SUDAN CRISIS ANALYSIS
Humanitarian Action within a War Economy
AUGUST 2023

This paper is the second in a series of Mercy Corps crisis analysis briefing papers on Sudan's conflict, which commenced in April 2023. This briefing paper identifies the impact of Sudan’s war economy on humanitarian actors in Sudan.

Humanitarian intervention is under fire in Sudan. While this includes physical insecurity, the aid sector’s vital financial underpinnings are also entangled. Risks include armed groups aiming to coopt international and regional financing, including for humanitarian assistance. Key players in Sudan’s conflict also continue to control extensive business networks and financial institutions. These types of financial challenges pose significant obstacles for humanitarian efforts to conduct cash and other programming whilst adhering to a ‘do no harm’ approach. This paper advances a conflict-sensitive approach to mitigating these kinds of risks, which is predicated upon close collaboration with in-country civic groups. The paper also explores a range of tailored cash programming modalities.

Contestation over revenue has historically been at the root of Sudan's violent conflicts and instability. The current conflict that commenced in April 2023 adheres to similar patterns, partly underpinned by warring parties' financial self-enrichment strategies which include looting, the manipulation of international and regional financing, and smuggling of resources such as gold. Much like Sudan’s previous wars, the current conflict is consequently one of ‘state-unbuilding’ that deliberately constructs a ‘newly rich class’ of individuals connected to parties to the conflict. Amidst this background, humanitarian needs are vastly growing and a hunger crisis looms. Figure 1 (below) illustrates the reality of state-unbuilding in Sudan from just before the conflict into several weeks afterwards; the diminished light seen from space is a proxy for vastly eroded economic and social activity in the country.

Although the war is predominantly between the Sudan Armed Forces (SAF), led by Abdel Fattah el-Burhan, and the Rapid Support Forces (RSF) headed by Mohammed Hamdan Dagalo, also known as ‘Hemedti’, rather than civilians, this paper illustrates that the general Sudanese populace nevertheless remains embedded within a war economy. This includes efforts by the RSF and SAF to ransom aid held in Port Sudan’s warehouses with exorbitant fees before releasing it or increasing the costs of licenses or fees for humanitarian agencies. These developments reflect Sudan’s ‘security arena’, which includes contested military, national security, armed group, special unit, commercial security company,

Historical Context
Even prior to British-led colonization in 1899, Ottoman-led occupation of the region partly collapsed from its inability to raise a sustainable revenue base. Conflict over revenue sharing persisted with Southern Sudan’s decades-long wars for independence that emerged just as Sudan decolonized in 1956 and expanded during conflicts in Darfur in the early 2000s.

police, and political actors who directly or indirectly control aspects of the country’s financial network.³

Humanitarian assistance has been one type of resource that various armed groups and state institutions in Sudan and now independent South Sudan have leveraged over time to acquire additional finances.⁴ In addition to financial benefits, armed groups and state institutions responsible for overseeing or regulating the activities of humanitarian agencies have occasionally co-opted humanitarian assistance to acquire legitimacy from host populations. This briefing paper analyses these kinds of patterns and advances recommendations for a conflict sensitive human security approach to humanitarian response rooted in cooperation with civic actors that mitigates related risks. Customized cash programming modalities are also identified.

**Figure 1: Nightlight Reflectance in Khartoum in April and June 2023**

Satellite imagery shows the decrease in nightlight reflectance in Khartoum in June 2023 compared to before the conflict in March 2023. This indicates how basic infrastructure has been affected by conflict and acts as a proxy for economic and other activity.

### Revenue Flows in Sudan

**Historically inequitable political economy**

The historic domination of Sudan’s main revenue source, which has frequently been export related and minimally dispersed beyond Khartoum, is partly at the heart of the current conflict.⁵ Since at least British-led occupation of the region, each of Sudan’s economic peripheries, including Darfur, Red Sea State, and now independent South Sudan, have entered dependent relations with successive Khartoum-led governments. This inequitable political economy underpinned grievances against Khartoum-led rule that have contributed to violent conflict, including Southern Sudan’s decades-long civil wars for independence and Darfur-based armed groups’ violent conflicts with Khartoum-based regimes that partially birthed the militias that became the RSF.⁶

Figure 2 shows an ‘Economic Map’ of Sudan. While this was first identified by the ethnographer Alex de Waal in the early 1980s when the region was then unified with Southern Sudan, similar dynamics remain. Large

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disparities between Khartoum and the rest of the country persist and aid and expatriate wealth – which includes vast remittances – still constitute a major source of the country’s wealth and have likely increased.²

![Economic Map of Sudan in the 1980s](https://sites.tufts.edu/reinventingpeace/2014/05/07/3-visualizing-sudan-geographical-inequality/)

**Figure 2: “Economic Map” of Sudan in the 1980s**

The size of the rectangles is roughly proportional to the share of gross national income in that region in the early 1980s.

Capture of humanitarian assistance

Given the frequent dearth of finances from the Khartoum-led government, Sudanese state and non-state armed groups have leveraged regional and international sources of finances or resources including aid to support costly war efforts. In the 1980s, the Sudan People’s Liberation Movement/Army (SPLM/A), which was then at war with Khartoum, manipulated aid provided as part of Operation Lifeline Sudan (OLS). OLS was one of the world’s largest humanitarian interventions and the SPLM/A subverted some OLS humanitarian assistance and other forms of international finance to maintain support and legitimacy with local populations. Aspects of the practice persist in South Sudan today.⁹

More recently, Darfuri rebels, including groups Hemedti led, used foreign funds to police undocumented migration along Sudan’s national boundaries. This practice both generated employment opportunities among marginalized Darfuri communities, which likely expanded Hemedti’s political base, and augmented the RSF’s proficiency policing the humanitarian and other sectors.¹⁰ This development also draws upon the historic ways

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Darfuri armed groups leveraged regional ties to trade gold and other goods in exchange for money and materiel from neighboring Libya, Chad and the wider Sahel. Nor is this monitoring capacity of humanitarian work limited to the RSF; in the early 2000s government agencies under former president Omar al-Bashir’s regime evicted or threatened to expel international humanitarian agencies if they called attention to human rights abuses in the region.

**Military and armed group control of business networks and financial institutions**

Beyond the manipulation of international humanitarian assistance, Sudanese state and non-state armed groups developed an extensive network of lucrative business interests to sustain their war chests. Rather than rely upon tax revenue, which was limited in Sudan even prior to the April 2023 conflict, key players in Sudan’s security arena maintained expansive regionalized and internationalized business networks. Before the October 2021 coup, the civilian-led Regime Dismantlement Committee (RDC) documented 263 Sudanese ‘state-controlled enterprises’ in which members of Sudan’s security arena – including SAF, RSF, and national intelligence officials – were principal shareholders of at least 10% or members on a board of directors. The RDC’s efforts were disbanded as part of the October 2021 coup.

Following the imposition of US-backed sanctions in 1997, state control of businesses has been concealed within a broad network of military controlled companies under the Military Industry Corporation (MIC) umbrella, including the Giad Network, which is one Sudan’s largest companies. The Center for Advanced Defense Studies/C4ADS tracks illicit financial flows and notes that SAF maintains a vast network of ‘ostensibly charitable investment arms to sustain its power over the Sudanese economy and insulate the military budget from civilian decision-making’.

The extent to which humanitarian actors are exposed to these financial networks will vary by organization, which holds implications for humanitarian cash-based programming. Considerations include where aid agencies and beneficiaries of cash-based programming bank within Sudan. The MIC’s lucrative financial web includes a few consolidated funds for SAF investments and leading stakes within financial institutions including the country’s largest financial institution, Omdurman National Bank. MIC enterprises consequently penetrate crucial sectors such as manufacturing, gold, agriculture, and livestock production. Both agriculture and gold revenues obtained through varying degrees of legality are suspected to be ‘washed’ through the state-controlled enterprise-dominated finance sector, which maintains international linkages to Gulf and Red Sea countries and broader financial networks.

As a preliminary indication of the immense scale of the revenue that SAF and the RSF have generated through these kinds of financial arrangements, in 2019 Hemedti boasted that he had ‘put $1.027 billion in the Bank of Sudan’. In other words, Sudan’s security arena was so well financed through quasi-state-backed fiscal operations that they were able to mobilize a significant portion of the state’s economy to fund their operations.

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15 Ibid. p.16.

16 Ibid. p.17.


arrangements that groups with ties to the military or the RSF militia could loan substantial sums to Sudan’s national bank.

**Remittances and the Economic Crisis**

In addition to the current capture of financial institutions by Sudan’s security arena, a cash crisis was underway in Sudan prior to the conflict and inflation has rapidly increased. Inflation rates are estimated to reach an average 100.4% in the coming year. Most Sudanese therefore not only have had restricted economic opportunities outside of security arena-connected institutions, but they have also had limited access to much-needed cash, which also became impractical as inflation soared. The widespread adoption of electronic banking systems has partially addressed aspects of these challenges. One example is Bankak, is a Bank of Khartoum supported app that enables people across Sudan to purchase basic groceries, transport, and receive remittances using direct payments.

Separate from employment in the state-controlled enterprises that dominate all of Sudan’s main economic sectors, remittances have played an invaluable role supporting Sudanese people. The United Nations Development Program (UNDP) estimates that in 2018 remittances contributed 8.36% of GDP and were valued at approximately $2.9 billion USD. Remittances remain understudied in Sudan and there are anecdotal reports of a rise in remittances to communities trapped in the country following the April 2023 conflict. In contrast to other revenue sources that sustain Sudan’s revenue complex, remittances appear to be less centrally controlled and roughly 90% are sent through unofficial channels, including cash sent by travelers. As the next part of the paper illustrates, remittances provide insights into how humanitarian actors could provide support that militates against Sudan’s military coopted security arena.

**Recommendations for Risk Management**

The previous section illustrates Sudan’s long history of conflict over the distribution of revenue flows and highlights how the country’s financial architecture is integral to the war economy. These legacies pose substantial challenges for humanitarians to do no harm or otherwise adhere to humanitarian principles. This part of the paper provides recommendations for international humanitarian actors to mitigate against these risks. Recommendations focus on modalities predicated upon close collaboration with in-country civic groups and transparency initiatives to ensure aid does not become a financial or political resource for combatants.

**Centering Humanitarian Accountability & Civicness in Conflict**

Sudan’s conflict, like many other contemporary wars, is a war against civility and civilians. Humanitarian assistance that fosters trust and social cohesion amidst these destructive logics is therefore essential. In addition to supporting civicness-oriented groups’ existing humanitarian efforts as outlined below, an approach that listens, responds, and is accountable to affected populations builds upon long standing recommendations for humanitarian accountability. These debates can be traced to the early 1990s and expand upon recent

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21 Ibid. p.29.
in-country discussions about the limits of ‘localization’ and broader efforts under the often misleading catch-all phrase of ‘decolonization’.23

Moving beyond these debates, which often remain between international humanitarian organizations rather than in-country humanitarian civic groups, a shift towards humanitarian accountability that listens to and directly engages with in-country civicness-oriented groups is needed.24 Given the longstanding capture of Sudan’s revenue complex by armed parties to the conflict, such considerations are crucial. Successfully done, this would help international humanitarian engagement meaningfully adhere to humanitarian principles and the overarching demand to ‘do no harm’, rather than risk supporting Sudan’s extractive revenue complex and violent security arena. At best, humanitarian efforts would then be ‘owned’ or at least strongly led by in-country civic groups delivering assistance amid what might be Sudan’s worst humanitarian crisis to date.

Cash Transfers

While there are immediate options available to expand multi-purpose cash assistance in Sudan, there is no one-size-fits-all model for cash transfers in the current conflict. At least two tailored approaches are available:

‘Traditional’ cash transfer modalities that rely upon close collaboration with local Sudanese banks that are vetted to not have ties with Sudan’s war economy are one way forward. This includes Mercy Corps’ recent experience collaborating with Ebdaa Bank, which specializes in microfinance access and has relocated to Gedaref State following the conflict. In a recent USAID sponsored USAID program, Ebdaa Bank worked with community leaders to distribute cash assistance to 1,517 households across 13 villages in 3 localities.25 This type of support is particularly suitable for communities with limited mobile phone access, which rules out mobile cash transfers.

For communities that do have mobile phone access, other options are available. Electronic banking akin to Bankak has been in country since at least 2012 and usage accelerated during the pandemic. Consequently, for Sudanese with mobile phone access, humanitarian cash transfers that function like remittances can provide a way for humanitarian actors to directly support vulnerable Sudanese communities. Civicness-oriented groups would be at the heart of these efforts; as in the case of on-going ‘emergency rooms’, civic leaders and community groups in Sudan are well-placed to understand where humanitarian needs lie and could work to disperse assistance to vulnerable communities and individuals. Such support would be crucial in instances in which individuals or communities have limited mobile phone access or are in areas that international actors are unable to reach.

Supporting Sudanese Civic Groups

Civic-led transparency mechanisms could be incorporated into something like Syria’s Civil Society Support Room (CSSR), which could be supported to interface between international humanitarians and in-country civic groups. The CSSR was the first formal mechanism to engage with Syrian civil society, which initially began as an unstructured meeting for a handful of Syrian civil society groups that was sponsored by the then-UN envoy and eventually evolved into a forum for over 500 members of Syrian civil society. The CSSR provided a mechanism for Syrian civil society to engage in the participatory design of collective problem solving and

consensus building to generate a shared vision forward.26 Something like a CSSR could be implemented in Sudan, for example via a ‘Sudan Medania Support Room’.

While it is a longer-term measure, in addition to providing a forum for Sudan’s many civics aimed groups to generate consensus about how to disperse humanitarian resources, a Sudan Medania Support Room or similar could support NGOs’ existing due diligence procedures by helping vet different types of financial modalities through which humanitarian actors disperse assistance. This would be particularly vital in the instance of cash transfers, as humanitarian actors take care to work with financial institutions that are not captured by Sudan’s existing RSF and SAF-dominated revenue complex. While this will require attentive consultation with Sudanese civic groups to delineate processes, in-country civic groups could lead efforts to ensure that any financial institutions or businesses dispersing international assistance are not connected to the networks that sustain Sudan’s security arena. For instance, both humanitarian agencies and civic actors could build upon and expand the civilian-led Regime Dismantling Committee’s existing efforts detailing the institutions that provide the extensively deep pockets that fuel the current war chest.

Nor would such an approach be limited to the immediate conflict. As the conflict unfolds and ideally reaches a post-conflict setting, a forum such as a Sudan Medania Support Room could hold meaningful implications for how Sudanese civilian perceptions of fairness will be socially negotiated. As this briefing paper emphasizes, it is likely that questions of how to redress injustices still being incurred will be distorted by the embeddedness of state-controlled business enterprises in peoples’ lives, and humanitarian action is not divorced from these developments.27 The humanitarian sector’s forthcoming steps could mitigate against the prolonged capture of the state’s revenue flows by parties to the conflict, ensuring ways of working that support as many of the country’s civilians as possible.

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CONTACT

crisisanalysis@mercycorps.org

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45 SW Ankeny Street
Portland, Oregon 97204
888.842.0842
mercycorps.org