Sudan's Nationally Determined Contributions (NDC) Project Sudan

Engaging private sector in NDC implementation

STUDY REPORT

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Executive Summary

The ultimate objective of developing this report is to support developing strategies and practical means to engage the private sector in the NDC process to support NDC preparation and implementation process.

Private finance is critical to meeting the ambitions of the NDCs, most countries in the region have started to leverage private investment on climate action. It is well established that clear, predictable and transparent policies can encourage private investors into new renewable energy and agriculture projects and start to fill the financing gap, but associated risks are often too high, and finance goes to other sectors.

The private sector is diverse, including a traditional base of sectors linked to agricultural activities in the economy, and an increasing number of firms that supply the growing domestic demand for a wide range of goods and services. Informal business activities have expanded in the various urban centers of the country and now constitute a large segment of private sector activities.

For the NDC plans implementation to be effective and achieve impact, its important and crucial to create the required synergy, coordination and integrity with similar projects or initiatives. That approach is in high demand when it comes to bring in efforts and resources of private sector to be deployed for this purpose. GCF Readiness and REDD+ projects are good examples.

This study report is following sectoral approach focusing on **Energy** and **Agriculture** sectors as key sectors with high potential of private sector contribution and involvement under INDCs umbrella. The two selected sectors, as well, are the backbone of the national economy and they are on the top of list of strategic priorities of the government of Sudan.

Recent developments in off-grid, renewable energy technologies – with their lower-cost and greater efficiencies – suggests that the time is right to move from pilot projects to a full scale-up of these technologies while advancing new and innovative private sector business models.

There is a need to leverage private sector investment in climate change adaptation and mitigation projects through inclusive value chain and market-based approaches so that value chain actors, such as micro, small and medium size enterprises could be rewarded and incentivized.

The transition to a green economy will require structural changes and legal reforms to future investment patterns of the selected Sudanese private sector companies. This is not going to happen without removal of investment barriers and creation of conducive business environment for companies to put significant investments in such projects.

Except for being good citizens and responsible business, nothing else is motivating this commitment. This report is addressing involvement of private sector from perspective of contribution rather than commitment until we have a solid ground to pose specific commitments for businesses that could advance the profile of Sudan NDCs.

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Engaging private sector in NDC implementation

Introduction

Intended Nationally Determined Contribution (INDC, 2015): Sudan submitted its INDC in 2015 in line with its international commitment under the United Nations Framework Convention on Climate Change (UNFCCC). Sudan's INDC lays out mitigation and adaptation contributions to achieve the objective of the Convention and its national development priorities.

Sudan intends to pursue a low carbon development in the energy, forestry and waste sectors. In the energy sector, Sudan will integrate 20% renewable energy in power generation by 2030, increase energy efficiency, and promote electricity generation using natural gas. In the forestry sector, Sudan will conduct afforestation and reforestation to achieve the goal of 25% forest cover by 2030. In the waste sector, Sudan intends to collect waste to improve solid waste management, develop sanitary landfills with treatment facilities and a gas collection and capture system, and adopt a zero-waste concept that includes composting organic waste, sorting and recycling, making use of non-recyclable materials, and generating electricity or gas from waste.

According to the Sudan INDC document published in October 2015, the international support required to implement the intended contribution in terms of finance, technology and capacity building, over a cycle of contributions of 5-10 years, amount to a total of USD 12.88 billion, of which USD 1.2 billion for adaptation and USD 11.68 billion for mitigation.

Background

In accordance with the recent guidance from COP24 (2018), in particular Decision 4/CMA.1, para 7, Sudan intends to update and resubmit its Nationally Determined Contributions (NDC). In 2015, Sudan elaborated its Intended Nationally Determined Contribution (INDC) to the Paris Agreement. In 2021 is expected to see the issuance of the updated Nationally Determined Contribution (NDC).

With the overall objective of transforming it from a communication document into an action plan implementable within the agreed timeframe for NDC aiming to achieve the following specific objectives under project:

Update the current NDC in line with the relevant COP decisions (since Paris 2015) including review of its timeframe, contributions and the information required to be reported;

Develop a strategy for NDCs implementation and integration into sectoral and national development planning; and

Strengthen national institutional arrangements for progression in NDCs preparation and implementation

The Higher Council for Environment and Natural Resources (HCENR) implementing agency of the "Sudan's Nationally Determined Contributions (NDC) Project. The project is funded by the Global environmental Facility (GEF) and executed by the United Nations Development Program (UNDP).

HCENR was seeking technical assistance for the following components of the project:

Component 1: Sudan NDC is updated in line with the relevant COP decisions and submitted to UNFCCC secretariat

Component 2: NDCs implementation strategy in consultation with concern stakeholders

Component 3: Institutional arrangements for NDCs preparation and communication has been established and strengthened

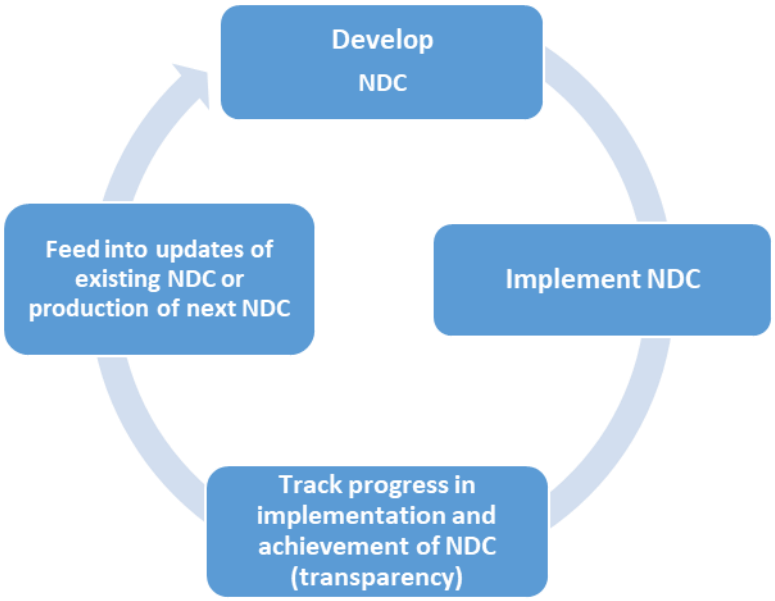


Illustration of NDC implementation cycle

Objective

Support developing strategies and practical means to engage the private sector in the NDC process to support NDC preparation and implementation process.

Tasks/Deliverables

- Review contribution of private sectors national climate change programme and actions to meeting Sudan's obligations
- Identify areas of interest for private sector investment in climate change mitigation and adaptation that is relevant to the identified priority contribution
- Identify and assess any specific mitigation and adaptation actions that the private is committed to undertake to support the NDC implementation
- Recommend strategies and practical means to engage the private sectors in the NDC process to contribute to meeting Sudan's obligation under Paris Agreement, including public-private partnerships in sectors prioritized in Sudan's country programme and wider climate change and development strategies.

- Undertake consultations with private sector representatives on long-term strategies for their engagements in climate change in Sudan, and to identify current barriers and opportunities,
- Draft and finalize report and present outcomes of the study to the NDC technical committee and stakeholders, as appropriate

Rationale

Private finance is critical to meeting the ambitions of the NDCs. An African Development Bank study has indicated that over $3 trillion by 2030 is needed to achieve Africa's current NDCs and that domestic resource mobilization from public and private sources will be needed to meet more than half of this. Yet, most countries in the region have scarcely started to leverage private investment on climate action. It is well established that clear, predictable and transparent policies can encourage private investors into new renewable energy projects and start to fill the above financing gap – but risks are often too high and finance goes to other sectors or geographies.

Along with the opportunity created by the Paris Agreement comes the important challenge of transforming Nationally Determined Contribution (NDCs) into tangible actions that lead to long term zero-carbon and climate-resilient development. It is well recognized that access to finance is fundamental for creating momentum and raising ambition, but countries continue to face challenges in securing financial resources and attracting private sector investment at the scale needed to achieve their NDC targets.

To this end, the private sector engagement assignment under NDC context should address a critical question that this report worked hard to answer;

How can private sector be crowded in at scale, and how can Sudan, as leased developed country, be supported to directly connect NDC investment priorities with the world of financing and technology?

The literature of the NDC implementation in similar contexts like Sudan and their experiences in dealing with private sector profile has drawn some conclusions around this question which could be summarized as follows:

- The element limiting private sector deployment toward NDC investments to date is largely due to a lack of enabling policy incentives that create private investment appetite;
- Financial incentives and increase willingness of private sector to invest in immature markets;
- Awareness of opportunities afforded by the NDCs;
- An evidence-base for successful risk-informed NDC investments.

According to UNDP reports, "the global NDC Investment work stream assists countries to use a structured approach to scale up **sectoral investments**. In NDC Investment, our approach is the support to achieve the objectives outlined above by building capacity and raising private sector awareness and designing de-risking instruments to systematically engage private sector at scale in NDC implementation".

Principles of private sector involvement

For private sector engagement in NDC implementation to be effective and efficient, and to yield into results that support achievement of ambitions, some important principles should be:

- Private sector involvement needs to be considered at every stage of the development and implementation cycle.
- Focus so far - NDC implementation and investment.
- Play a key role in increasing ambition

Approach & Methodology

This study report is following sectoral approach focusing on **Energy** and **Agriculture** sectors as key sectors with high potential of private sector contribution and involvement under INDCs umbrella. The two selected sectors, as well, are the backbone of the national economy and they are on the top of list of strategic priorities of the government of Sudan before and after December revolution.

Tools and Techniques

Rapid Market Assessment (RMA) Technique

RMA relies extensively on consultation with a wide range of stakeholders, including private companies operating in the sector, government agencies and public bodies responsible for governance of and support to the sector, and professional associations and chambers that represent private operators. RMA is a quick, flexible, and effective method to collect, process, and analyze information and data about markets and marketing systems. It can be used with equal effect to assess both domestic and international value chains. RMA collects both quantitative and qualitative information.

Legal, Policy and Regulatory Review

The policy analysis is powerful tool normally used to list out policies and regulation of relevance to the assignment, analyses gaps in these policies and propose possible reforms as part of enabling environment creation to leverage private sector investments in climate change and environment related projects under INDCs context.

Assessment of potential roles of private sector by develop and recommend strategies and special instruments that should be promoted to enhance private sector engagement in NDCs related projects and facilitate public-private-partnerships, such as risk sharing instruments and enterprise development.

Understand barriers of private sector to unlock their investment potential. It also addressing perspective of private sector on incentive policies they want to see to put investment in climate change related initiatives.

Stakeholders' consultation

This study is applying participatory stakeholders' Analysis for the Sudanese private sector and collects primary data as well as reviewing secondary data. A guided Semi-structured interviews approach followed where only some of the questions are predetermined, while other questions come up during the discussion. A list of topics and questions will be used rather than a fixed question.

Context

The new reform-oriented Transitional Government, formed on August 20, 2019, creates a unique window of opportunity in Sudan to spur economic growth, rebuilding and resilience. The General Framework for the Program of Transitional Government adopted in December 2019 sets out 10 priorities for the Government. One of these priorities is focused on 'addressing the economic crises and establishing the bases of sustainable development' and includes, amongst others, 'Developing and promoting productive sectors (agriculture, livestock, and industry).

The current transition after revolution in Sudan is expected and promised to increase the ability of private sector to drive growth and diversify the economy. Removal of the constraints holding it back and undermining its international competitiveness is hoped to contribute to prosper of economy of the country. Improving the business climate is not only important for enhancing the role of the private sector in investment and development, but also for overall economic governance and management. In particular, efforts must be made to widen access to credit and increase tax yields. Commercial banks' procedures for lending are stringent, particularly for small and medium enterprises (SMEs) and this also applies to public programmes.

Overall regulatory and institutional Setup

Key sector legislations in Sudan	Legal / Policy Framework	Relevant Sector
Electricity Act - 2001 Revised Electricity Act - Forthcoming	The 2001 Electricity Law is due to be overhauled, but this specific area is not clear in terms of government strategic direction. 2016 saw the creation of the Sudanese Electricity Holding Co. This has an effective monopoly on procurement, with the holding company overseeing two generation utilities – the Sudanese Thermal Power Generating company and its hydro-focused counterpart – as well as two companies whose respective mandate cover distribution and transmission. These companies remain state-owned, despite the 2001 Electricity Law to open up private participation in the energy sector.	**Energy Sector**
Renewable Energy Master Plan (REMP, 2005)	Promote the use of renewable energy sources, including priority projects such as photo-voltaic (PV) installations and biomass co-generation to avoid technological dependence on an oil-based market in energy sector development.	
The Investment Law in 1999 and amended in 2007 and 2009 and 2013. The new version of the law in 2021	**Article 6:** encourage investment in projects that achieve development goals as well as **Article 9** of the law, investment in agriculture has adopted a strategic investment has a higher ceiling of privileges when it reaches a certain size in terms of capital. Untapped areas, the volume of production in addition to specific agricultural activities serve national goals (rural development, food security,...etc.)	**Agriculture and Energy sectors**
Sudan E-Agriculture Strategy and Action Plan 2018-2022	This Strategy and Action Plan is a nationwide cross-sectoral document built on SUDNAIP 2016-2020, the 5-year investment plan, which maps the investments needed to achieve the Sudan Comprehensive Africa Agriculture Development Programme (CAADP) target of 6% annual growth in Agriculture Domestic Product (GDP). It lays down a roadmap by which ICT developments can significantly contribute towards achievement of the country's agricultural Vision of "excellence in adopting e-solutions to	**Agriculture Sector**

	transform agriculture for national prosperity capable of rapid and sustainable growth, inclusive of smallholders and with strong linkages to agricultural industrialization". E- agriculture has the potential to meet the agricultural goals of Sudan by contributing in (i) Improving national agricultural research and information systems; (ii) Facilitating trade and domestic market access; (iii) Improving agricultural extension and advisory services; (iv) promoting sustainable farming practices; (v) Improving postharvest handling and logistics; (vi) Enhancing disaster management and early warning systems; (vii) Facilitating financial inclusion, credit, insurance and risk management schemes	
Investment Act No.11 of 2021.	Aims at (i) building an environment conducive to investment to attract both national and foreign investors; (ii) creating a more predictable, transparent, and fair system that supports investment. **Article 6** establishes the Investment and Private Sector Development Authority and the units it supervises and it is the main authority responsible for the investments. The Law also deals with the single window, to coordinate the different concerned ministries. Several tax exemptions are introduced by **article 20**, including customs, business profits tax, and VAT, among others, until the end of the capital recovery period for projects that achieve an economic benefit. **Article 26** provides for the issuance of an investment procedural guide which includes all the conditions, procedures, timeframes prescribed for land allocation, issuance of approvals, permits, and licenses about investment activities to clarify and facilitate procedures for all investors. This guide will be accessible online and will be updated periodically. While a specialized insurance company, envisaged by **article 27**, will ensure investors against different risks (e.g., risks of nationalization, risks of war, domestic conflict and civil disobedience, risks of recession, etc.) for an annual premium.	**Agriculture and Energy sectors**

Public-Private Partnership Act – 2021	This Law aims at (i) organizing and promoting PPPs; (ii) encouraging private entities to invest and participate in projects alongside Sudanese public entities; (iii) ensuring transparency and integrity in procedures and equal and fair treatment for bidders. It establishes the Supreme Council for Partnership between the Public and Private Sectors chaired by the Prime Minister with the following main tasks (i) give the strategy recommendations; (ii) find the financial resources; (iii) approval of project studies and proposals; (iv) approval of land allotment necessary for implementing the partnership projects; (v) approval on exemptions, facilitation, and guarantees related to the projects.	**Agriculture and Energy sectors**
Companies Act, 1925, Amended 2015	In Sudanese Legal Regime, Companies Act 1925 was enforced for a long time with no any fundamental amendment regardless of the economic, Political and Investment structural changes in Sudan since 1925. Companies Act 2015 was enacted from Sudanese Parliament in 20th of January 2015 and approved from President of Sudan in 22th of Feb 2015 with major changes, in Nine Chapters, and (267) sections. The amended act has significant improvements in New Rules for Corporate Governance, Equality between Companies, creates new classifications/ types of companies, Liquidation for holding and/or subsidiaries companies and the Companies Act 2015 grant the Ministry of Justice the final approval for registering new companies. More importantly, it elaborates on New Formalities for more Transparency and How foreign companies can open a new Branch in Sudan.	**Agriculture and Energy sectors**

Profile of the Sudanese Private Sector

The private sector is diverse, including a traditional base of sectors linked to agricultural activities in the economy, and an increasing number of firms that supply the growing domestic demand for a wide range of goods and services. At the same time, informal business activities have expanded in the various urban centers of the country and now constitute a large segment of private sector activities. At the beginning of the 2000s, the largest industrial sectors were food processing, followed by metalworking and wood processing.

More traditional subsectors have been the sugar industry, leather, textiles, pharmaceuticals, oilseed processing, soap, and cement. More recently, in addition to oil refining, automotive assembly, plastics, cable, and pipe manufacturing have been developed primarily for domestic consumption.

The formal private sector consists largely of small firms, structured as private limited companies 60% and sole proprietorships 37% spread over a wide range of sectors. Many of these businesses are family owned. Of the sample of formal manufacturing firms in the PICS of 2008, only eight percent were partnerships and two percent were state-owned. Three percent were listed on the Khartoum Stock Exchange.

In Sudan, small and medium enterprises account for the majority of business activities in agriculture, manufacturing, trade and finance, in addition to business companies in the construction industry, transport and professional services. A small number of big conglomerates operate in trade, industrial processing and agriculture.

Though export activities have been a major area for the private sector, public marketing boards still compete or receive concessional advantages from the government.

In the particular case of oil and oil related sectors, foreign firms, especially Chinese, Malaysian, Indian and others, have invested heavily in these activities. Services for the oil production industry have largely been supplied by foreign companies, along with some government-initiated partnerships. The oil boom of the past decade also stimulated interest in real estate, hotels and restaurants, creating a class of investors in this area.

Another important characteristic of the business sector is its uneven distribution throughout the country. Few parts of Sudan offer infrastructure and Factor markets necessary to Support large-scale, formalized manufacturing and other business activities.

Khartoum and Port Sudan lead in commercial activities. Khartoum has the biggest share of industries. Mechanized farming is spread in the East, Central and Western Sudan, though traders and ex-officials are the main participants in the sub-sector.

Small firms and informal enterprises are spread throughout the country, but larger companies are located primarily in Khartoum, and to a lesser extent, El Gezira, Nyala, Port Sudan and North Kordofan.

Energy Sector in the INDCs

INDCs Planned Actions
(I) integration of renewable energy (wind energy, solar PV energy, solar CSP technology, waste to energy, biomass and geothermal potential, small hydro plants) in the power system to diversify the energy supply sources, ensuring the energy security and saving the environment;
(ii) GHG mitigation through energy efficiency and rationalization of electricity consumption;
(iii) Electricity thermal generation using natural gas production.

Clean Energy Sector Policy

Sudan does not yet offer any clean energy incentives. With an exception of the public-private partnership (PPP) law, Renewable Energy Act and import-duty exemptions for solar components have been in the planning for some time, but are stuck at various stages along the legislative pipeline. Aside from Sudan's plan for renewables to account for 20% of generation by 2030 as part of its nationally determined contribution, the government has not explicitly issued any further national objectives. With no utility-scale renewables commissioned to date, Sudan still has far to go in its deployment of clean energy. However, there are some vibes that a big Wind Energy Turbines' project is in the pipeline, but this is not officially confirmed until moment of drafting of this report.

Energy Sector investment Barriers

- Despite the removing of economic sanction, electricity sector in Sudan continues to face challenges in securing finance.
- Developers from private sector entering the Sudanese market face a number of obstacles primarily the unstable political, macroeconomic and security situation.
- High capes costs due to country risk, the lack of market transparency, very low power tariffs;
- Weak purchasing power pose further challenges to project development.
- There is little visibility on future transmission projects, so many are being completed in a haphazard manner.

Political	Macroeconomic	Electricity Sector
- Sudan still suffering from fragile political situation where transitional period is not stable with high turnover of public officials, unclarity around laws and regulations and continuously changing governance structures - Continued risk perception for doing business in/with Sudan	- DFIs support limited due to outstanding arrears. - Limited financial sector capability due to long economic sanction - Unstable national currency (SDG), scare foreign currency - Constrained access to foreign currency - Reluctance of foreign suppliers to do business with Sudan	- Underpriced tariff - Non-commercial practice by sector companies and dependency on budget appropriation - Limited sector capacity to deal with IPPs - Lack of complete IPP procedures

Energy Sector Investment Opportunities

Recent developments in off-grid, renewable energy technologies – with their lower-cost and greater efficiencies – suggests that the time is right to move from pilot projects to a full scale-up of these technologies while advancing new and innovative private sector business models. Sudan's international partners can play a critical role in addressing the investment risks associated with these efforts, thereby encouraging private sector investment.

In 2017, the Sudanese government tried to launch a Feed-In Tariff system for solar energy and for renewables in general. Developed with the support of the United Nations Development Programme (UNDP), it was expected to encourage grid-connected renewable energy projects as well as off-grid generation. That's indeed is a great investment opportunity in case the country provided with experience in the development of national FIT programs to help the local investors and the country's Electricity Regulatory Authority (ERA) find the most suitable legal and regulatory framework for a future incentive scheme.

Agribusiness Sector

Agriculture (both livestock and crop production systems)

INDCs Planned Actions
(i) Crop diversification and introduction of improved drought-resistant varieties and early maturing varieties in areas affected by rainfall decease and variability;
(ii) Introduction of agro-forestry in areas vulnerable to climate change to enhance agriculture production as well as increase the involvement in community forests activities and products;
(iii) Water harvesting to assist vulnerable communities to adapt to the increasing vulnerability of water resources;
(iv) Management of the grazing areas and range lands in a sustainable manner; (v) improving animal productivity and animal breeds to increase resilience to climate change;
(vi) Restocking animal herds in areas affected by climate change; and (vii) regular surveillance of animal diseases through improved monitoring and veterinary services.
Rural poverty will be addressed through (i) diversification of income generating activities in order to increase adaptive capacity of vulnerable farmers' communities; (ii) access to electric energy supply to rural areas far from the national or the isolated grids; and (iii) establishment and rehabilitation of hand pumps and water-networks in rural areas to provide drinking-water and achieve water security in order to discourage communities' migration.

According to the World Bank reports, Sudan considered develop and promote agriculture and livestock sectors as an important part of the Government's priority of addressing the economic crises and establishing the bases of sustainable development. With natural endowments, sizeable existing base in the economy, direct impact on food security, and scope for rural and youth employment, the agriculture sector is an obvious choice for driving recovery and stability. Agriculture is the foundation of livelihoods for the majority of the rural population in Sudan, and for many SMEs, because of its importance for food security and household welfare and as a source of export earnings.

Agriculture Sector Policy

Sudan aims to attain a comprehensive national socio-economic development led by a dynamic agricultural sector capable of rapid and sustainable growth and biased towards the weak and vulnerable sectors of the population and having strong linkage to agricultural industrialization.

Key Characteristics of Agriculture Policies

Over the years, the agriculture sector has been heavily taxed. Both direct and indirect taxation of agricultural sector was the traditional source of government revenues.

Agricultural investment skewed toward expansion of irrigated agriculture and mechanized rainfed farming, at the expense of the vast traditional rainfed sector

Bureaucratic procedures such as import licensing, registration of exporters, reporting of stocks, and restrictions on crop movements

Agriculture Sector investment Barriers

Stagnant/ reduced productivity and growth due to low investment particularly in the traditional rain fed sector

High tariffs on imported agricultural inputs adversely affect local producers

Constrained business enabling environment for agribusiness development includes the:

- Complex macro-economic context with high inflation, fiscal distortions, and currency devaluation;
- Sudan ranks low (171 out of 190 countries) in the 2020 World Bank Doing Business Survey, and 121 out of 160 countries on Logistics Performance Index (LPI);
- Existing tariff and trade taxation policies create disincentives for exports;
- Access to digital technology and electricity is limited;
- Limited access to finance;
- Access to land constraints due to weak regulatory and institutional framework; and

- The low share of government budget spending on agriculture further aggravated by the limited access to international finance.

Interest Rates: often remains unstable and high. This is because financial and banking system in the country is not stable and suffering from severe devaluation of the local currency against USD. Local banks tend to avoid long term loans to reduce the risk of working capital erosions, which has direct impact on return on investment and size of loan. They sometimes find themselves obliged to increase interest rates to compensate losses of short-term loans.

Devaluation of Local Currency: The Sudanese local currency value is extremely devaluated and continues. This is coming as result of economic crisis after 2011 after succession of South Sudan and removal of oil revenues from the public budget. Inflation rates exceeded 50% and prices of production inputs shoot high in a way that affected the whole production system in the country. This situation put high pressure on private investments and purchase power decreased.

Agribusiness Investment Opportunities

The introduction of high-quality seeds and planting material, as well as local production of hybrid seeds,

Agricultural inputs, technology for producers and increased information and links with domestic and international markets,

Capacity building, skills enhancement to reduce post-harvest losses including collection, sorting, packing, safe storage,

Transportation infrastructure would increase productivity and supply, and lay the groundwork for developing an integrated supply chain.

Investment opportunities in medium term exist in integrated cold supply chain, which is critical for increasing shelf life of fresh fruits and vegetables, and processed horticulture products; given the high post-harvest losses due to limited cold storage infrastructure

Recommendations/Ways Forward

Leveraging private sector investment

There is a need to leverage private sector investment in climate change adaptation and mitigation projects through inclusive value chain and market-based approaches so that value chain actors, such as micro, small and medium size enterprises could be rewarded and incentivized to protect and improve their productive assets (forest, water, land, etc.), whilst generating ecosystem services for the local community. Recently, the private sector in Sudan has started to undertake serious steps towards implementing environmental and cooperative social responsibility policies and measures.

Key features of consulted private sector entities showed that about 70% of the consulted private companies are family owned businesses, 20% are privately held and only 10% is private equity. Around 80% are putting significant investments in agriculture sector and food industry. Most of those companies are diversified in their business portfolios distributed equally between services and products. 90% of them have access to international export markets especially companies deal with Gum Arabic and cash crops. No industrial products are going to export market at all. The average number of employees is above 1,000, and in some cases exceeds 4,000 including seasonal labour.

Most of those companies has a CSR/philanthropy arm implementing mainly community development interventions and forestry related environmental responsibility programmes. Few of those companies have advance climate change related programmes where at least one of them has carbon credits generating project in Darfur region.

During the discussions and interviews at least 50% of consulted companies showed high interest and capacity to develop projects that fits INDCs potentiality. They also have the required experience in their fields, geographical distribution of their operations enables them to access potential project areas and have the financial capacity to bear the cost and risk of implementing those projects (with limitations related to scale of course).

Corporate Companies like Haggar Group, a group of seven companies working on food and beverages, engineering, oil services and other enterprises, carried out an inventory of GHG

emissions and has been working with one of the civil society organizations in north Darfur State on a project to offset those GHGs emissions, investing in improved stoves. DAL Group, one of the largest private companies in Sudan operating across six business sectors - food, agriculture, engineering, real estate, medical services and education launched the so called Go Green Project in 2011. DAL also has a project called The Green Bakery, which contributes to GHG mitigation and improving the cost effectiveness of the traditional bakeries through promoting the use of (LPG) as a fuel instead of wood. These examples suggest that the private sector in Sudan is a potential stepping-stone to leverage new and additional climate finance, should a conducive environment be provided. Mahgoub & Sons Group don't have CSR function as such, however, they put great emphasis on supporting and empowering smallholding farmers and pastoralist in addition to contribute to economic growth led by private sector. They are amongst few companies involved in PPP discussions and has big Cotton planting project in north Kordofan in the pipeline. CTC Group has very strong CSR/Philanthropy arm. Very active with community projects and has strong links to technology transfer and capacity building in agricultural sector. CTC Group has established Technology Transfer Centers across key production areas in Sudan to adopt, customize, and upgrade solutions provided to different customers to increase productivity and yields in key economic sectors. Another interesting project is looking at doubling the current network of TTCs from 7 to 14 to cover all the major production areas in agricultural but also expanding beyond agriculture to consider the mining industry which is becoming a major economic sector and has large environmental impact.

Kenana Sugar company is considering using waste to produce energy by introducing new technologies such as catalytic depolymerization system. Developing such technology can be funded under NDCs action plan since it uses zero waste management with no environmental negative impact.

Newly emerging MSMEs includes SMEs, entrepreneurs and innovative start-ups with high interest in emerging issues like climate change and environment friendly interventions. They have the ability to develop their capacity over time, add valuable inputs to related discussions and have the potential to work collectively in one initiative with likeminded institutions.

Strengthening public-private sector partnership

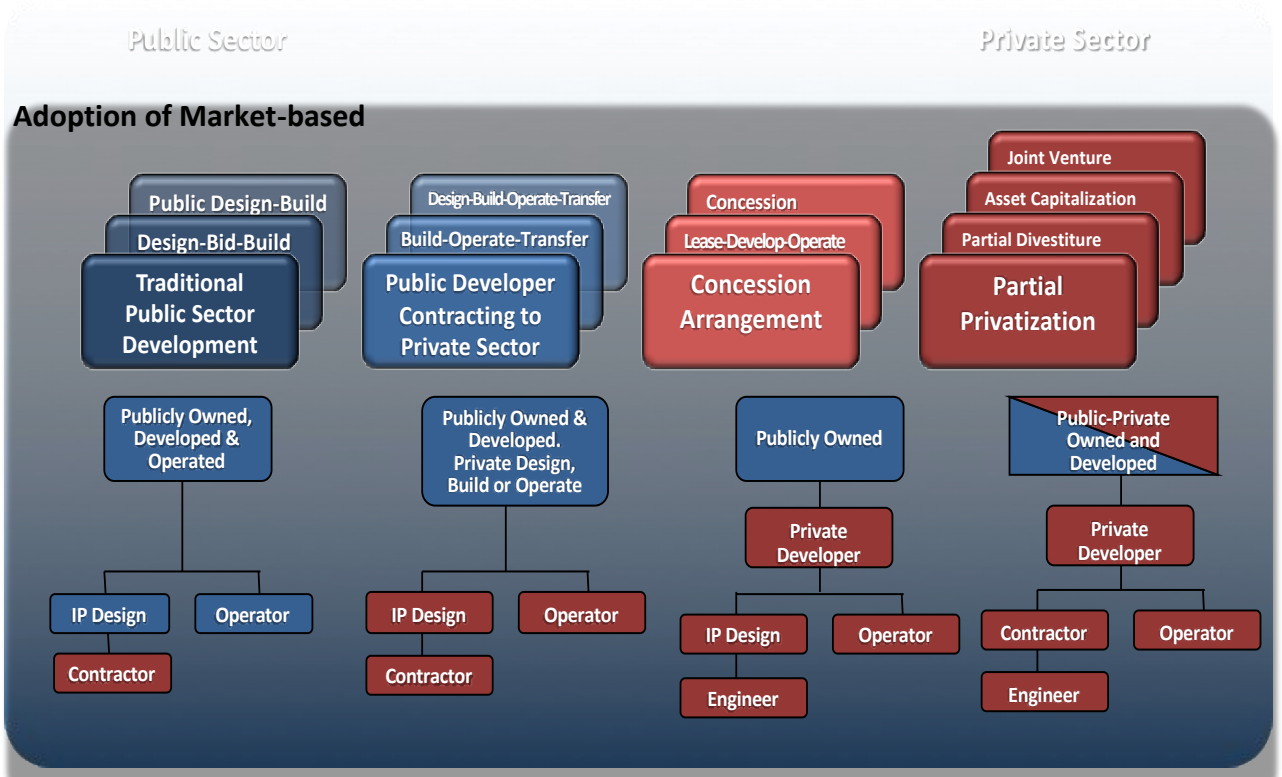
Because private companies possess know-how, technology, experience, and access to capital that the state may not have, governments often invite private companies to build and/or operate facilities such as power plants, electricity and water distribution systems, roads, airports, seaports, hospitals, and telecommunications networks according to specifications established by government and its advisors.

There are many forms of PPPs in these areas, including management contracts, concessions, build-operate-transfer, build-own-operate-transfer, the essential features of which are generally that the state immediately or ultimately owns the relevant assets and provides incentives, including performance bonuses and risk sharing/risk mitigation, to attract private partners. The facilities are typically regulated, either by the state itself or by an independent body that includes representatives from both the public and private sectors.

There is a need to forge and strengthen public-private partnership to complement top-down upstream policy and regulatory measures with downstream bottom-up financial and viable business approaches for scaling up climate change adaptation and mitigation measures to benefit the local community and to generate long-term and transformative impacts. This will help build trust and confidence and breakdown any unintended 'silo' mentality between the public and private sector.

It's strongly recommended to undertake Economic Viability Assessment. Undertaking the economic viability of the environmentally sound technologies is essential to validate their bankability and potential of generating profits/return on investment, especially for renewable energy projects. For example, the cost of generating electricity from solar/wind stations, whether its off-grid or on-grid, is expected to be higher than selling price of grid electricity to domestic households use.

This is need to be carefully considered when developing financial models of such projects; either to apply viability gap funding (VGF) or mainstream commercial price electricity for specific purposes (industry, agricultural activities) to secure attractive profit margin for private investments



Approaches In Sudan, currently there is a lack of awareness of climate business opportunities, knowledge, time and capacity to deal with complex proposals and approval processes, as well as the absence of attractive climate business opportunities.

The proposed strategic option in this study is looking at unlocking the potential of private sector investors that currently interested and has the capacity to develop commercially viable environmental/climate change related projects based on current NDCs initiatives.

Market-based approaches encourage behavioral changes through signals to the market, often focused on changes in prices, rather than through explicit governmental directives.

Support the development of policies that gives incentives to private sector investors whom are interested and capable to put investments in renewable/sustainable energy solutions in rural and underdeveloped areas. This is expected to encourage and promote the use of sustainable energy to power and increase the diversification of commercial livelihood activities for vulnerable communities and increase their productivity.

Mitigation vs. Adaptation the national priority in terms of climate change is adaptation-focused where private sector finds less opportunity to make an investment for incentives, whereas the mitigation part which accords less country priority are technology rich and have high scope for private sector investment. Therefore, the private sector has fewer chances of securing opportunity from GCF, and so finds it less attractive for leveraging their investment in climate-related projects. However, a slight progress took place where recent projects, such as GCF Readiness and REDD+ projects, have addressed issues of keeping balance between mitigation and adaptation and keep private sector involved in both. Such efforts are in high demand and create ideal situation for mobilizing private investment for supporting climate change related issues.

Promote solar PV for large consumers in urban communities; households and industrial areas, by introducing new Power Purchase Agreements (PPAs), or long term leasing arrangements, to fit their unique situation of internal consumption and export the excess electricity to the grid, which will enhance their energy security as well as contribute to shave the daytime peak demand and usual summer shedding. The assumption that provision of attractive, long-term RE feed-in-tariffs will make investments in RE technology commercially attractive is contradicting with the fact that government is not willing to open Power Purchase Agreements (PPA) for private sector.

It is indispensable that the current government should revise and enact policies and laws that promotes private investments in RE and look at opening investment window for private sector to put significant financing in solar and wind energy projects. Feasibility studies and market information indicates high demand in this side with promising investment recovery rates with huge environmental and climate change related positive impacts.

Integration and increase level of coordination with other projects

For the NDC plans implementation to be effective and achieve impact, its important and crucial to create the required synergy, coordination and integrity with similar projects or initiatives. That approach is in high demand when it comes to bring in efforts and resources of private sector to be deployed for this purpose.

Two key projects are currently in ideal situation to create that momentum under NDC implementation:

- **REDD+ Readiness**; the project of reducing emissions from deforestation and forest degradation, implemented by FNC and funded by WB/FCPF, is strongly supporting creation of framework to engage private sector into their implementation phase. They rather go further steps by including private investments under coming resource mobilization phase of the project.
- **GCF Readiness process**; the Green Climate Fund readiness project, implemented by HCENR and funded by GCF/UNDP, is also looking at mobilizing private sector resources and contribute to the implementation of GCF funded projects. This is expected to happen under the window exclusively dedicated to private sector; Private Sector facility (PSF), where GCF is supporting developers from private sector to implement climate change related projects.

Both initiatives, along with many others, have a link in a way or another to the planning and implementation of Sudan NDCs as they clearly stating that the basis of their modality of work is to comply with and support national priorities and strategies adopted by the country to advance climate change profile. In terms of private sector position in the two projects, they have professionally developed a comprehensive strategies to engage private sector all across phases from planning to implementation and they both reached the same conclusion that creation of conducive investment climate is crucial to achieve that result.

Conclusion

One of the key attributes of the private sector is the development and deployment of new technologies and innovations, they must respond to market pressures and need to stay competitive in an evolving environmental, legal, regulatory and fiscal landscape.

The engagement in NDCs implementation in real terms should critically address this by putting selected private companies under certain sectors, where different appropriate engagement strategies used to promote their involvement in NDCs/climate change related processes.

The transition to a green economy will require structural changes and legal reforms to future investment patterns of the selected Sudanese private sector companies. This is not going to happen without removal of investment barriers and creation of conducive business environment for companies to put significant investments in such projects.

At this stage, talking about commitment of private sector towards NDC implementation is far from reality. This is because the current legal and institutional setup is putting it as voluntarily approach where it's up to any private entity to decide what to commit. Moreover, except for being good citizens and responsible business, nothing else is motivating this commitment. This report is addressing involvement of private sector from perspective of contribution rather than commitment until we have a solid ground to pose specific commitments for businesses that could advance the profile of Sudan NDCs. If this came true, then we will face the need to create a platform/criterion that tell us how to calculate this contribution and translate that into figures to be reflected in the NDCs implementation reports. Otherwise, current contributions and related numbers remain sensitive commercial data which private investors would prefer to keep confidential.

A strong financial sector must also support potential private sector investment opportunities. In Sudan, availability of local financing is limited, characterized by high interest rates and relatively short tenors. Improving financing conditions by leveraging blended finance, with instruments such as guarantees, credit lines and concessional financing, could be an option for local banks to support potential investment opportunities in both Agribusiness and Energy sectors.

Accordingly, the recommended strategic options/way forward under this study are aiming at helping government of Sudan to create the required enabling environment and, consequently,

mobilize private investments at scale to help the country achieve NDCs' implementation commitments and ambitions.