfur. Arabi's was such a unique success story that I wanted to return to Sudan to learn more. But getting to El Fasher would prove a challenging journey.

In August 2008, I was back in the 45 degree heat of Khartoum with Abdelnour as my travel companion, translator, and cultural encyclopedia. It took us eight days, longer than we anticipated, for Abdelnour to work with his connections to garner the biggest prize—travel permits to the south and Darfur. However, our time in Khartoum was fruitful as we were able to follow up on progress since the Forum.

Inevitably, all conversations led to the pending International Criminal Court (ICC) indictment of President Omar El-Bashir, the government, Darfur, and the 'boomtown' south.

Evidence of the ICC's impending indictment ruling can be seen throughout the markets in Sudan. It is common practice in Sudan for people to name consumer products after significant political events or personalities. The Janjaweed cell phone was a big seller during the start of the Darfur crisis. Recently, women could purchase the Ocampo tobe, a long, often colourful, fabric dress for women, named after Luis Moreno-Ocampo, chief prosecutor for the ICC. Rumour has it that shopkeepers were forced to take this item off the shelves.

Sudanese long to see their country stabilize and many are weighing the potential outcomes of the ICC decision. For the most part, the academics, ex-ministers and entrepreneurs we spoke with (on the basis of anonymity) would welcome the departure of the current President. Yet, few are certain that an ICC indictment is the way to achieve this goal. The Sudanese would prefer to see this issue solved from the inside, through proper elections (due to be held in late 2009).

"There is concern that there is no great leader in any of the parties to bring the disparate factions together," says Abdelnour. "Many are asking if the peace agreement signed by Bashir would be upheld if he is indicted. What would this mean for the fragile peace?"

Boomtown in the Jungle

Once in Juba, the south Sudan capital, it was clear we had crossed a cultural border. Tukuls, traditional tribal homes with rounded clay sides and thatched roofs, lined the red earth streets. We had been told that Juba was booming at an unprecedented rate, but even Abdelnour was surprised to see the city's development since his visit two years earlier.

Juba is full of "returnees"—south Sudanese who immigrated (or were displaced) to more stable countries or Khartoum to escape the war. Recently, the Government of South Sudan (GOSS) put out a global call for refugees to return home, and many are coming back to build their country. One returnee was Yar Manoa Majok, a south Sudanese Dinka woman who went to the UK a decade ago. She has returned with big plans for development and commerce in the south.

Majok is pursuing plans for a housing complex with hundreds of units in the capital regions of each of the ten states in south Sudan. Majok wants to build with green technologies wherever possible, but her main mission is social. If you build homes, people have a reason to stay.

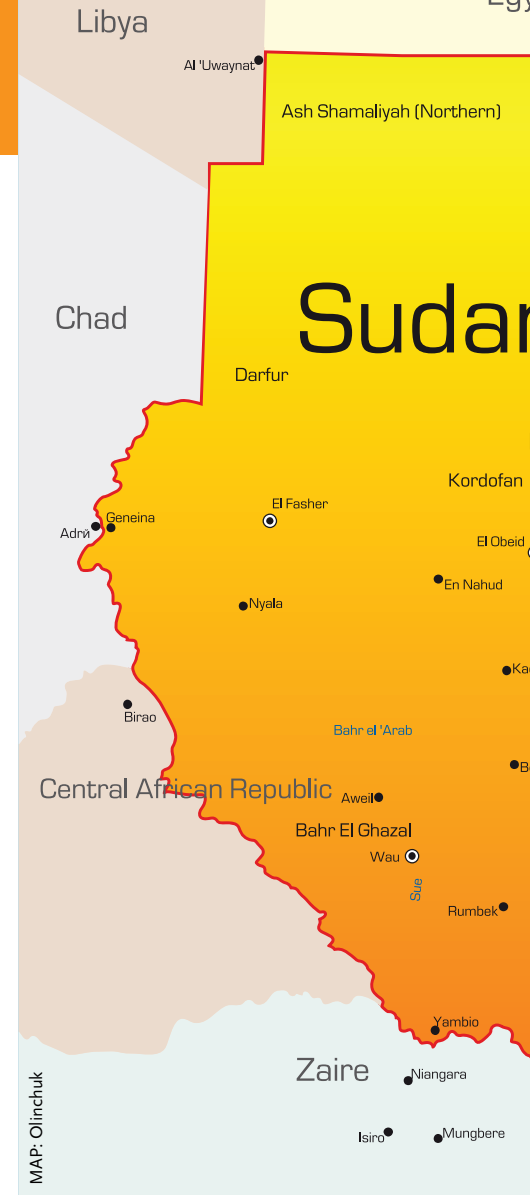
"This project is a vehicle for peace," she says. "People had nothing to lose before, so fighting has almost become a way of life. Building something for them to care for and protect will make many not choose war in the future."

Her other initiative is an industrial estate designed to lure foreign investors to help build much-needed factories. She sees it as a unique opportunity to employ her peers.

"This country has some serious human resource needs," Majok stresses. "Many foreigners are coming to take jobs." Since the opening of the southern border, Ugandans and Kenyans have flooded south Sudan, filling jobs and developing markets. Many south Sudanese lack the skills to compete, though peace brings the promise of employment.

"Now we have peace" is a common phrase in the streets of Juba, referring to the Comprehensive Peace Agreement (CPA) signed between north and south Sudan in 2005. The CPA brought great change through powerful oil revenue sharing agreements.

But for those who have lived through the past 50 years, the changes of peacetime will take a few generations to take root. Many people I spoke with emphasized the urgency of the situation: south Sudan needs



strong leadership to achieve its objectives. Every imaginable opportunity is ripe. But the population is exhausted from years of fighting and many are more concerned with reaping the rewards of peace than expending energy on rebuilding their region.

Nonetheless, the city of Juba is in the midst of a goldrush.

"This was a three-car town when I got here—no joke," recalls a local business operator who started his business there in 2003. "We all knew who was driving from miles away by their headlights."

Now, Juba is home to an estimated 10,000 cars and motorcycles. In 2006, there was one paved road. Even though the crevice-filled roads may induce whiplash today, two fully-paved streets criss-cross the city of about 200,000 people.

The cost of living in the south is skyrocketing, and no one feels this more than the locals. Tent hotels go for around US\$200 a night. You can see collapsible, pre-fabricated building structures everywhere, mostly de-



veloped by foreign investors. This contrasts starkly with the huge brick and mortar construction project at Juba's newest market on the outskirts of town.

South Sudan has the agricultural landscape to be the breadbasket of the nation, yet the infrastructure lags behind. Agriculture is literally the lowest hanging fruit of opportunity for this nation. With fertile soil and the great Nile River at Juba's doorstep, opportunities abound. In the meantime, Ugandan imports are increasing prices and capturing the market.

As the influx of rural south Sudanese and foreigners to Juba increases business opportunities, some entrepreneurs are working closely with the GOSS to get the right legal framework in place. Once that happens, we will see if the foreign investors trade in their pre-fab structures for permanent ones.

"A big issue here now is land ownership," Majok points out. Before the CPA was signed, the community owned the land. Now, land ownership and purchasing are

causing confusion.

"People want to buy land, and laws are not yet in place to make this easy," she explains.

Since the signing of the CPA, the GOSS has only passed 16 laws. As businesses gain some protection through regulation, this boomtown is going to soar to new heights.

In preparation for this growth, Professor Sibrino Forojalla, President of Juba University, is developing key focus areas on the newly returned campus (the university had been relocated to Khartoum for two decades).

"We are investing in our mining, natural resources, wildlife, engineering, business and agriculture programs," Professor Forojalla says. Smiling, he added, "We would of course welcome partnerships and investments with Canadian institutions."

Even though the Embassy of Canada in Khartoum is not currently promoting new investments in Sudan publicly, there is optimism that with a bit more time and work towards security in the south, Canadian-Sudanese partnerships will be possible.

Our plans to leave Juba were grounded when all flights were cancelled by the arrival of President Omar El-Bashir. He was in Juba to sign contracts with the Australians and Chinese on hydropower projects.

Children had been organized to line the streets and welcome him. This display made me wonder if a unified Sudan was at all possible. The physical differences within the population—southerners look more African in feature, while the northerners are more Arab-looking—are not the only source of discord. Some southerners, it seems, will vote for unity because they feel that dealing with the north is better than dealing with foreigners: outsiders are often blamed for taking the jobs of locals and bringing in alcohol and sex workers. However, the majority appears to believe that only an independent south Sudan lies in its future.

If Bashir hopes to lead a unified Sudan he will need to get his act together. The CPA-promised referendum is not until 2011 and the world should know by then the outcome of the ICC indictment motion. Private discussions allude to Bashir's own party wanting to replace him as he becomes a greater liability.

"No one can tell for sure what will happen in south Sudan," says Abdelnour. "Will the referendum lead to a new nation, stable peace, or renewed conflict? Will its leaders choose to govern and manage Sudan's natural resources in a responsible manner?"

Successful in Darfur?

We finally made it to El Fasher, Darfur and were welcomed by Practical Action's Environment Manager Awadullah Hamid. Of the many NGOs in Sudan, Practical Action stands out. It is run by Sudanese, and is focused on appropriate technology, sustainable livelihoods, and environmental integrity. It commits to long-term relationships and projects with local partners, like Abdullah Arabi's El Fasher blacksmiths' cooperative. The cooperative has been working with the assistance of Practical Action Sudan since the 1990s to help build capacity for its trade.

When we were finally reunited with Mr. Arabi to discuss the successes of the cooperative since last year's Forum, he could hardly believe we had returned.

Currently, Arabi's cooperative has around 150 men as working members. The blacksmiths have been producing upwards of 90,000 agricultural tools annually for local markets and various NGOs.

Abdelnour was ecstatic when Arabi told him that the blacksmiths were offered several large contracts as a result of the Forum, including two contracts totaling over US\$400,000 with the Food and Agricultural Organization of the UN (FAO).

"This amount is unheard of for these tradesmen," Abdelnour says.

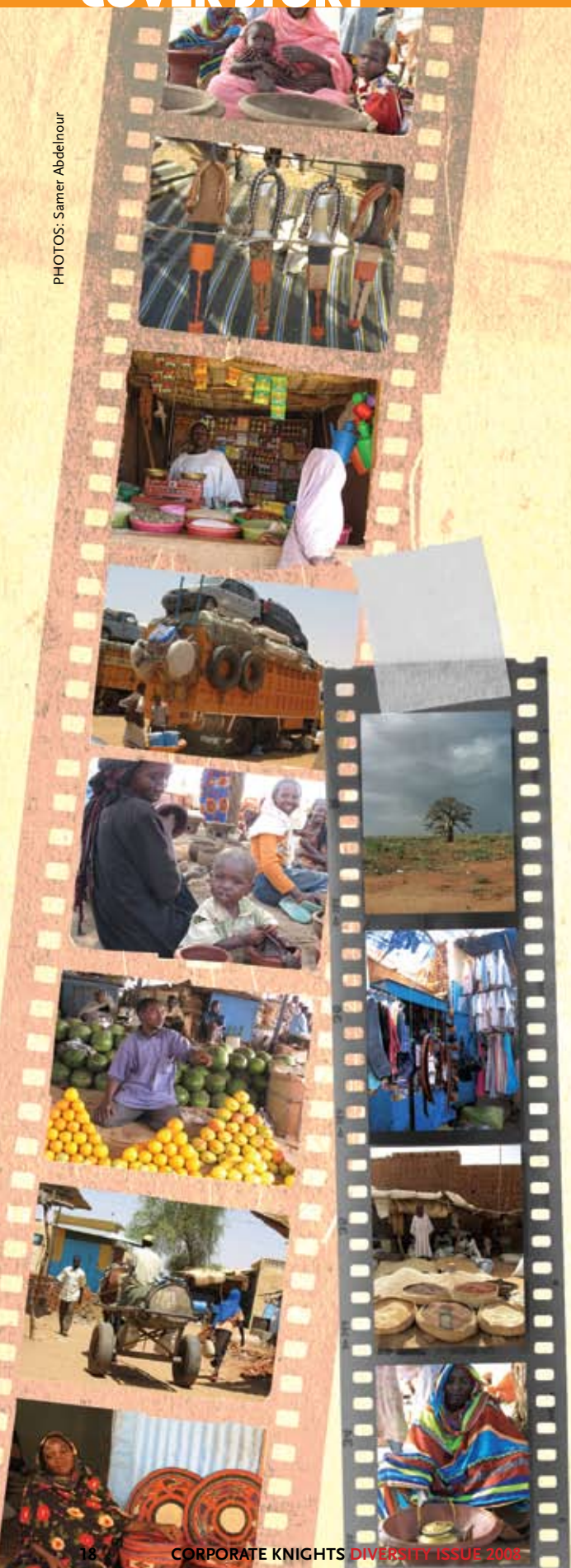
Over the past decade, the blacksmiths have been able to purchase small properties to provide a more stable home for their families. Some members are still struggling financially, but find increased security and opportunity in the collective.

The blacksmiths want to construct a modern communal manufacturing facility to improve the variety and quality of their production, and have saved US\$7,000 towards this project. Currently, about 50 percent of their production is sold throughout Sudan, and the rest in Darfur. The collective hopes that improved marketing efforts would give them access to consumers in Khartoum and beyond.

Of any group I met with during my time in Sudan, the blacksmiths struck me as the most successful. But more than monetary reward, it seems the ultimate symbol of success would be sustained security in their country.

Practical Action is initiating projects towards this end as well, such as an innovative housing project that has trained 75 IDPs so far on how to build homes without wood.

PHOTOS: Samer Abdelnour



“This is being taught with the assumption that IDPs will return to their regions throughout Darfur once the war is over,” Hamid explains. “Using materials found across Darfur (clay, sand, stones), each returning IDP will have local resources to rebuild his home.”

But returning home feels a long way off for many IDPs. Abdelnour notes, “It used to be mostly tents here in the IDP camps. Now you can see a lot of mud and brick shelters. It’s a sign that many IDPs don’t see themselves leaving for a long while. Suburbs are being created and children are being born, so this will be where they consider home.”

Moreover, there is concern that the IDPs will not be well equipped to enter the workforce when and if such a return occurs. “There is a problem with what skills IDPs have been receiving and what the market needs,” Mohamed Majzoub, Executive Director of Practical Action, explains. “El Fasher is growing and needs brick makers, bricklayers, plumbers and other building expertise. Yet, we have trained people to be mechanics. The automobiles they are trained on are no longer production models, so even these skills are not up to date.”

A New Strength

Abdelnour’s research has touched on one surprising source of strength for Sudan: the North Sudan Disarmament, Demobilization and Reintegration Commission’s (DDR) ex-combatant agricultural cooperatives.

These cooperatives have been incredibly successful in their attempts to mobilize resources like tractors and seeds. They have helped to inject much-needed capital, leading to an invigoration of agro-economic activity.

The challenges for the massive demobilization effort are myriad: low food security, volatile market prices, inadequate financing options, and the need for ongoing training and support.

These issues are exacerbated in

postwar contexts by the low level of trust between various communities and the sensitivity around the demobilization of fighters. DDR can facilitate, not lead, this process. If DDR can successfully avoid being seen as a benefactor, it will likely evade the dependency trap easily seen elsewhere in Sudan.

Financing of Small Enterprises

In areas that experienced heavy fighting, there is often a deep lack of understanding about credit and finance. Loan recipients often go to jail for lack of repayment. Some communities simply have had little or no experience with banking; others are used to handouts as a way of life.

We met with Ishraq Dirar, Head of the Micro-Finance Unit at the Bank of Sudan, an expert in global models of micro-finance and a proponent of developing successful micro-finance models in Sudan.

She explained one form of Islamic micro-finance targeted specifically at agriculture called Selem. Selem allows farmers to take loans during planting, weeding and harvesting, and pay in cash or with crops after harvest.

“For the model to truly blossom, two areas need to be properly developed—insurance and warehousing,” Dirar says. “After harvesting crops, you have potential for long-term income if you can store your goods properly. This is lacking in many parts of Sudan. And when you have a bad year, you need insurance to cover these losses.”

The momentum is building for micro-finance solutions throughout Sudan. Building private sector partnerships will be key to their success as evidenced by the Sudan Microfinance Development Facility (SMDF), a partnership between the Central Bank and multiple donors, which has created a US\$20 million fund.

“Demand is all over Sudan, but with only 3 per cent delivery, we need time to satisfy the demand,” Dirar says.

Currently, micro-initiatives lack legislative support, and there are tax issues to be resolved.

SUDAN: A SHORT HISTORY

Serge Gosselin, Market Development Director, Développement international Desjardins, was impressed with the Central Bank's micro-finance programs and had no doubt about the demand for loans throughout Sudan. However, after drafting up terms of reference for Desjardins to work in Sudan, he could not complete a full proposal.

"The political situation was too risky for us," he says. "If stability occurs in Sudan, and the risks are lower, then there will be an opportunity for us to move forward."

Potential Powerhouse

It's a good sign that returnees are investing in the country and putting down roots. With good leadership, laws, and human resource development, south Sudan will prosper.

Darfur will take more time. The Darfur Peace Agreement is very weak and negotiations between Darfur factions and the Government of Sudan do not appear to be close to resolution.

Sudan has the potential to become an economic powerhouse. With its resources, resilient people, and deep-rooted spirit of entrepreneurialism, the country is brimming with opportunity. People are surprised by this assertion, but the land in the South beautifully illustrates the country's potential. In spite of harsh conditions, the region turns into a veritable paradise as native mango trees blossom with fruit in just five weeks.

Pressure needs to be put on the Government of Sudan to enable internal negotiations and find international partners for the country.

"A stable Sudan would without a doubt benefit the entire region," says Abdelnour. "Political stability would bring both economic and social progress. Sudan could very quickly become tomorrow's postwar success story." **CK**

Karen Kun is Publisher of Corporate Knights. Produced with the support of the Government of Canada through the Canadian International Development Agency (CIDA).

This article was made possible through the sponsorship of Sun Life Financial. The views expressed in this article are those of the author and do not necessarily represent the views and opinions of the sponsor.

Sudan is the largest country in Africa at two and a half million square kilometers and has resources including oil, copper, zinc, silver, and gold. Under British rule in the 19th century, Sudan split into two administrative zones in the north and south. In the 1930s and 40s, the British made southern Sudan a "Closed District" and barred northerners from the region unless they had British permits.

"The Southern Policy" was meant to advocate economic self-reliance in the south. However, the south became increasingly marginalized. The British controlled education, and mainly taught English and Christianity in the south, while northerners received an Islamic education. The British also neglected Darfur, enabling tribal structures to dominate and the region to become underdeveloped in relation to the north.

In 1947, a conference in Juba informed the chiefs of southern Sudan that the northern government and the British would seize control of southern governance, to the exclusion of the southern Sudanese.

This led to further hostility. By the mid-1950s, Sudan was on its way to independence from British rule. The south feared this would not be the end of colonialism: the Arab Sudanese were a willing substitute for British rule. In 1955, the Southern Sudan Liberation Movement hoped to liberate the south and create a secular, culturally diverse nation. The war raged for 17 years until the central government in the north signed the Addis Ababa Accord in 1972, which gave the south relative control over its resources and territories.

The accord turned southern Sudan into a democratic society, and the north and south lived in relative peace. The south's control of its oil and minerals brought newfound autonomy to the region and curtailed the central government's influence in the south. In 1980, the military government redrew the borders of the northern and southern provinces, putting the oilfields of the south in the hands of the north.

Shari'a Islamic law was also invoked in non-Muslim, southern communities, triggering further tension. Practices such as amputations and public floggings angered the communities of the South and in 1983 war broke out again.

After 1983, Sudan underwent intense Islamization and the north began to label Sudan's civil war a "holy war" or Jihad.

In 1989, northern civilians were mobilized for the first time, and public sector workers and students trained for war. The government financially rewarded the casualties' families, and the "martyrs" of the war were publicly honoured. Non-Arab groups in the south, west, and east, including the people of Darfur, reacted by joining the Sudan People's Liberation Movement/Army (SPLM/A)

to fight against their marginalization.

In January 2003, a number of "confused clashes" on the Chadian-Darfur border alerted the Government of Sudan (GOS) to trouble in the region. In February, the Justice and Equality Movement and the Sudan Liberation Army (SLA) attacked GOS soldiers—the GOS and Janjaweed militias' retaliation escalated the violence, leading to a situation many have labeled genocide, though the UN has not defined the situation as one. The government's support of the militias in the region created a war economy that led to ongoing conflict.

The conflict officially ended January 9, 2005 when the GOS and SPLM/A signed the Comprehensive Peace Agreement (CPA). It called for a permanent ceasefire between north and south and a military standstill. The agreement is based on wealth-sharing, self-determination, and secure governments. The GOS and the SPLM came together to form a Government of National Unity.

According to the CPA, a referendum vote will take place in the south in 2011 to determine whether the south will separate from the north. Human Rights Watch has stated that over 90% of southerners will vote for separation, a move that could create further conflict given the north's economic interests in the south.

Although northern and southern leaders signed the peace agreement, armed conflicts continued, particularly in Darfur and other pockets in the south and east. Drought, famine, and tribal conflicts brought the region further poverty and turmoil.

The government resisted accepting UN peacekeepers. The African Union Mission in Sudan had a non-offensive role and their efforts were seen as largely ineffective.

On May 5, 2006, the Darfur Peace Agreement (DPA) was signed by the GOS and the faction of the SLA led by Minni Arcua Minnawi. Tribal and opposition groups in the region did not participate in the peace talks. The agreement called for the disarmament and demobilization of the Janjaweed by October 2006. The May 31 deadline passed without a number of opposition groups signing the agreement. It has also been reported that all parties have breached a ceasefire agreement. Internally Displaced Persons (IDPs) in the region argue the DPA has not enforced adequate political representation, quickly returned them to their original communities, or alleviated the poverty of the region. Without support of all the factions and the IDPs, tensions could lead to further conflict.

The violence in the region has created a humanitarian crisis. It is estimated that since 2003, over 200,000 Darfuri refugees are living in Chad and 1.8 million Darfuris have become IDPs.