The Political Economy of South Sudan
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South Sudan States

Source: South Sudan National Bureau of Statistics
## Acronyms

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<tr>
<th>Acronym</th>
<th>Full Form</th>
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<tr>
<td>AfDB</td>
<td>African Development Bank</td>
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<tr>
<td>ARCSS</td>
<td>Agreement on the Resolution of the Conflict in the Republic of South Sudan</td>
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<td>AU</td>
<td>African Union</td>
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<tr>
<td>CAMP</td>
<td>Comprehensive Agriculture Master Plan</td>
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<td>CoHs</td>
<td>Cessation of hostilities</td>
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<td>CPA</td>
<td>Comprehensive Peace Agreement</td>
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<td>CSOs</td>
<td>Civil society organizations</td>
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<tr>
<td>DDR</td>
<td>Disarmament, demobilization and reintegration</td>
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<tr>
<td>EAC</td>
<td>East African Community</td>
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<tr>
<td>FAO</td>
<td>Food and Agriculture Organization of the United Nations</td>
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<td>GDP</td>
<td>Gross domestic product</td>
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<td>GoSS</td>
<td>Government of South Sudan</td>
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<tr>
<td>HLRF</td>
<td>High-Level Revitalization Forum</td>
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<tr>
<td>IDP</td>
<td>Internally Displaced Person</td>
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<td>IGAD</td>
<td>Intergovernmental Authority on Development</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>JCE</td>
<td>Jieng Council of Elders</td>
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<td>JMEC</td>
<td>Joint Monitoring and Evaluation Commission</td>
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<td>NDS</td>
<td>National Development Strategy</td>
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<td>NGO</td>
<td>Non-governmental organization</td>
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<tr>
<td>NORMA</td>
<td>Non-Oil Revenue Mobilization and Accountability</td>
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<td>PoCs</td>
<td>Protection of civilian sites</td>
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<tr>
<td>SPLM/A</td>
<td>Sudanese People’s Liberation Movement/Army</td>
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<td>SPLM/A-IO</td>
<td>Sudanese People’s Liberation Movement/Army - In Opposition</td>
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<td>SSCC</td>
<td>South Sudan Council of Churches</td>
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<td>SSP</td>
<td>South Sudan pound</td>
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<td>SSuNDE</td>
<td>South Sudanese Network for Democracy and Elections</td>
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<tr>
<td>TGoNU</td>
<td>Transitional Government of National Unity</td>
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<tr>
<td>OCHA</td>
<td>United Nations Office for the Coordination of Humanitarian Affairs</td>
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<td>UN</td>
<td>United Nations</td>
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<td>UNDP</td>
<td>United Nations Development Program</td>
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<td>UNHCR</td>
<td>United Nations High Commission for Refugees</td>
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<td>UNMISS</td>
<td>United Nations Mission in South Sudan</td>
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<td>UNSC</td>
<td>United Nations Security Council</td>
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<td>USAID</td>
<td>United States Agency for International Development</td>
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<td>WFP</td>
<td>World Food Program</td>
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I. Executive Summary

1. The African Development Bank’s (the Bank) East Africa Regional Development and Business Delivery Office (RDGE) commissioned this report on the political economy of South Sudan. Its development was based on the March 2017 recommendation by Bank’s Board of Directors to extend the period covered by the 2012-2016 Interim Country Strategy Paper (CSP) for South Sudan to December 2018 so that this report could inform the subsequent CSP. The interim CSP focuses on state building through capacity building and infrastructure development.

2. The report analyzes the trend in South Sudan’s political and economic issues. The current situation and dynamics, and the roles of the various actors. It identifies the critical challenges, gaps, and opportunities in the formulation and implementation of key policies; aiming at providing recommendations on how the Bank and other development partners can contribute to the country's sustainable and inclusive development.

3. This report is based on extensive consultations and a desk review. The interviews, which were held mainly to validate the information from the desk review and to obtain new data, involved South Sudanese government agencies, international development partners, bilateral partners and humanitarian agencies. Others were civil society organizations, the private sector and local and international non-governmental organizations in South Sudan.

4. South Sudan gained independence from Sudan on July 9, 2011. Before that the unified Sudan had fought civil wars in 1955-1972 and 1983-2005. The last war ended with a comprehensive peace agreement that was put into action from 2005 to 2011. In a referendum in January 2011, 99% of the population voted for independence. With secession, three-quarters of the oil reserves are in South Sudan; however, the country is landlocked and remains dependent on Sudan's oil export pipelines and port. Unresolved issues continue to cause tension between the two countries. Their border is undefined and some areas along it are contested. Disagreements between the two countries over oil revenue sharing plus armed conflict have curtailed oil production in South Sudan.

5. The political economy of South Sudan is characterized by six realities:

   1. overwhelming opportunities in the non-oil sector that remain untapped due to political and civil insecurity;
   2. high dependence on oil, which accounts for about 90% of government revenue, 95% of total exports and more than half of the country's GDP;
   3. political and security challenges that drain government resources and constrain foreign and domestic direct investments, and create macroeconomic instability;
   4. poor economic and social infrastructure, limiting economic productivity and diversification;
   5. diversion of attention by development partners to humanitarian support since the 2013 conflict; and
   6. governance challenges and limited political will and capacity to make the necessary institutional changes.
6. South Sudan has overwhelming development challenges that could prolong its current conflict and plunge it into economic and state collapse.

On the political scene, politics are fractured and non-inclusive, governance institutions are unstable, state capacity is weak, and the number of rebel groups and institutional corruption are growing. The current crisis emanates from the political economy of rent seeking and the heavily militarized political and bureaucratic public administration. The economy is volatile and the instability in oil revenues continues to pose serious economic challenges, including heightening inflation, currency depreciation and depletion of foreign reserves. The country has low resilience to external shocks, especially fluctuations in oil prices. The non-diversified economy and accumulated debt burden worsen the economic situation. The socioeconomic infrastructure and service delivery are deficient, causing high poverty, unemployment and illiteracy levels, especially for women. No retirement scheme exists for public servants. The country and its neighbors are being affected by an overwhelming humanitarian crisis.

7. Structural and systemic crises continue to affect peace and stability in South Sudan.

The structural issues relate to ethnic tensions and the regional dimension, while the systemic issues concern the divisions within the Sudanese People's Liberation Movement (SPLM/A). SPLM leadership is fractured and there are unresolved political tensions among SPLA top brass. There is need to deal with the influence of the Jieng Council of Elders over the organs and institutions of the state, of the military in policy-making, and of the political and security elite in decision-making, as well as to strengthen consultative decisionmaking.

8. The Government of South Sudan has comprehensive policies and strategies aligned to the Bank’s corporate priorities but their implementation is weak.

There are also key strategies and plans, notably the draft National Development Strategy for July 2018-June 2021 to be launched in June 2018. Policies and plans could be more effectively implemented with better political will, and if capacity gaps were closed and security were ensured.

9. The government and other stakeholders could use several entry points to bring peace and economic development to South Sudan:

(1) exploration and better use of mineral resources and the rich soil, fisheries and timber resources;
(2) proper implementation of the different peace initiatives, such as the National Dialogue and High-Level Revitalization Forum; (3) building capacity and improving accountability, which is a stated goal of the Transitional Government of National Unity; (4) improving the government's receptiveness to development support; and (5) development partner support, especially if the conflict is resolved.
II. Introduction

10. This report is an in-depth analysis of the political economy of South Sudan, and it critically assesses the development challenges since independence.

It particularly focuses on the period after the August 2015 Agreement for the Resolution of Conflict in the Republic of South Sudan (ARCSS), which is now being implemented. ARCSS was an outcome of a process led by the Intergovernmental Authority on Development (IGAD) to resolve the conflict that erupted in the country in December 2013.

11. The report provides the African Development Bank (the Bank) with a tool defining the entry points for dialogue and development interventions with South Sudan’s Transitional Government of National Unity (TGoNU).

To achieve that, the report (1) analyses political and socioeconomic issues to identify gaps, challenges and opportunities; (2) seeks to understand the role of the national, regional and international actors in the political, economic and social dynamics and their incentives and contestations, and (3) provides direction on how the Bank and other partners can contribute to the country’s development.

Rationale

12. The Bank recognizes the need to deeply understand the challenges of countries experiencing fragility and for effective programming to address them.

Thus, the Bank’s strategy on Addressing Fragility and Building Resilience in Africa, 2014-2019 responds to the complex and diverse nature of fragility experienced by member countries. The strategy requires that all programming and operations documents related to it such as country strategy papers use a fragility lens: "The application of a fragility lens in the Bank’s engagement refers to using a range of analytical tools that assess and monitor the drivers and manifestations of fragility, their interactions, the political economy behind changes and the role of the Bank”.

13. This report is guided by the March 2017 recommendation of the Bank Board of Directors to extend the period covered by the 2012-2016 Interim Country Strategy Paper (CSP) for South Sudan to December 2018.

The interim CSP focuses on state building through capacity and infrastructure development. This study was commissioned by the Bank’s East Africa Regional Development and Business Delivery Office (RDGE) to provide an in-depth analysis of the political economy of South Sudan to inform the next CSP. The Bank’s April 2018 fragility and resilience assessment report for South Sudan provided additional background for the assessment. Its findings provided critical lessons for formulating the recommendations of the fragility and resilience assessment report. For the Bank to implement its High 5s in South Sudan, the political will and capacity of TGoNU to formulate and implement critical policy decisions need to be better understood.

This report is a strategic tool for the Bank’s dialogue with South Sudan and determines the entry points for its interventions and assistance.

Approach and Structure of the Report

14. This report is based on extensive consultations and desk review.

Interviews, primarily to validate the desk review information and obtain any new data, were carried out with approximately 50 key informants from South Sudan’s government agencies, international development partners, United Nations (UN) agencies, diplomatic missions, humanitarian agencies, media, think tanks, academia, faith based organizations, youth groups, women’s groups, local and international non-governmental organizations (NGOs) and other civil society organizations.
(CSOs) based in South Sudan. Annex 1 lists the institutions whose personnel were interviewed.

15. Understanding of the concept of political economy and the analysis framework:

Political economy refers to the interaction of political and economic processes, the distribution of power and wealth, and the processes that create, sustain and transform these relationships over time. It offers a way to understand the structural, political and institutional factors influencing how policy processes inform economic choices and vice-versa. It also allows the analysis of the interconnectedness, mutual influence and dynamics of actors, institutions and ideas. Fig. 1 shows the framework used in this assessment.

- **Actors:** A wide range of international, regional, national and local actors are involved in the debate about achieving state building.

- **Institutions** are systems of rules that regulate behavior by establishing norms, rewarding compliance and punishing violations. A range of formal and informal institutional factors and motivations shape policy choices. This report gives an analysis of formal and informal political, structural, economic and social institutions and processes.

- **Ideas:** Government, development partners and international and local organizations all operate within a paradigm of ideas. This report analyses dominant ideas held by key elites, individuals and the public about the role of government in mediating between citizens and the state (the social contract) and the merit of state and donor support, among other things.

Figure 1. Political economy analysis framework

16. This report is divided into six sections:

- (i) executive summary, (ii) introduction, (iii) historical context, (iv) key development challenges, (v) governance issues and (vi) stakeholder mapping, and conclusion.
III. Origin and Evolution of the Situation in South Sudan

17. Conflicts in South Sudan are decades old and reflect historical, political, social and economic grievances.

Strained racial and religious relations go back many centuries; blacks and northern Arab Muslims once traded Christians as slaves. The introduction of Islam in the Christian and non-Christian south has remained problematic. In the 16th century, Sudan was part of the Ottoman Empire, which collapsed and gave way to Anglo-Egyptian rule in 1898, worsening the conditions in the south. During the Ottoman and the Anglo-Egyptian rule, southern Sudan was in the Equatoria Province, where a slave trade existed. Systemic underdevelopment and government abuse of the people sparked the 1955 Anya-Nya I rebellion. The southerners subsequently demanded regional autonomy and more political representation. By its independence on January 1, 1956, Sudan was divided along ethnic, regional and religious lines.


The wars in Sudan resulted from patterns of authoritarian, violent and extractive governance in the pre-colonial, colonial and post-colonial periods that concentrated political power at the center. During the struggle for independence, Arab nationalists sought to propagate Arabism throughout southern Sudan. Anti-Christian sentiment was strong. Racial supremacy increased tension and resistance from non-Arabs, leading to civil conflicts in southern Sudan, the Nuba Mountains and Darfur. Resistance to Arabization characterized Sudan especially between 1957-1983, and led to civil wars against racial and religion-cultural domination. The Addis Ababa Agreement of 1972 ended the Anya-Nya I (1955-1972) after which a mutiny broke out in the Upper Nile region in 1978 and a second civil war, Anya-Nya II, began in 1983 and ended in 2005.

19. The conflict appeared to involve religious and ethno-racial tensions between the Arab-Muslim north and the African and Christian south.

The proclamation of Islamic Shari’a law instigated the formation of the Sudanese People's Liberation Movement/Army (SPLM/A) led by John Garang de Mabior. The commitment of the north to an Islamic state made it politically difficult to resolve the conflict, which quickly acquired regional-geopolitical dimensions, as neighboring countries got involved in various ways. Issues such as dismantling the regional government, the discovery of oil on the north-south borderland, the national government's attempt to build a canal across Jonglei to feed northern agriculture, and the construction of an oil refinery at Kosti in northern Sudan started Anya-Nya II war. Arguably, the economic and political marginalization of the south was the root of the tensions reflecting race, religion and region. Oil has been a major factor in the economics and politics of north and south Sudan since its discovery in the 1970s. Sharing oil revenue was a key item in the 2005 Comprehensive Peace Agreement (CPA).

20. The culture of centralized control did not evolve.

British colonial exploitation and post-colonial relegation implied that southerners suffered years of violence concurrently with limited state presence. The absence of state structures, infrastructure underdevelopment and marginal provision of social services meant that the countryside was essentially self-governing and that inter-group and intra-group tensions would escalate. But these depended only on community-based conflict-resolution measures. Conflicts between pastoralist and cultivator communities as well as cattle rustling between pastoralist and transhumant communities became a livelihood culture. During the second civil war (1983-2005) people depended mainly on humanitarian supplies.

21. Fighting between SPLM/A and Sudan armed forces.

By 1990, most of southern Sudan was controlled by SPLM/A, and it had expanded to Greater Equatoria and the border of South Kordofan and Blue Nile. SPLM/A split in 1991 creating breakaway groups and bringing about internal fighting for most of the 1990s. The conflict, which stemmed from SPLM/A politics, a legacy of grievances between Southern Sudan communities and unhealed wounds, became increasingly intra-southern as Riek Machar led the main opposition and various splinter groups against John Garang.
In 1993 IGAD initiated peace negotiations, but at that time no critical institutions or culture of good governance existed in southern Sudan. The Machakos Agreement was signed in 2002 and the CPA on January 9, 2005. South Sudan was hardly prepared for self-rule by 2005 and needed strong and united political-security leadership to hold the pieces together: "sustainable peace [was] not simply a function of the implementation of an agreement between the SPLA and Khartoum, but that other fracture lines will run through post-conflict Sudan."

23. The key items in the 2005 CPA Were provisions for security arrangements; power and wealth sharing; the contested Abyei, Nuba Mountains and Southern Blue Nile; ceasefire terms, and a UN peace-keeping monitoring mission (UNMIS). Garang became vice president of Sudan but died after 6 months and was replaced by Salva Kiir Mayardit. An army for the north and for the south was created with the SPLA. Arrangements were made for governance for an interim period until July 9, 2011. Six relatively stable years of an autonomous region of south Sudan ensued. Delays in and lack of implementation of most of the CPA and its provision for "a planned future referendum on whether southern Sudan should remain part of the whole or secede” fuelled the call for cessation. In the referendum in January 2011, 99% of the population favored independence. On July 9, 2011 the Republic of South Sudan was born.

24. Incorporating militia groups in SPLA swelled numbers and compromised SPLA unity

The CPA required SPLA splinter groups to join SAF, the SPLA or disband. The splinter groups included the South Sudan Defense Force with 17 militia groups some of which were against SPLA. SPLA did not integrate any militia group until January 2006, when leadership changed, increasing troop numbers from about 40,000 to 200,000 plus. The groups came mostly from the Upper Nile and Jonglei areas.

25. At independence, South Sudan gained control over three-quarters of Sudan’s oil.

National oil companies from Asia dominate the oil sector. China National Petroleum, India's Oil and Natural Gas Corporation and Malaysia's Petronas are large stakeholders in the consortia operating in oil. The companies were in unified Sudan and continued with South Sudan after independence: the Dar Petroleum Operating Company, Sudd Petroleum Operating Company and Greater Pioneer Operating Company. Nile Petroleum Corporation (Nilepet) is the only national participant (the state oil company created by South Sudan during the CPA period), but it has minority shareholding in the production-sharing contracts because of low technical expertise and financial resources. China has the largest share in the contracts, accounting for about 86%.

26. The vote for independence was seen by the South Sudanese as a path to freedom, peace, development and prosperity, a sentiment shared by the international community. This euphoria reflected the belief that independence signified a breakaway from the domination of Khartoum, the hope that self-determination would end the political violence that had started in 1955 and bring peace, and the return of hundreds of thousands of refugees would occur. The hopes for peace and prosperity were reinforced by the popular support, the expectation that the control of significant oil revenues would produce wealth, and substantial international assistance. These expectations were undermined by the failure to agree on a system for sharing power and resources. Independence came with ethnic-based security crises that continue to stall nation-building processes.

27. Since independence, South Sudan's peace and security have been thwarted by disagreements with Sudan over borders and sharing of oil rents; the December 2013 eruption of a civil war; the signing of the Agreement on the Resolution of Conflict in the Republic of South Sudan in 2015 to end the conflict of 2013; the formation of the Transitional Government of National Unity; recurrent violence in July 2016; the declaration of the national dialogue in December 2016; the convening of the High-Level Revitalization Forum (HLRF), and the signing of the Cessation of Hostilities Agreement on 21 December 2017.

28. Translating independence into broad-based, sustained development and prosperity remains the central objective of the South Sudan government according to the draft National Development Strategy, 2018-2021.

South Sudan has made significant strides in creating the policies, institutions and systems it needs. But their implementation has lagged because the financing priority is the military. The South Sudan Development Plan for 2012-2014 was interrupted by the 2013 conflict and made irrelevant by the ARCRSS, which calls for a strategic economic development roadmap linked to the establishment of a special reconstruction fund that was help up by the re-ignition of the conflict in 2016, which continues today. UNDP support has helped the government re-launch the National Development Strategy process, which aims for a national plan by June
The Post-independence context reveals three expectations for South Sudan:

(1) national cohesion issues will prolong ethnic conflicts unless they are urgently addressed; (2) politicized ethnic conflicts will retard the strengthening of state control capacity, as the state might be perceived along ethnic lines. Ethnic conflicts, cattle rustling and the proliferation of small arms and light weapons could worsen insecurity, and (3) ethnic competition, power struggles, corruption, rent-seeking and economic hardship foster conflict and are complicated by conflicts within SPLM/A. The absence of a coherent leadership and elite consensus remains a challenge to peace, security and development.

National, regional and international actors must work in concert for long-term sustainable peace and economic development. The people want fundamental change in security and socioeconomic advancement. The responsibility for instigating peace and security rests with the South Sudanese and their leaders. Externally influenced peace meetings could enable conflicting parties to dialogue and agree on the minimum conditions for resolving their conflicts.
IV. Key Development Challenges

**Political**

31. Overwhelming political and development challenges with complex and slowly implemented strategies hampers progress in resolving persistent conflicts.

The challenges of nation, state and peace building have persisted and escalated since the civil war of 2013, reflecting the complex and multifaceted nature of the situation. The issues driving these challenges include multiple, interconnected internal and regional conflicts; disagreements among political and military elites and allies that limit consensus on key governance issues; communal conflicts along ethnic and tribal lines that increase social tensions; weak political and governance institutions; lack of effective governance mechanisms, and corruption.

32. The crisis in South Sudan is structural and systemic.

It is structural in terms of the ethnic tensions and the regional dimension of the IGAD framework, and systemic in terms of the internal divisions within SPLM. The ethnic tone of the crisis is associated with inter-tribal massacres and revenge attacks by militia and soldiers from the opposing side. These attacks have been driven by the presence of armed militia, ethnic rivalry, disputes over land and cattle, availability of arms, a high number of soldiers that are not demobilized, high levels of youth unemployment, power struggles, and unresolved post-secession issues with the Republic of Sudan. These conditions have worsened poverty, human development indicators, governance, institutions and infrastructure. By 2012, the government was finding it difficult to be effective, had setbacks in coordination and was dealing with economic mismanagement, corruption, power struggles and economic planning failure.

33. SPLM’s internal conflicts affect the political situation.

Preparations for 2015 elections reignited leadership frustrations centering on marginalization and dominance along ethnic lines. Leaders who previously belonged to SPLM became political rivals in the presidential race; the president dismissed his entire cabinet. The creation of a private presidential guard intensified SPLM divisions. Fighting broke out in Juba in December 2013 on allegations that Machar and some ministers dismissed by Kiir had attempted a coup. This turned into a countrywide tribal and factional conflict that was severe in Upper Nile, Jonglei and Bentui. Uganda sent troops in to prevent the collapse of the South Sudan state. The current political crisis and the armed conflict between the government and rebels loyal to Riek Machar can be partly explained by the dysfunctional political system, inadequate political leadership, historical distrust between the Dinka and the Nuer, and an unhealthy dependence on oil rents.

34. Unresolved issues exist between Sudan and South Sudan.

The immediate post-independence years were marked by Sudan-South Sudan tensions. South Sudan seceded before agreeing with Sudan on several issues including their border, the future of their citizens residing in each other's country, and the cost of moving oil through Sudan. The failure of South Sudan to pay oil transport fees in 2012 led to the seizure of its oil shipments by Sudan and the eventual shutdown of oil production in January 2012. With a cooperation agreement on oil transport fees signed by the two countries on September 27, 2012, oil production resumed in April 2013. The agreement addressed the "fourteen mile area" dispute on the border between Southern and Eastern Darfur (northern Sudan) and Western and Northern Bahr al Ghazal States (South Sudan) among other issues. South Sudan backtracked on the implementation of the agreement in the disputed area owing to pressure from local political elites, whose support the presidency needed before implementing the agreement. Some oil fields in the border between the two states are contested, e.g. Abyei. Perhaps IGAD should address the Abyei issue as soon as it is practicable.

35. Opposition groups in South Sudan and Sudan share a name.

Conflict with Sudan could occur over the existence of SPLM/A-North, an armed opposition group fighting Sudan. The Sudan leadership demands that this group be dissociated from the movement and armed forces of South Sudan. It remains unclear why this has persisted.
36. South Sudan is among the world’s most corrupt countries.

In 2017, South Sudan was the second most corrupt country after Somalia and has consistently ranked poorly in international corruption indices, indicating that the political elites continue to divert state resources into private hands. In May 2012, President Kiir asked 75 officials to return stolen oil receipts in exchange for amnesty. Government officials had shipped out over US$ 4 billion, about one third of oil incomes for 2005-2011. The officials were never prosecuted, as legal and anti-corruption systems are weak. Kiir dismissed all ministers leaving the country without a cabinet for 10 days in 2012, which caused challenges in governance and sent signals of political instability.

37. Rent seeking in South Sudan is extreme.

Rent seeking occurs in state institutions and sometimes presents through rebellions. Security has been promoted by renting army and elites loyalty. Rent-seeking rebellions began during the CPA period when discontented SPLA commanders and other local leaders mutinied, simultaneously fighting the government and bargaining with it for better benefits. This continues and is likely to lead to desperate attempts to sustain loyalties if the money to pay the rents runs out. Black market ‘rent seeking’ has been evident from gains in currency exchange, the use of fuel subsidies, and ‘land-raiding rights’ exchanged for military alliances.

38. The central development challenge for South Sudan is transitioning from conflict to peace to initiate economic recovery.

In August 2015 the IGAD process resolved the 2013 conflict and ARCSS was signed. ARCSS established TGoNU with Salva Kiir as president and Dr. Riek Machar as vice president, each with a separate army. But the two armies clashed in July 2016 and fighting spread across the country. This derailed the implementation of the power-sharing and security provisions in the agreement. Despite declarations by the government that it will adhere to the ceasefire declared on July 11,2016, violence has intensified on several fronts. It is clear that personal, political and ethnic fractures pose the greatest difficulties in resolving conflict in South Sudan. Lack of peace and security limits development, as many locations cannot be reached.

39. Ongoing efforts towards peace and stability.

President Salva Kiir initiated the National Dialogue for South Sudan on December 14, 2016, but it is seen as government dominated, intended to undermine ARCSS and a ploy to attract international and internal support. The dialogue explicitly excludes the opposition and has divided civil society and the international community. On June 12, 2017, IGAD endorsed the creation of the High-Level Revitalization Forum (HLRF) to bolster ARCSS. At February 2018 meeting in Addis Ababa, the parties agreed on several adjustments to ARCSS, particularly on responsibility sharing and security.

40. The peace process comes amid the failure of the political system to build effective and resilient governance institutions.

Political and institutional failure provides fertile ground for armed violence and the erosion of state authority, capacity and legitimacy. Political uncertainty remains and ethnic clashes in several regions recur. About eight groups are fighting the leadership of South Sudan. The belief that violence pays has contributed to the increase in rebel groups. This creates tension and increased expenditure on security and political loyalty.

41. Regional support remains stable.

Sudan, Ethiopia, Uganda and Kenya have had a significant role in South Sudan, although their individual country interests differ and are at times contrary. One study estimated that the region could save up to US$ 53 billion if the conflict were resolved in one year rather than continuing for five years. Ultimately, solutions for South Sudan will be contingent on a regional common approach. As members of IGAD, the countries are critical for the successful implementation of ARCSS. Domestic actors are also hopeful about HLRF, and CSOs are working towards a restoration of peace. This is an opportunity to engage top politico-military elites to build consensus along key issues, including the safety and security of opposition leaders, which would lead to the end of the armed conflict. The EAC provides an opportunity to reduce South Sudan’s regional and economic isolation. Support to EAC infrastructure development would benefit South Sudan, as infrastructural integration with the rest of the East African region could make it a competitive market for regional products.
42. **Recommendations:**

The challenge for South Sudan is how to govern and unite a country with immense political and ethnic diversity, a history of conflict, a nearly collapsed economy and a humanitarian crisis gone wild. In addition to the IGAD and TGoNU measures, there are three possible responses to the political and security crisis: (1) ending the humanitarian crisis to allow for a broad-based national dialogue process and inter-group dialogue to resolve ethnic tensions; (2) promoting political consensus building by fostering continuous dialogue between political and military elites, and (3) encouraging dialogue among IGAD members and other stakeholders to promote a convergence of interests in the fate and future of South Sudan. The Bank should initiate a dialogue with other development partners, support IGAD and the AU, and work with the UN to engage the warring parties to promote cooperation and convergence among them for peace and security. This will allow regional and international pressure on the domestic actors to address human rights violations, resolve conflicts, conduct DDR programs, professionalize the security services, and provide an enabling environment for productive activities by both local and foreign investor groups.

43. **Economic**

Oil production:

Oil exploitation since 1999 shifted the structure of the South Sudanese economy from relying predominantly on agriculture to relying on oil. Estimates showed the country to have proven oil reserves of 3.75 billion barrels at the time of independence, making it 28th among the world’s oil reserve capacity and 7th in Africa. South Sudan’s narrow trade basket is heavily dependent on a single export commodity, exposing its economy to shocks from changes in oil production, global demand and world prices. Frequent disruptions in oil production have led to fluctuations (Fig. 2). In 2012, a conflict with Sudan over oil revenue sharing forced South Sudan to unexpectedly shut down oil production, which shrank the economy by 51.5%. Production resumed in April 2013 after an agreement with Sudan, under which South Sudan would pay S$9.10/barrel to Sudan in transit fees and US$ 15/barrel under the Transitional Financial Arrangement. In December 2013 and July 2016, violence broke up following internal disputes over SPLM leadership, affecting oil and agricultural production. Oil production has remained low at about 126,000 barrels per day, but is expected to increase to 200,000 barrels per day if security improves.

44. **Looking forward,** oil production projections show a **downward trend.** Oil production in South Sudan is expected to cease by the mid-2030s. To counteract that trend, recovery rates will have to increase and/or new oil found. South Sudan faces a significant challenge to induce greater exploration activity given its weak institutions and other major challenges. The government of South Sudan will play an important role in developing the oil sector. An open, accountable and stable institutional environment would improve the
investment climate, which could raise recovery rates in turn and add to the reserves. The functioning of the oil sector will be essential for the GDP per capita growth in South Sudan over the coming decade or two. A decline in the oil sector may be hard to compensate for with growth in the non-oil GDP in the medium run.

45. Fluctuations in international oil prices.

International oil prices fell from July 2015 when oil production in South Sudan had declined and the country was dealing with high inflation and depreciation of the South Sudanese pound. Effective average oil export prices declined from US$ 98 per barrel to US$ 33 per barrel. Crude oil prices started picking up in early 2018 after OPEC countries agreed to cut production and were about US$ 69.39/bbl for Brent oil in February. After the price discounting of about US$ 5/bbl and payment of transit fees to Sudan, South Sudan is left with around US$ 40.29/bbl of crude oil exported.

46. Fluctuations in oil revenue.

There was a massive increase in government revenue, from US$ 1.2 billion in 2006 to US$ 2.6 billion in 2008 and to US$ 3.3 billion in 2011/2012 before oil production stopped in 2012. At independence, South Sudan had a budget surplus. Oil revenue net of transfers dropped to US $500 million in 2015/16 (Fig. 3) with the decline in global oil prices and production. Rising oil prices will raise oil revenue to US$ 821 million in 2017/2018. The estimated oil revenue available to fund the 2017-18 budget is US$ 166 million, or 20% of the gross oil revenue. The rest will go to pay Sudan (US$ 453 million) and to cater for the fuel subsidy by Nilepet (US$ 183). South Sudan missed the opportunity to build a social contract around taxation and services when its oil revenues Figure 3. Average Annual Net Oil Revenues (2006/7-201 7/1 8) Figure 3. Average Annual Net Oil Revenues (2006/7-2017/18)
47. Disruption of oil production has had the largest economic impact on South Sudan.

It is difficult to quantify the decline in South Sudan’s output associated with conflict, but there are severe economic effects: the country’s fiscal position has deteriorated as government revenues have declined and reserves have been nearly exhausted. The economic situation is still dire and economic growth has been erratic. Economic growth has reflected the disruptions in oil production and the volatility of the international crude oil price. During 2008-2011, the oil sector accounted for between half and two-thirds of GDP and 95% of export earnings, 90% of government revenue, and a significant share of private sector employment. The economy is highly volatile; the GDP growth rate shrunk to a record low of -51.5% in 2012 (Fig. 4) owing to fluctuations in oil production and oil prices and conflict. The resulting budgetary constraints and low investment led to an average real GDP growth rate of -2.4% between 2009 and 2015.
48. Inflation

South Sudan’s inflation increased rapidly after independence and worsened when oil production was shut down, reaching exceedingly high levels of 45% on average in 2012. A new wave of increases began in 2015 (Fig. 5), reaching a peak of 550% in October 2016, the highest in the world, before declining to 370% in January 2017 and to 117% by December 2017, due to the implementation of strict fiscal measures during the financial year 2016/17. High inflation reflects strong growth in the money supply (from SSP 34.22 billion in the third quarter of 2016 to SSP 41.42 billion in the fourth quarter of 2016) and the depreciation of the South Sudanese pound. Food inflation is a major fact in the overall inflation in South Sudan because food accounts for 70% of the overall CPI. Most food items are imported from East African countries, so food inflation reflects the depreciation of the exchange rate.

49. Coping with the oil crisis

To cope with the decline in oil production, lower prices and civil wars while maintaining expenditure levels, government reserves and savings were exhausted and substantial loans were incurred. The country currently faces a difficult macroeconomic situation and hugely diminished government spending power which, for FY 2017/18, is projected at 20% — around one-fiftieth of what it was in 2011/12. The government continues to face a budget deficit and may continue to fund it through external borrowing. The budget surpluses in 2008 and 2011 and deficits since 2012 were all driven by fluctuations in oil production and international oil prices. Conflicts have compromised the efforts made by the government to rebuild and reform its economy. As a result, development partners have halted some of their activities in South Sudan, others have temporarily pulled out and yet others have shifted from development activities to humanitarian support. With the current economic crisis, the government is limited in the alternative policies to use to stabilize the economy. However, with increases in both oil production and prices, South Sudan may recover from some of the current economic challenges if the oil rents are used to improve the welfare of citizens.

Figure 5. Annual inflation 2008-2017

50. **Government budget emphasizes security spending**

Security expenditure has been increasing to support a huge army (Fig. 6). In 2012, SPLA had 230,000 troops plus 80,000 others in the police, prisons and wildlife security departments. Over 600 were generals, among the highest number in the world. The government set aside US$ 2 million to train and arm village militia. The disarmament, demobilization and reintegration (DDR) program that was intended to downsize the forces by 78,000 men by the end of 2013 demobilized no more than 10,000 female, underage, disabled or ageing fighters. Expenditures on security in the 2017/18 budget were projected to be 21% of the total, a decline compared with the actual security expenditure for 2016/17, at 26.9% (Fig. 7). Corruption contributes to the high security expenditure as there is a large number of "ghost soldiers" and the pay for SPLA personnel was raised to match their counterparts in Sudan to keep them loyal. By the time of the oil production shutdown in 2012, the security payroll accounted for 58% of the total government spending. Wages and salaries of security personnel took about 50% of the security budget each year from 2011/2012 to 2013/14, and rose to more than 75% from 2014/15 to 2017/18.

**Figure 6: Military Spending as Share of GDP (%)**

![Military Spending as Share of GDP (Fig. 6)](image-url)
51. Dwindling resources to fund the state budget and investment projects.

The sharp rise in the fiscal budget and current account deficits has depreciated foreign reserves, increased domestic and external debts, depreciated the parallel domestic currency exchange rate, and accelerated consumer inflation. The International Monetary Fund warned in June 2016 of "a risk of total economic collapse" and a macroeconomic situation where "imbalances are large and economic buffers are exhausted." The financial year 2017/2018 will have a budget shortfall as the government has to repay oil advances among its other commitments. About 27% of the US$ 1.6 billion required in December 2017 is unfunded. Government expenditures are mainly for salaries, operations, and transfers to the states and the capital.

52. Despite moderate levels of external debt, the combined impact of civil conflict, a large fall in oil prices, and high levels of fiscal spending have left South Sudan in debt distress.

By December 2016, the stock of domestic and external debt owed or guaranteed by the government amounted to about US$ 1.4 billion (38% of GDP), while foreign exchange reserves had dwindled to about US $70 million (about two weeks of prospective imports). This has caused payment delays on international obligations, civil servant salaries, and other commitments.

53. High depreciation of the South Sudanese Pound:

The fixed exchange rate was abandoned in December 2015, allowing the pound to float. The effect on the exchange rate challenges and inflation was limited owing to the lack of hard currency. The steep decline in oil production and drop in oil prices caused large shortfalls in foreign exchange receipts and government revenues. One result was that the South Sudanese pound lost more than 95% of its value against the US$ in December 2016, and by January 2018 the pound had fallen to SSP 131 to the US$ from SSP 1.514 to the US$ in March 2013. Exchange rate variations among the central and commercial banks and the black market have increased.
market meant that the pound depreciated as low as SSP 260 to the US$.

54. Negative current account balance

Since 2015 the country's current account balance has been in the negative, meaning that South Sudan is a net borrower. It has received more than US$ 4 billion in foreign aid since 2005 largely from the UK, US, Norway and Netherlands but it remains debt burdened with nothing to show for the donor resources.

55. Government initiatives and reforms to attract private investors are hindered by the weak institutional capacity.

There was a lot of interest to invest in South Sudan by the neighboring countries especially immediately after independence. Kenya and Ethiopia established commercial banks in South Sudan among other investments. Infrastructure underdevelopment has curtailed investment in the country. In addition, failure to implement reforms has hampered investment, affected investor confidence, and increased the cost of doing business. Several initiatives to improve the legal and regulatory framework for investment have yet to yield expected results. This is reflected in the country's international investment climate ranking. The Global Partnership for Effective Development Cooperation notes that the business climate is hampered by institutional weakness or the absence of regulations in several areas, particularly the labor, environment and competition regimes. Rising inflation, weakening national currency, hard currency shortages, and high energy costs severely constrain the private sector. The decline in the country's banking sector has led to offshore banking especially having the private sector, humanitarian agencies, development partners among others keep their money in banks in the neighboring countries. For an investment climate to trigger higher investments will require a stable peace between South Sudan and Sudan, peace and security in South Sudan and a legal and institutional framework providing predictability and incentives for long run investment.

56. Little involvement of women in the private sector.

South Sudan's reconstruction and development vision prioritizes private sector development. But there is limited involvement of women involvement in the private sector. Women are mostly in the underdeveloped and uncoordinated informal sector and subsistence agriculture; they are limited because of high illiteracy levels, lack of access to productive assets and low business skills and management capacity.

57. South Sudan’s economic trajectory is highly unstable. The country risks falling into a spiraling trap of deteriorating economic performance and worsening security with continued high humanitarian costs

Economic prospects will depend on the successful implementation of the peace agreement, a significant recovery in global oil prices, and the implementation of the economic and fiscal measures announced in September 2016. Worsening economic conditions have significant implications for political stability and the operating conditions for humanitarian organizations in the country. Concerns exist that the economy may trigger violence and disruptions, especially because of shortages and prices of commodities, including fuel. If peace were achieved, the fiscal deficit could fall to 2-3% of GDP in the coming years, consistent with a return to single digit inflation and exchange rate stability. The IMF envisages a GDP growth of 5-6% in the next five years, associated with oil production and non-oil GDP recovery. But restoring macroeconomic stability will require tighter fiscal and monetary policies and sound economic management to foster renewed growth. Investing in productive capacity would create a broad and inclusive economy.

58. Donors want to support domestic resource mobilization and accountability in the use of public resources

AfDB, UNDP, JICA, IMF and Trademark are keen to see increased revenue collection and improved public financial management at both the state and central government levels in South Sudan. Their support will strengthen (1) tax administration, (2) customs administration, (3) state non-oil revenue systems, (4) debt and aid management, and (5) financial control, reporting, accountability and oversight. The initiatives address some of the fiscal pressure and capacity gaps in the country.

59. Recommendations

An integrated approach is needed from the government and its international partners - multilateral institutions, donors or oil companies -- to address the four key
economic challenges facing South Sudan:

• How to use oil revenues to best achieve broad-based economic development. This will require involving the finance and planning ministry and multilateral and bilateral donors.

• How to manage the oil sector to maximize government revenues from production fields, and to incentivize investments in oil exploration that might extend the lifespan of South Sudan's oil industry. This will require the involvement of the Ministry of Petroleum, the Ministry of Mining, the Ministry of Finance and Planning and, to a degree, the Ministry of Security Services.

• How to increase non-oil revenue sources and support diversification. This will involve the Ministry of Finance and Planning, the Ministry of Agriculture and Food Security, the Ministry of Trade Investment and East African Community Affairs, the Ministry of Energy and Dams, the Ministry of Water Resources and Irrigation, and multilateral and bilateral donors.

• How to attract private sector investment and increase balanced regional trade. This will involve the Ministry of Trade, Investment and East African Community Affairs and multilateral and bilateral donors. The Ministry of Foreign Affairs and International Cooperation and the Ministry of Security Services will play a key role in promoting the country and providing an enabling business environment. A number of ministries will contribute to providing an enabling environment for these goals to be achieved.

Social

61. Before the December 2013 conflict, half of all households depended on salaried jobs and all others on business income, remittances and rental income

Since 2014, remittances and private business have been the major sources of financing for private consumption while dependence on jobs and rental income has declined. Rental income decline could be due to the departure of people from Juba; for example, two-thirds of the population is refugees living in IDP camps or PoC sites. Others left the country after conflict started in December 2013. The contribution of remittances to GDP increased from 2.2% in 2013 to 10.3% in 2016 with Uganda as the main source of remittance. This rise is likely due to economic contraction and family and friends out of the country providing financial support. The figure might be higher; most remittances for South Sudan are spent in Uganda and Kenya, where South Sudanese travel to receive them and for goods and services, as their financial institutions do not function. This makes it difficult to track remittances to the country, and data collected do not show whether remittances contribute to rural development. The paradox is that the South Sudan elite sends remittances to their families living mainly in Uganda and Kenya. A high outflow of remittances from South Sudan to Kenya and Uganda to support families is likely.

60. In the present armed conflict situation in South Sudan, the Bank can:

• Assist the government to develop key governance frameworks such as policies, regulations, laws and guidelines to be ready for the return of peace. This requires benchmarking, institutional learning, expert support, and multi-stakeholder dialoguing.

• Support the government to implement some of the plans and strategies such as the NDS.

• Build the capacity of central government and relevant state agencies by training, deploying expert support teams, exchange visits and intensive discussions in different secure states in the country to identify and document the key issues and possible solutions to the challenges facing the states. State leaders need support to appropriately allocate resources and monitor the implementation of development projects.
The December 2013 conflict affected income opportunities.

Some outcomes of the conflict include loss of assets and livelihood, and hunger, which are exacerbated by the stringent private sector loan conditions attributed to weak economic activities and uncertainty. This situation will likely continue for some time as the banking sector has nearly collapsed. Current borrowers are mainly from domestic trade, real estate, energy and water services.

The government struggles to pay its staff because of limited revenue and high security expenditures.

Civil servants suffer from long delays in remuneration of up to six months occur, and some government agencies use up annual operational budgets by the middle of the financial year. This results in low motivation, loss of trained and experienced personnel and high staff turnover. The quality of outputs is affected and illicit money making activities are rife, including trading in charcoal and other items, bribery and extortion.

Food shortages are increasing the cost of living.

Interrupted subsistence agriculture by conflict, coupled with insecurity along the main trade routes, limits food availability in major towns. Food-producing areas in the north and areas like Yambio are inaccessible because of poor roads and insecurity. These difficulties exacerbate food insecurity and increase the cost of living in the towns, where most food must be imported from Kenya or Uganda, making survival difficult for the poor, some of whom depend on humanitarian supplies.

Over half of the population lives below the poverty line.

Poverty prevalence in South Sudan is widespread but unevenly distributed among the states, ranging from three in four people in Northern Bahr el Ghazal state to one in four people in Upper Nile state. A concern for South Sudan is that regional disparities can easily be seen as marginalization and lead to rebellion and conflict. The country's development indicators are some of the worst in the world; e.g. only 8% of women are literate, only 27% of the population 15 years and older is literate, and one in three children is moderately or severely stunted. The already high illiteracy levels are likely to worsen as insecurity prevents some children from attending school. South Sudan is among the bottom five countries for 11 of the 22 Millennium Development Goal indicators for which there are data. Inequities in service access, resources and opportunities, combined with a politics of exclusion and patronage, ineffective governance and lack of transparency in oil revenue, pose serious threat to physical and economic security and undermine the institutional transformation needed to secure South Sudan's stability and legitimacy.

Youth constitute both an opportunity for economic growth and a potential driver for social instability.

About 51% of South Sudan's population is under 18 years of age and 72% is under 30 years of age. Unemployment is highest among the youth: more than 50% of those aged 15-24 years is unemployed. Much of this stems from the weak economy, limited education and employment opportunities, lack of work experience, oversaturated job markets and nepotism.

Women shoulder the burden of household survival:

The fact that men and women do not have the same political rights, authority, resources or needs and that domestic violence against women increases during and after conflict is related to shifting gender roles. In South Sudan, women have become the backbone of communities, taking care of homes and families, the sick and the wounded, and managing agriculture and food production, because many men are in the armed forces or have been killed.

In the armed conflict the majority of women and girls are intolerably affected by abuses committed against them.

Men and women both suffer during armed conflict but its impact affects them differently. Both men and women suffered physical, sexual and psychological violence during the conflicts in South Sudan, but women and girls were severely abused and their rights violated. Women dealt with sexual exploitation, rape, forced marriage, forced pregnancy and forced abortion. Sexual and gender-based violence remains at crisis levels (41%) and needs to be urgently addressed, with the rate for females at 44% and for males at 36%. Shortcomings within both the formal and customary justice systems prevent the resolution of gender violence, which is deeply anchored in cultural beliefs. Sexual and gender-based violence manifests in households, within and between communities. Alcoholism, cultural practices, poverty and conflict are the leading causes of violence against women and girls in South Sudan.
69. Diverse interventions are needed to address violence among men and women in South Sudan.

The South Sudan National Action Plan (2015-2020) on UNSCR 1325 on Women, Peace and Security and Related Resolutions is expected to help address issues of women’s security. UNMISS is playing a key role in protecting people in its wing, especially those threatened by physical violence, particularly when the government is not providing such security. UNDP through its Community Security and Small Arms Control Program creates community awareness about women’s security and mitigates tensions within communities. Efforts by the government and UNMISS to protect civilians are undermined by the easy accessibility of small arms. As of 2012, about 327,000 small arms were in circulation among the communities in South Sudan. The Bank and other development partners can consider partnering with UNMISS, UNDP the Regional Center on Small Arms in the Great Lakes Region, GIZ and IGAD on the control of these weapons.

70. Refugees comprise two-thirds of the population and are living in IDP camps or PoC sites under UNMISS.

About 1.9 million South Sudanese are internally displaced, 2.03 million are refugees and nearly 210,000 IDPs live in PoC sites. The fighting in some areas could increase this in neighboring countries. An estimated 50,000 people lost their lives in the recent conflict. About 4.8 million of the country’s 12 million people were severely food insecure as at December 2017. South Sudan is among the African countries at risk of food insecurity.

71. South Sudan is the home of the largest spillover humanitarian crisis in the world with the potential to destabilize the East African region. South Sudanese refugees continue to move to neighboring countries. The numbers of refugees to each country, excluding the Central African Republic, rose in 2016/2017: about 1 million in Uganda, about 415,000 in Sudan, 380,000 in Ethiopia, 105,000 in Kenya, 80,000 in Democratic Republic of Congo, and 2000 in Central African Republic. In June 2017, Uganda faced an unprecedented refugee crisis, exacerbated by high numbers of arrivals from South Sudan, who represent 69% of its refugees. That month, the refugee population more than doubled to about 1.2 million, making it the country with the fastest growing refugee population, the largest refugee-hosting country in Africa, and the third largest refugee hosting country in the world. Ethiopia, Kenya, and Uganda are among the world’s top 10 refugee-hosting countries, making displacement one of the most complex and pressing regional challenges to reduce poverty and achieve sustainable development with peace and security. The challenges of refugee integration and resettlement are immense.

72. Development partners are shifting their focus to humanitarian assistance.

The continued conflict has pushed development partners to refocus attention on humanitarian services instead of a combination of humanitarian, development and peace-building assistance. Although development and humanitarian support are not independent, the increase in aid to support populations affected by conflict is significant. IDPs are strewn countrywide and would-be conflict- free states are equally strained. Displacement shattered the social fabric holding families and communities together. Conflicts and violence at multiple levels worsen poverty, unemployment and the conditions for the growing informal economy, and reduce resilience to climate change. Humanitarian agencies and NGOs, whose relationship with government agencies usually is not cordial, therefore shoulder responses to humanitarian challenges.

73. International aid makes an enormous difference in the lives of the South Sudanese:

In 2016, assistance under the Humanitarian Response Plan reached 5.1 million people; more than 4 million people received food assistance; 2.5 million got access to clean water and around 700,000 children and pregnant/lactating women were treated for acute malnutrition. In the first two and a half years after independence, South Sudan received over US$ 4 billion in humanitarian and development assistance. Donors have committed about US$ 1.8 billion for emergency relief since the onset of the conflict in 2013. But this assistance is disproportionately benefiting the government in Juba (1) financially in the sense that government checkpoints are used as extortion sites of money from agencies transporting humanitarian aid commodities, and government fees for work permits are extremely high, and (2) politically, it appears that the South Sudan government international legitimacy is associated with the humanitarian operation. The latest appeal for humanitarian support by UNOCHA is US$ 1.6 billion for 2017, of which 56.6% was secured. The Bank can contribute to this.
74. **Recommendations**

Opportunities exist for the Bank and other development partners to help improve household incomes, promote skill development among youth and reduce food insecurity: (1) supporting youth and women groups organized under religious organizations, CSOs and the Ministry of Gender, Child and Social Welfare to undertake investment activities promoting income security and welfare; (2) supporting vocational training institutions under the Council of Churches and government agencies; and (3) mobilizing demobilized youth and organizing them into investor groups. Training and investor capital may be helpful in diverting their attention from the conflict to wealth creation, with positive implications for the future of the economy and society; (4) strengthening commercial agricultural production throughout the value chain; (5) mobilizing support from other partners and building on interventions like USAID’s Cash-for-Work and JICA’s Sports-for-Peace initiatives would create synergies among the partners and strengthen the effectiveness of the interventions targeting socioeconomic welfare. The Bank has to be aware of the danger that in highly insecure environments, financing tends to focus only on stable areas that are also areas where populations belong to only one side in a conflict.

**Cross-cutting**

75. **Current data and information sharing among institutions is limited:**

It is difficult for development partners to obtain key data from the government or for government institutions to share information. Reliable or recent data are often not available. South Sudan’s last population census was in 2008, which makes planning problematic. Data representativeness can be a challenge; e.g. South Sudan’s Bureau of Statistics’ prices of goods and services data are from across the country focusing on the regional capitals of Juba, Malakal and Wau, but Malakal data have not been collected since 2013 because of the conflict. The bureau’s plan to compute GDP by production will suffer from the data gaps in mining/quarrying. Given the importance of data in planning, the Bank and other development partners such as UNDP and the World Bank need to support the bureau to collect relevant data, where security permits.

76. **Limited stakeholder participation and community driven-development projects.**

There is little confidence between citizens and public authorities. Poor communication and misunderstanding can threaten project implementation. A clear communications strategy will need to accompany the Bank’s portfolio implementation at the national, sector and microlevel, along with mechanisms to ensure stronger beneficiary feedback and community participation.

77. **The opportunities, challenges and risks are summarized in Table 1.** Much as the country is facing many challenges, the opportunities are immense. The highest risk in South Sudan is violent conflict and rent seeking.
<table>
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<tr>
<th>Opportunities</th>
<th>Challenges</th>
<th>Risks</th>
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</thead>
<tbody>
<tr>
<td>• Existing policies, institutions and systems a newly independent country needs</td>
<td><strong>Political</strong></td>
<td>• Non-diversified economy amidst fluctuating oil prices</td>
</tr>
<tr>
<td>• Coming up with the NDS is key in guiding development initiatives</td>
<td>• Fractured politics</td>
<td>• Accumulated debt burden</td>
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<tr>
<td>• Existing regional capacity to support local productive and economic capacity building</td>
<td>• Weak state capacity</td>
<td>• High depreciation of local currency (exchange rate)</td>
</tr>
<tr>
<td>• Expected increase in oil prices</td>
<td>• Underdevelopment</td>
<td>• Hyper inflation combined with non-payment of salaries by government</td>
</tr>
<tr>
<td>• Interest and will of development partners to support South Sudan</td>
<td>• Institutional corruption</td>
<td>• Regional development disparities within the country</td>
</tr>
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<td>• Stable regional support</td>
<td>• Rent-seeking</td>
<td>• Entitlement mentality</td>
</tr>
<tr>
<td>• Highly educated South Sudanese in the diaspora</td>
<td>• Governance issues</td>
<td>• Culture of violence and impunity</td>
</tr>
<tr>
<td>• Non-oil natural resource endowments (tertile land, forestry)</td>
<td>• Lack of political will</td>
<td>• Gender based violence</td>
</tr>
</tbody>
</table>

**Economic**

• Fluctuations in oil production, prices and government revenue
• Reliance on oil as a major source of revenue and lack of diversification
• High inflation and cost of living
• Shortages in foreign currency
• Depreciation of national currency
• Deteriorating trade balance
• Increased expenditure on security and humanitarian support against development projects
• Illicit trade in timber and minerals

**Social**

• Increasing number of displaced persons
• Lack of service delivery in critical areas (health, education)
• Low motivation of civil servants due to non/delayed payment of salaries
• High levels of unemployment especially youth
• Low levels of education within the country
• Lack of functioning pension/retirement scheme
• High fertility rates (national average of 6 with some states as high as 8.3)

**Cross-cutting**

• Infrequent data collection and lack of representative data
• Limited sharing of information among key government institutions, development partners, NGOs and CSOs
• Limited stakeholder participation

**External**

• Unpredictable oil prices
• Climate related shocks (e.g. floods)
Effects of the Challenges in South Sudan on the Bank’s Portfolio

78. The Bank’s portfolio performance in South Sudan has been largely affected by insecurity and violence, worsened by institutional and human capital weaknesses.

Following the outbreak of the civil conflict in 2013, the Bank scaled back its presence in South Sudan and continues to manage operations from its regional office in Nairobi, the Uganda Country Office, and headquarters in Abidjan. This is not unique to the Bank; a number of other development partners such as the World Bank, the EU, JICA and the IMF have maintained physical presence but significantly reduced their staff in South Sudan and opted to have them in different secure locations such as Nairobi, Kampala and Belgium. Lack of physical presence in the country creates implementation challenges including limited interaction between Bank staff, government officials and other development partners, limited knowledge of Bank rules, procedures and procurement regulations by project implementation units, delays in implementing procurement plans and submission of audit reports. Government officials in South Sudan feel that Bank procurement rules and procedures are too long and delaying. Much as this could be true, lack of physical presence worsens this.

79. Insecurity has led to either low disbursement or halting of projects implemented by a number of development partners.

The Bank's multi-sectoral projects on good governance and capacity building for natural resources management; gender equality and women’s economic empowerment for inclusive growth; and resilience water and sanitation for improved livelihoods in Juba have had low disbursement rates due to insecurity. JICA's project to construct a "Freedom Bridge" on the Nile, and NORAD and the Bank's project on Fula

Rapid Hydropower at Nimule were put on hold. The Bank terminated the technical assistance grant for the Development of the Transport Sector project due to insecurity. Unless the security situation improves in South Sudan, project disbursement rates are likely to continue to be low and some projects especially those outside Juba may not be implemented.

80. Bank interventions might be affected by the dynamics in place and vested interests, compromising their effective implementation

The Bank can focus on the opportunities in South Sudan and engage key actors in addressing the political economy challenges and risks that are likely to affect its programming (see Table 2). The Bank has to be aware of the "spoilers of the peace and development process" including corrupt elites in government MDAs as well as some state governors who are rent seeking, the selfish interests of other states in South Sudan affairs, opposition groups and their allies, and some councils of elders.

81. Humanitarian-peace-development nexus.

A mix of humanitarian support, peace process and development projects is key in the current situation. The Bank will need to work with other development partners and use a mix of implementation modalities, for example, use a third party for emergencies and government systems for recovery programs, though this carries a huge cost. Third-Party implementation involves project management and implementation primarily by a third party such as a UN agency or an NGO, with limited government oversight. Organizations such as the World Bank, JICA, DFID and USAID are using a similar modality in the implementation of their projects and programs. This is not a new approach for the Bank. In fact, it is using it in the non-oil revenue project implemented by UNDP and the food security project implemented by WFP.
<table>
<thead>
<tr>
<th>Dynamic</th>
<th>Key actors</th>
<th>Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>War economy</td>
<td>IGAD, AU, EAC, Presidency, SPLM-IO &amp; their allies, the private sector</td>
<td>EU, US, Norway, UK, World Bank, UN, China, SSCE, women groups, humanitarian agencies, NGOs (through South Sudan NGO Forum), CSOs (through SSuNDE and CEPO) and council of elders</td>
</tr>
<tr>
<td>Corrupt governance</td>
<td>Presidency, Ministry of Justice, Ministry of Cabinet Affairs, Parliamentary Affairs, Audit Chamber &amp; Anti-corruption Commission</td>
<td>World Bank, AfDB, UNDP, CSOs and media</td>
</tr>
<tr>
<td>Unresolved political &amp; security crises</td>
<td>Presidency, SPLM-IO &amp; their allies, Republic of Sudan, Government of Uganda (borders), IGAD, EAC, AU &amp; UN</td>
<td>EU, US, Norway, UK, World Bank, UN, China</td>
</tr>
<tr>
<td>Development Partner Fatigue</td>
<td>Development partners</td>
<td>Development partners</td>
</tr>
<tr>
<td>Regional dynamics</td>
<td>IGAD, EAC &amp; individual countries</td>
<td>Development partners</td>
</tr>
<tr>
<td>Humanitarian crisis</td>
<td>Ministry of Humanitarian Affairs, Ministry of Cabinet Affairs, UNHCR, FAO, WFP, local and international NGOs</td>
<td>DFID, UNDP, AfDB, World Bank, USAID</td>
</tr>
<tr>
<td>Weak state &amp; institutional capacity</td>
<td>Presidency, Ministry of Cabinet Affairs, key government ministries</td>
<td>ADB, UNDP, DFID, JICA, World Bank, UNICEF</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>Responsible ministries (roads &amp; bridges, energy &amp; dams, water resources &amp; irrigation, transport) Development partners</td>
<td>NORAD, ADB, JICA, USAID, World Bank, and Government of China</td>
</tr>
</tbody>
</table>

Source: Field findings and analysis
V. Governance and Stakeholder Mapping

Policy Framework

83. South Sudan has made progress in creating legislation institutions and rules for sovereign economic policy-making.

The new laws and regulations are judged to be of high quality by practitioners and by their ranking by the Revenue Watch Institute. They include the Petroleum Law, the Petroleum Revenue Management Act, the Public Financial Management and Accounting Law, and the Public Procurement Act. A Three-Year Economic Sustainability Program (2012-2014) was designed to address the consequences of oil revenue loss, with sets of measures for fiscal; monetary and credit; productive sector; and social sector policies. The legislation and measures developed for political issues include the Political Parties Act (2012), National Elections Act (2012), National Dialogue decreed in December 2016, and the South Sudan National Action Plan (2015-2020) on UNSCR 1325 on Women, Peace and Security and Related Resolutions. Key policy documents are listed in Annex II.

84. The government has prepared a draft of its National Development Strategy (NDS) for 2018-2021 to be launched in June 2018 whose strategic actions are: (1) return the displaced, (2) enforce the law, (3) secure food, (4) silence the guns, (5) maintain basic services, and (6) build and maintain roads. There are three measures for NDS: (1) safety for people to go about their business; (2) stable food prices, stable currency and stable wages and salaries, and (3) access to basic services: health, education, and rule of law. Proper implementation of NDS and refocusing on the key areas of the ARCSS will help South Sudan to deliver on its promises to its citizens. Annex 3 summarizes the issues and strategic priority actions for NDS. Fig. 8 shows the funding source categories for NDS.

![Figure 8. Potential Funding Sources of the NDS (2018-2021)](image-url)
84. Despite the government’s substantive effort and progress in policy development, gaps exist in policy formulation

(1) TGoNU has not yet developed a debt policy or had a debt management unit despite an unsustainable external debt burden, (2) no specific policy on youth employment exists, (3) sound economic diversification policies to restructure and transform the economy and reduce reliance on oil exports are needed, (4) budgetary spending and rebuilding of foreign exchange reserves need to be reprioritized. The current discussion focuses on balanced growth and strengthening of the non-oil sectors that are crucial in achieving sustainable and inclusive growth. Debt repayment will be a high priority in the 2017/18 budget if oil revenue increases significantly.

85. A mismatch exists between the laws and regulations in place and their effective implementation.

South Sudan has challenges in implementing policies due to the lack of funds, political will and capacity. The Bank can be of vital assistance in closing these gaps.

Decision-making

86. Decision-making remains centralized and top down.

Policy decisions are made by the top leadership, which is influenced by military and ethnic elites such as the Jieng Council of Elders. The informal ad-hoc and overlapping nature of institutions in South Sudan means that decision-making is rarely based on informed or rigorous debate. Few organizations in South Sudan are able to take substantive action let alone influence political decision-making or state action. The challenge is to move to a system that takes the power of decision-making closer to citizens and gives them opportunities to hold the government accountable.

87. Recommendations

The Bank, in partnership with UN agencies and other development partners, may need to consider encouraging the South Sudan leadership to look outside the Jieng Council of Elders during its decision processes, to reduce executive influence in other state organs and institutions, to reduce military influence in policy-making, to strengthen the consultative approach in decision-making, increase social accountability and to control the high sense of entitlement exhibited by political and security elites, which hampers technical input in decision-making.

Institutional Development and Management

88. State structures in South Sudan are new and service-delivery systems across all sectors are either absent or dysfunctional.

South Sudan is struggling with the largest capacity gap in Africa; every government agency suffers from shortages of qualified staff. Key economic institutions remain in an early stage of developing capacity. Decades of warfare have left a heavily militarized political and bureaucratic culture in the civil administration. The political institutions are subordinate to SPLA, from which most of the ruling elite is drawn. The civil conflicts of 2013 and 2016 complicated or even reversed initial steps towards institutional building and development. As the AU Commission of Inquiry determined, “the crisis in South Sudan is primarily attributable to the inability of relevant institutions to mediate and manage conflicts, which spilt out into the army, and subsequently the general population.” The fact that existing governance structures essentially comprise a patronage network for semi-institutionalized resource transfers makes the country particularly vulnerable to economic shocks.

89. The design and functioning of institutions are key factors in oil exploration economies.

Research on oil exploration across developing countries suggests that oil exploration activities are not determined solely by geology. Factors related to institutional quality and the associated governance environment are important for the success of the oil economy. Institutions shape the policy and governance setting in a country. Institutions in South Sudan are shaped to serve the interests of powerful elites instead of shaping incentives to invest and be productive. The challenge is therefore to align the incentives of the elites with the country’s priorities or to limit the power of the elites.

90. South Sudan has no history of meaningful governance from the colonial period through secession from Sudan to the independence period.

Its politics lacks not just the institutions for power
distribution but the sufficient legitimate power to distribute. SPLM leaders have never seen governance as being about improving the living conditions for South Sudanese but about resolving ethnic or regional political crises. Good political and economic governance based on transparency and accountability does not exist in South Sudan even though it is key in building a viable state capable of articulating a common vision for national unity and providing stability and dividends of peace to its citizens. The first step in reforming South Sudan’s systems of governance and economic management is to acknowledge that the structures and practices that evolved over nearly two centuries of violent history are no longer appropriate for a newly independent country seeking to develop its economy and society.

**Key Actors**

91. Five broad categories of actors are involved in South Sudan:

   - The presidency, opposition, development partners, humanitarian agencies (NGOs, CSOs) and foreign states.

92. The presidency

   This category encompasses TGoNU, which comprises the different ministries headed mainly by top SPLM elites, local government, the army, and the Jieng Council of Elders. The presidency is politically subordinate to top SPLM elites with less power and legitimacy. Consequently, government weakness include (1) technical input in decision-making and action is neglected, which demotivates professional civil servants, (2) most SPLM leaders were rebel commanders who have become politicians and civil servants with limited skills in bureaucratic processes, with limited input in technical decisions and operations, and (3) the high sense of entitlement of the former rebel leaders prevents efforts to broaden the benefits of independence to other citizens and encourages high-level corruption.

   - Conflicts within SPLM have fractured the central government and the country’s politics. This is reflected in the inability of the government to resolve or manage political disputes in an institutionalized manner and was exhibited when oil production shut down in 2012, the border war with Sudan in 2012, the handling of corruption allegations, and President Kiir’s difficulty obtaining political support for the cooperation agreement with Sudan in 2012. In these conflicts, the Jieng replaced SPLM leadership structures and to some extent the national assembly and technical officials in advising the presidency.

   - **Local governments:** Local governance has not improved since the ARCRSS was signed. State governors are supposed to be elected but they are mostly generals who are appointed by the presidency; the objective is to reward loyal generals, retain control over states, and limit autonomy within local governments. Generals are loyal to the president not the people in their state, and their accountability is questionable. The presidential decrees of December 2015 to create 18 new states and of January 2017 to create 4 more states are examples of a divide-and-rule approach.

   - **The armed forces** were united until 2013 when they split along ethnic lines, with the Dinka and Nuer creating the widest rifts. The army had exhibited patriotic resilience during the war with Sudan but was divided along ethnic lines as manifested in SPLM in 1991. The military’s failure to overcome these divisions made it a key player in the country’s insecurity. The army is also associated with corruption, illicit charcoal and cattle trade, being used to defend ethnic interests, and influencing political decision-making.

93. Opposition groups

   Most of these groups are organized as rebel groups, while others are perceived to collaborate with the armed opposition. As a result, the would-be opposition political parties competing for policy positions in the country are harassed or weakened by the inadequacies of organized political competition. Those that have constituted themselves into armed opposition such as SPLM- IO, NSF, NDM, FDP/SSAF, SSNMC, SSUM/A, SSLM/A and SSPM/A have contributed to insecurity and the perpetuation of the "violence pays"
mentality as some leaders have been coopted into government as a way of ending armed conflicts. During the revitalization process, only the SPLM-IO was recognized among the armed opposition groups by the South Sudan leadership.

94. Development partners

These can be categorized as western (US and Europe), eastern (Asian– Japan, China, Turkey, etc.), African (the Bank, IGAD, EAC) and global (mainly UN agencies) partners. Since the CPA, South Sudan has received more than US$ 4 billion in foreign aid largely from the UK, the US, Norway and the Netherlands and mostly in the form of development aid and humanitarian support. The US government, through USAID, funded the construction of the Juba-Nimule highway; Norway’s construction of the Fula Falls power project was hampered by conflict.

Asian development assistance has also been substantial. China is constructing Juba Airport, and is a significant partner. Japan, through JICA, has supported many developments, including the construction of the Freedom Bridge, which was interrupted by insecurity. The Bank has implemented many projects, including the NonOil Revenue Management and Accountability (NORMA) project; the Regional Development Financial Institutions project; the Gender Equality and Women Economic Empowerment for Inclusive Growth project; and the Good Governance and Capacity Building for Natural Resources Management initiative. IGAD has been at the center in the conflict resolution, supported by international partners, including the AU, the UN and the "troika" group. Its efforts led to ARCRSS, the signing of CoH agreements and the creation of HLRF In the spirit of regional integration, EAC invited South Sudan to become a member. Development partners are frustrated by the country’s return to violence in 2013 and 2016 and by the government’s apparent intransigence in resolving conflicts and embarking on socioeconomic development.

95. Humanitarian agencies, NGOs, CSOs and religious institutions

These include UN agencies and international NGOs like Oxfam working with local NGOs and CSOs. These partners have a central role in providing humanitarian services and are currently the biggest social protection service providers for refugees, IDPs and people in PoCs. State and intergovernmental development partners have been channeling their support through these agencies. The South Sudan Council of Churches has played a key role in the peace processes.

96. Foreign states

Most of the foreign states’ interests center around the control of oil investment opportunities and the use of South Sudan to buffer the spread of Islamic fundamentalism. South Sudan must be viewed in the context of the US global war on terror in which Sudan was seen as sympathetic to terrorist groups for many years. The US intends to use South Sudan to check the spread of Islamic fundamentalism in the Upper Nile Valley, and to counter Chinese interests in the country while securing investment opportunities in the nascent oil sector. The US supported South Sudan’s independence and feels entitled to influence its governance, compared, for instance, to the EU, which played a relatively minor role in that process. IGAD member states have vested interests in the country's natural resources and governance. As a result, IGAD has to contend with the peace process spoilers among its members. Uganda and Kenya have trade and investment interests in the country. Egypt and Ethiopia’s relations with South Sudan are hardly cordial given the geopolitics of the Nile Valley and the fact that South Sudan would be a critical ally for either state in case of armed confrontation between them. The inharmonious interests of IGAD members in regard to South Sudan create difficulties in generating a regional consensus on the security challenges it faces.
VI. Conclusions

97. Despite its development potential and resource endowment, South Sudan faces major political economy challenges that could prolong its current conflict and plunge it into economic and state collapse.

Political fragmentation, intolerance and contestations, acute poverty, insecurity and confrontations, outstanding border issues with Sudan, worsening economic hardships, limited implementation of ARCRSS, and donor fatigue, among others, should force the government to carefully think about peace to avoid state collapse. Political and social cohesion and integrity of South Sudan as a sovereign state remain at stake.

Developments must recognize the fundamental lack of legitimacy, the absence of a social contract between state and society, and limited trust among citizens of their state and nation. Churches, CSOs and NGOs are doing a lot, especially in delivering humanitarian services, but they are working within an increasingly limited space and face significant risks.

98. Rent seeking is the main problem in the current crisis.

The 2005 peace agreement ushered in an extraordinary windfall of oil revenues that could support an elaborate patronage network, primarily among the military class. This is a structural crisis, in terms of the ethnic tensions and regional dimensions under the IGAD framework, and a systemic crisis, in terms of the internal divisions within SPLM. Its source is internal to the extent that the SPLM leadership is fractured and because of the unresolved political tensions and greed of SPLA commanders. No framework exists in the international community to address rent seeking and competing state interests affect IGAD and UN efforts.

99. Political stabilization, security sector reforms and the production of public goods, including institution building, as specified in ARCRSS, are needed.

The time needed for the economy to be on a path of sustainable growth depends on how fast the necessary financing can be mobilized and how effective peace building and conflict management will be. The development of oil production and oil prices will be crucial. South Sudan requires urgent fiscal and monetary reforms, without which it could be destabilized. Development partners can help by supporting a macroeconomic stabilization program. Peace and development will come from within and is the responsibility of the leaders. The political and resource difficulties of implementing the 2015 peace agreement are the greatest hindrance to attaining the minimum peace necessary for the other development processes to be able to evolve. Regional interests in the conflict are not insurmountable if the SPLM power dynamics and infighting are reduced. Once peace is achieved and the capacity of key state institutions developed, it will be possible to observe positive trends in macroeconomic stability, investor confidence and return, resumption of development partners' support to key infrastructure developments, increased trade with regional neighbors, and further integration within the EAC. The greatest hope of achieving these aspirations lies with HLRF.
Annexes
Annex 1: Ministries and Organizations Interviewed

All the ministries and organizations listed below are based in Juba. There were also interviews with staff of the African Development Bank and Japan International Cooperation Agency who are working on South Sudan but based in Nairobi and Kampala, respectively. In addition, there were three focus group discussions (FGDs) with youth, women and civil society in Juba. The interviews and FGDs focused more on gathering information on the fragility issues and validation of the emerging issues from the desk review on political economy of South Sudan.

- African Union
- Catholic Relief Services
- Central Bank of South Sudan
- Department for International Development
- Ebony Center for Strategic Studies
- Embassy of Japan
- European Union
- Intergovernmental Authority on Development
- International Monetary Fund
- Joint Monitoring & Evaluation Commission
- Juba Monitor
- Local Government Board
- Ministry of Agriculture & Food Security
- Ministry of Energy and Dams
- Ministry of Federal Affairs
- Ministry of Finance and Planning
- Ministry of Foreign Affairs and International Cooperation
- Ministry of Gender, Child and Social Welfare
- Ministry of Humanitarian Affairs and Disaster Management
- Ministry of Trade, Industry and East African Community Affairs
- National Bureau of Statistics
- National Revenue Authority
- South Sudan Anti-Corruption Commission
- South Sudan Council of Churches
- South Sudan Network for Democracy and Election
- South Sudan NGO Forum
- United Nations Development Program
- United States Agency for International Development/Embassy of the United States
- World Bank
Annex 2: Key Policy Documents

1. The Interim Constitution of the Republic of South Sudan 2011
2. Agreement on the Resolution of Conflict in the Republic of South Sudan, 2015
3. The Public Finance Management & Accountability Act (PFMAA - 2011)
5. Taxation Act, 2009
6. Public Service Regulations
7. Financial Acts
8. Appropriation Acts
10. WASH framework 2011
12. Rural WASH action and Investment plan 2013
13. Urban WASH action and Implementation plan 2013
14. Irrigation Development Master Plan
15. Comprehensive Agriculture Master plan
16. South Sudan Urban Water Corporate Plan 2015-2018
17. Exploration and Production Sharing Agreement
18. Forestry Policy
20. Land Bill -Land Policy Draft
21. NALE Extension -Policy
23. National Aquaculture Development Strategy
24. Animal Production Policy
25. Veterinary Policy
26. Livestock and Fisheries bill
27. The Higher Education Act 2011
28. National Health Policy 2016-2026
29. National Health sectors strategic plan 2017-2021
34. Southern Sudan Child Act (2008)
35. South Sudan National Policy for Protection and care of Children without Appropriate Parental Care Act, (2017)
37. Draft, Justice for Children Policy Framework
39. General Education Strategic Plan, 2012-2017
40. Drug and Food Control Authority Act 2012
41. South Sudan Sector Wide Monitoring and Evaluation Strategy, 217-2022
42. South Sudan Sector Wide Monitoring and Evaluation policy, 217-2022
44. South Sudan National Gender Policy, 2013.
46. South Sudan National Action Plan, 2015-2020 on UNSCR 1325 on Women, Peace and Security and Related Resolutions

Source: Draft National Development Strategy, RoSS, 2017
Annex 3: Focus of the Draft NDS for South Sudan

(July 2018-June 2021)

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Issues to be addressed</th>
<th>Strategic Priority</th>
<th>How the Bank can contribute</th>
</tr>
</thead>
</table>
| Governance | High levels of corruption & lack of transparency  
Insufficient physical infrastructure and inadequate staff capacity  
Insufficient legislative framework & lack of implementation of existing laws  
High proliferation of illegal arms & delay in the implementation of security sector reform & DDR program  
Contamination of areas with unexploded ordinance, explosive remnants of war which affects farming, grazing and human settlement | Comprehensive disarmament of ex-combatants, demobilizing & reintegrating (DDR) them into civilian life; and disarmament of civilians with illegal arms  
Review legal frameworks, enact, pass, assent to and implement accordingly  
Enhance communication, strengthen coordination and institutional relations  
Ensure the resettlement, reintegration of returnees & refugees, provision of reconstruction and recovery services to the general population countrywide. | Support legal frameworks aimed at improving accountability mechanisms and good governance in the country  
Improve physical infrastructure and staff capacity |
| Economic | Inadequate macroeconomic data  
Incomplete legal frameworks, inadequate institutional and human capacity  
Lack of policy, strategy & plan for implementation  
Lack of economic development infrastructure | Intensify revenue mobilization  
Expedite economic infrastructure development  
Fast track development of legal, regulatory & institutional frameworks | Support initiatives that increase revenue mobilization to improve the quality of lives (NORMA)  
Support the development of regulatory & institutional frameworks  
Support infrastructure development - power, roads and water  
Continue providing financial support through the Regional Development Financial Institutions (TDB- PTA & ATI) country membership |
| Service Delivery | Limited coverage & poor quality of services  
Poor & limited physical infrastructure  
Inadequate quantity, distribution and skill-mix of human resources for effective national multi-sector, decentralized service delivery  
Inadequate financial & material resources, including appropriate technologies | Identify innovative ways to provide basic services with limited investment in infrastructure  
Harmonize policies & procedures across relevant institutions  
Mainstream peace actions in service delivery  
Continue to strengthen the capacities & mix of human resources  
Strengthen communication, coordination & data systems to support accountability | Strengthen capacities of human and institutional resources to deliver on social services to improve the livelihoods of the people at national and local levels  
Support provision of physical infrastructure  
Support data collection processes and systems through the Bureau of Statistics |
<table>
<thead>
<tr>
<th>Cluster</th>
<th>Issues to be addressed</th>
<th>Strategic Priority</th>
<th>How the Bank can contribute</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-cutting (Environment, women &amp; youth, capacity building &amp; local service support)</td>
<td>Irregularities on payrolls in the government institutions Degradation of subnational capacities for local service delivery in wake of creation of additional states and counties Inadequate financing of local service delivery Lack of gender sensitive policy frameworks, programs and strategic plans in public and private sector Lack of diversified employment opportunities for youth</td>
<td>Roll out the establishment of South Sudan EPS to all government institutions &amp; concurrently conduct physical head count through salary supervision committee in all government institutions Adapt the LSS framework for local service delivery to the new subnational configuration &amp; undertake subnational capacity building with particular focus on restoration of basic PLM compliance and accountability Gradually restore value of service delivery, fiscal transfers to states and counties &amp; enhance transparency &amp; equity of fiscal transfer system Conduct a baseline survey on status and sources of environmental pollution Develop legislation, regulations, standards &amp; guidelines on environmental pollution management Coordinate and train all the targeted groups (staff, youth and women) in the relevant fields for efficient and effective participation in nation and state building</td>
<td>Support livelihood programs for youth and women Support capacity building initiatives at national, states and county levels.</td>
</tr>
</tbody>
</table>

Source: National Development Strategy 2018-2021 and Analysis
Notes


The "High 5s" include: Light up and Power Africa (energy sector); Feed Africa (agricultural productivity and food security); Integrate Africa (regional socioeconomic integration); Industrialize Africa (industrial R&D); and Improve the Quality of Life for the People of Africa (socioeconomic wellbeing). Dr Akinwumi A. Adesina, AfDB President, articulated these “five priorities” during his inaugural speech on 1st Sept. 2015 (see p. of speech).


Abun-Nasr, p. 5

The region covered a vast geographical region spreading to parts of northern Uganda, DRC, and CAR


Douglas H. Johnson, 2014, 'Briefing: The crisis in South Sudan', African Affairs 113 (451): 300-309 Shar'i’a is a difficult legal regime for non-Muslims, emphasizing the Islamic code of life and ostracizing, criminalizing non-Islamic lifestyles. While Islam is not ontologically antithetical to non-Islamic faiths, Shar'i’a law is viewed as Allah's immutable law, making it difficult for those used to non-Muslim lives to survive without breaking it.


Sharkey, p. 38

Emerging issue from key informant interviews


IMF, 2017. South Sudan 2016 Article IV Consultation Press Release; Staff Report; and Statement by the executive Director for South Sudan.

These explanations arose from fieldwork interviews and group discussions These explanations arose from fieldwork interviews and group discussions


For the first two and half years of independence, South Sudan received US$ 4.3 billion in humanitarian and development assistance. Anna Osborne, "South Sudan, Donor Response to the Crisis", Global Humanitarian Assistance, January 2014.


Republic of South Sudan, 2017, National Development Strategy: Steps to Consolidate Peace and Stabilise the
Economy, Juba (July 2018 - June 2021)
Emerging issue from key informant interviews and FGDs Ibid
Global Partnership for effective Development Cooperation, 2016, South Sudan Monitoring profile
ibid
Ibid
Kate Almquist Knopf, 2016
Ibid
According to key informants, this was a very costly mistake for South Sudan AfDB, 2014
Efforts by various partisans in government to acquire the maximum benefit, and patronage, in terms of resources, (particularly financial) positions and power, for themselves and their clients (AfDB, 2014)
UN Panel of Experts, April 2017.
Ibid and message emerging from key informant interviews South Sudan topped the list of failed states index for the year 2014.
JJ Messner, Nate Haken, Krista Hendry, Patricia Taft, Kendall Lawrence, Laura Brisard, Felipe Umana, 2014, Fragile States Index. Washington DR: Fund for Peace
Jorn Gravingholta, Sebastian Ziajab and Merle Kreibaum, 2015, 'Disaggregating state fragility: a method to establish a multidimensional empirical typology', Third World Quarterly, 36 (7):1281-1298 For example, the Ugandan People's Defence Forces were present in South Sudan supporting the Government SPLA party
KPMG, 2016.
KPMG, 2016
Key Informant Interview, Bank of South Sudan, Juba, February 2018 BBC interview with the Minister for Petroleum.
GoSS, South Sudan Development Plan 2011-2013 Ibid
Carlo Koos and Thea Gutschke, 2014.
KPMG, 2016.
Ibid
Nkamleu Guy Blaise and Mugisha Frederick, 2017.
Key informant interviews with Ministry of Finance and Planning; Bank of South Sudan; and DfID, Juba, February 2018 Ibid
GoSS, South Sudan Development Plan 2011-2013 Oystein H. Rolandsen & Nicki Kindersley, 2017
Kate Almquist Knopf, 2016
While the official exchange rate was 131SSP:US$1 in February 2018, Commercial banks exchanged at 150SSP:US$1, while the black market rate was 260SSP:US$1.
Global Partnership for Effective Development Cooperation, 2016 IMF, 2017
Ibid
Utz Pape, 2014, Monitoring Welfare and perceptions in South Sudan (2012-2014): Findings from High Frequency South Sudan Survey (Revised February 2016)
findings
Field findings, February 2018
World Bank, 2014. Regional Integration Department Africa Region.
Systematic Country Diagnostic, World Bank, 2015
South Sudan National Action Plan, 2015-2020 on UNSCR 1325 on Women, Peace and Security and Related Resolutions
South Sudan Comprehensive Country Gender Assessment, 2012 South Sudan National Action Plan, 2015-2020
UN OCHA, 2018, South Sudan: Humanitarian Snapshot, Juba: UN OCHA UNHCR, May 2017 UNHCR, as of July 31, 2017
Government deported four relief workers, including: the Country Director for Norwegian Refugee Council (NRC)