THE AFRICAN DEVELOPMENT BANK

The Political Economy of South Sudan

A Scoping Analytical Study

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ABBREVIATIONS AND ACRONYMS

ABC   Abyei Borders Commission
AfDB   African Development Bank
AEC   Assessment and Evaluation Commission
AG   Auditor General
ASSPC   All Southern Sudanese Party Conference
AU   African Union
AUHIP   African Union High Level Implementation Panel on Sudan
AUPSC   African Union Peace and Security Council
BOSS   Bank of Southern Sudan
BSF   Basic Services Fund
BSWG   Budget Sector Working Group
CANS   SPLM Civil Authority of the New Sudan
CBS   Central Bank of Sudan
CBTF   Capacity Building Trust Fund
COMESA   Common Market for East and Southern Africa
CPA   Comprehensive Peace Agreement
CPPB   Conflict Prevention and Peace-building
CRC   Constitutional Review Committee
CRS   Catholic Relief Services
CSOs   Civil Society Organization
DDR   Disarmament, Demobilization and Reintegration
DESTIN   Development Studies Institute of London School of Economics
DFID   Department for International Development
DOP   Declaration of Principles
EITI   Extractive Industries Transparency Initiative
EU   European Union
GFSS   Governors' Forum of South Sudan
GoNU   Government of National Unity
GoS   Government of Sudan (pre-CPA)
GoSS   Government of Southern Sudan
IGAD   Inter-Governmental Authority for Development
INC   Interim National Constitution
iPRSP   interim Poverty Reduction Strategy Paper
JDT   Joint Donor Team
JIUs   Joint Integrated Unit
JPSM Joint Political and Security Mechanism
LGA   Local Government Act
LRA   Lord's Resistance Army
MDGs   Millennium Development Goals
MDTF-SS   Multi-Donor Trust Fund for South Sudan
MFAIC   Ministry of Foreign Affairs and International Cooperation
MOCI   Ministry of Commerce and Industry
MoFEP   Ministry of Finance and Economic Planning
MOI   Ministry of Investment
MRC   Ministry for Regional Cooperation
NCC   National Constitutional Conference

NCP	National Congress Party
NDI	National Democratic Institute
NGOs	Non-Governmental Organization
NIF	National Islamic Front
NLA	National Legislative Assembly
NPGC	National Petroleum and Gas Commission
OAGs	Other Armed Groups
OSFU	Fragile States Unit
PCA	Hague Permanent Court of Arbitration
PB	Political Bureau-SPLM
SAF	Sudan Armed Forces
SPLA	Sudan People's Liberation Army
SPLM	Sudan People's Liberation Movement
SPLM/SPLA	Sudan People's Liberation Movement/ Sudan People's Liberation Army
SPLMN	Sudan People's Liberation Movement-North
SSACC	South Sudan Anti Corruption Commission
SSDP	South Sudan Development Plan
SSLA	Southern Sudan Legislative Assembly
SSR	Security Sector Reform
TA	Technical Assistance
ToRs	Terms of Reference
TCRSS	Transitional Constitution of the Republic of South Sudan
UNISFA	United Nations Interim Security Force for Abyei
UNMIS	United Nations Mission in Sudan
UNMISS	United Nations Mission in South Sudan
US (USA)	United States of America

TABLE OF CONTENTS

1. Introduction

1.1. Background

1.1.1   The African Development Bank Group started its lending operations in Sudan in 1971, and has since, provided development support to various sectors, primarily agriculture and infrastructure. However, the Bank Group has not undertaken investment activities in the country since 1995 because of the country's non-accrual status. Instead, it has been providing technical and emergency assistance and capacity-building support and undertaking studies since the imposition of sanctions, using ADF grants and, lately, resources from the Fragile States Facility.

1.1.2   The Bank Group has started to engage with South Sudan since the region became an autonomous self-governing entity as provided for in the Comprehensive Peace Agreement signed between the Government of Sudan (GoS) and the Sudan People's Liberation Movement (SPLM) in 2005. The Bank Group is likely to intensify its engagement in South Sudan, which became an independent sovereign country on 9 July 2011, following the results of the self-determination referendum of 9th January 2011.

1.1.3   On account of its future engagement in the post-independence South Sudan, it is imperative that the Bank deepens its knowledge of the country in order to fully understand the prevailing political and economic processes for appropriately situating the context for its development interventions.

1.1.4   Against this background, the Bank has commissioned the present scoping study which seeks to understand the main trends characterizing the transition to statehood and the evolution of the political economy of the new state of South Sudan, and to highlight the major challenges of both peace and state building.

1.1.5   The overall objective of the study is to deepen the Bank's knowledge of the political economy of South Sudan, and to facilitate the development of its own strategy for the country consistent with its mandate. The specific objectives of the study are:

1. To gather information about the political economy of Southern Sudan on peace and security, political governance and institutions, management and allocation of resources, economic governance, human and institutional capacity gaps, power dynamics and decision making processes as well as international relations;
2. To examine the future relations between the two republics of Sudan and Southern Sudan and the prospects for cooperation and/or integration, and identify some of the major risk factors surrounding this relationship;
3. To highlight the critical areas where the government of South Sudan is in dire need of support;
4. To appraise the potential contribution of South Sudan's development partners and the role of external aid; and

5. To inform the Bank's future operations in South Sudan by proposing areas of and a strategy for intervention in line with its mandate.

1.2   The Context

1.2.1 Upon the commencement of this study, the end of the CPA interim period was only one month away and Southern Sudan was preparing for the transition of the region into an independent sovereign state on the 9th July 2011. During the course of the research study, the

negotiation process on South Sudan's application to become a regional member country of the Bank had already started.

1.2.3   Since the opening of the Sudan field office in Khartoum in September 2007, the Bank has stepped up its engagement with the region of Southern Sudan in both the pre- and post-referendum periods. During the interim period, the Bank has been engaged in a number of efforts aimed at dealing with the complex geopolitical and socio-economic situation of the country, including the formulation of a comprehensive operational strategy for South Sudan. The Bank Group is being looked upon by all concerned parties to assume a greater role in the new state. The Government of South Sudan (GoSS), for instance, has requested the Bank Group to provide greater support in capacity building and technical assistance in the areas of public financial management, infrastructure and agriculture.

1.2.4   Towards the end of the interim period, the Bank was vigorously engaged in economic and sector work with a view to making informed and evidence-based decisions on policy issues. Support has, thus, been provided to a number of government-identified priority areas: 1) economic growth, poverty reduction, taxation, procurement and public financial management, and recruitment of a technical assistant (TA) to draft a public procurement policy, law and regulations, as well as a TA to act as an economic advisor to the Minister of Finance, 2) financing training programs in auditing, accounting, procurement, management, and budgeting, and 3) strengthening the capacity of the Cash Management Department at the Ministry of Finance and Economic Planning (MoFEP). In the last few years, a number of country dialogue missions were conducted in South Sudan, including one headed by the Vice President Operations: Country and Regional Programs and Policy. The objectives of these missions were to discuss with the government and development partners the government's core functions, national development plan, and aid architecture, and to reach agreement on strategic issues for the Bank's current engagement, with a view to defining a niche for the Bank Group's future interventions.

1.2.5   Thus, following the referendum , the Bank deployed a Principal Country Program Officer to establish links with the government of South Sudan and coordinate ongoing activities with development partners. An extended mission has also been fielded in Juba. The scope of the mission's work encompassed: the preparation of an "*Infrastructure Needs Assessment Study*" for the critical infrastructure sectors of transport, energy and water and sanitation, leading to the preparation of an *"Action plan for Infrastructure Development",* provision of background information and preparation of integrated reports on the status of Southern Sudan's Agriculture and Rural Development sectors, and interaction with the government policy makers and other development partners in Southern Sudan, in an attempt to enhance the presence and effectiveness of the Bank in Southern Sudan.

1.3   Methodology

1.3.1   To meet the objectives of the assignment, the report has adopted a multi-pronged methodology, pursuing a combination of relevant methods and approaches of data collection, including both primary and secondary information sources. The assumption here was that secondary sources could complement and help clarify any information gaps emerging out of the primary source data. Work began with a review of all relevant Bank documents provided by the Fragile States Unit (OSFU), as well as South Sudan government's policy documents, donors' reports and commissioned studies, and evaluation reports; available academic books and articles of relevance authored by both foreign and Sudanese scholars were reviewed as well as related websites have also been consulted.

1.3.2   A field mission was subsequently undertaken to Khartoum and Juba. In Khartoum, some of the SPLM leaders and holders of constitutional posts were interviewed, while in Juba, discussions were held with senior government officials, many of whom are also historical SPLM leaders, SPLM cadres, selected development partners, organizations and individuals. A significant number of ministers, undersecretaries, and directors of government departments as well as key leading figures of the Juba-based development partners, notably; the UNMIS Deputy Resident Coordinator, and the UNDP Head Office were also interviewed. Furthermore, the mission also held discussions with a number of South Sudanese intellectuals, and young civil society activists[1]. All these interviews were conducted in Juba during the field visit in the period 11-25 June 2011. A list of persons met is provided in Annex II.

1.3.3   Data collection has, however, been constrained by the absence of many senior government figures who were participating as part of the SPLM delegation to negotiations on the CPA outstanding and post-referendum issues in Addis Ababa. The travel of senior staff of some donor organizations either on leave or on mission, in addition to the busy schedule of others, has made it rather difficult to conduct in-person interviews. Overall, it is worth noting that a more intensive field work is further needed to elaborate on some of the key and rapidly developing issues.

1.4   Outline of the Report

Following this introductory section, the report is organized as follows:

1.4.1   Section 2.0 provides a historical perspective of the evolution of South Sudan's political and economic relations with the power centre in Northern Sudan. Section 3.0 briefly explains how the CPA represents a turning point in the history of these relations by granting South Sudanese the right of self-determination and the establishment of their cherished objective of an independent sovereign state. Section 4.0 examines the challenges to sustainable peace and the stability of South Sudan in its transition to statehood consequent on the divorce from the North. Section 5.0 furnishes an introduction to the overwhelming post-independence agenda facing the Southern ruling elites in the process of nation and state-building and the dire need for the appropriate capacity and tools for dealing with these challenges. Section 6.0 focuses on the internal conflicts and threats to security and efforts of reforming the security sector. Section 7.0 discusses the issues of democratic and political governance; including the pertinence of political accommodation, power dynamics and decision-making, identity conflicts, inclusiveness and decentralization, and the role of the SPLM in managing the post-independence transition. Section 8.0 examines the imperative of good governance for the delivery of peace dividend to the aspiring citizens of South Sudan. The section appraises the government planning process, growth strategy, and private sector development strategy. It also analyzes the oil-dependent nature of the economy, the skewed pattern of resource allocation, and the need for developing the agriculture and infrastructure sectors. Sections 9.0 and 10 scrutinize the human and institutional capacity deficits in public sector management, in particular oil, financial and macroeconomic management, as major challenges to accountable and transparent governance. Section 11 discusses corruption and ethnicization of the public sector as two major factors that hinder good governance and the effective functioning of the state's institutions. Section 12 explores the external relations of the new state of South Sudan and the importance of maximizing the interdependences with the Republic of Sudan, while maintaining balanced relations with the neighboring African

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[1] List of persons met is in ANNEX II.

countries, the rest of Africa, the Arab world, and the West. Section 13 examines the role of development aid and donors' contribution, and the new state's continued need for support of development partners in line of the identified government priorities. Section 14 attempts to define a niche for the Bank's engagement by proposing areas of intervention. Section 15 concludes.

2.0 History: The Political Economy of Resistance and Perpetual Conflict

2.1   Together with other peripheral regions in western and eastern parts of the country, South Sudan has been subject to the political, economic, and cultural hegemony and marginalization by the apparatus of the Sudanese state in the centre. Indeed, politicians of the North were not so much concerned with the people of the South as they were with South Sudan as a real estate and a resources base. Thus, the region's predominantly rural, subsistence economy has been devastated and negatively affected by two episodes of civil war (1955-72, and 1983-2005), resulting in serious neglect, lack of infrastructure development, and major destruction and displacement. More than 2 million people have died, and more than 4 million are internally displaced or become refugees in neighboring countries, as well as in various parts of the world. Though Southern Sudan had been the main theatre of civil war, ominous flashpoints also existed all over the peripheral regions of the country, notably in the Nuba Mountains, Southern Blue Nile, Abyei, eastern Sudan, and Darfur.

2.2   Until the first quarter of the 19th century, North Sudan had witnessed the emergence of indigenous, independent, successive or concurrent, states, while many tribal kingdoms proliferated throughout the South. The process of encompassing the current territories as a "nation" state began with the Ottoman Empire's occupation (1821-85) and control of Northern Sudan, and its subsequent extension into the south, and was completed during the British colonial rule (1898-1956).

2.3   The evolution of the Southern identity of resistance only began during the Turko-Egyptian rule, a time when the South became a hunting ground for slaves. Consequently, prior to the Turko-Egyptian adventures into the South, there had been no political alliance or unity between the North and the South. The economic policies of the Turko-Egyptian government contributed to the exploitation and subjugation of the South, and gave certain sections of the Muslim and Arab-speaking population of the North a personal stake in the exploitation. This, in turn, resulted in sowing the seeds of violence and resistance, a legacy that has continued to hamper North-South relations to this day.

2.4   The Mahdist revolution, initially perceived in the South as a liberation movement for the country, turned to be a regime of exploitation from the North. The Mahdists carried their *jihad* (holy war) in South Sudan in close cooperation with the slave traders. Thus, the Mahdia (1885-98) failed to spread Islam up the Nile, while creating a legacy of distrust and fear and a tradition to resist the imposition of alien ideas and customs upon Southerners[2].

2.5   Paradoxically,   while   the   British-dominated   Anglo-Egyptian   Condominium administration embarked in 1898 on unifying the country, it decided to administer the North and South separately. This dual system reinforced Arabism and Islam in the North and encouraged Southern development along indigenous African lines, while introducing

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[2] Francis Deng (ed.) (2010) New Sudan in the Making: Essays on a Nation in Painful Search of Itself, The Red Sea Press, Inc., Trenton, p. 66.

Christian missionary education and rudiments of Western civilization. For the British, the Sudan was two countries in one[3].

2.6   The most significant factor of concern in the separation of the South and the North – which continues to affect the relationships between the two peoples – was the colonial concentration of economic, political and administrative development in the North at the expense of the South, thereby creating socio-economic and political disparities between the two regions. Education was a major element in the context of this uneven development[4]. Owing to the policy of absolute exclusion, the access of the South to education was limited to missionary education, which discouraged Southern Sudanese from engaging in politics, political debate and action, while Northern Sudanese had the opportunity to have a political platform and were exposed to the outside world (chiefly, Egypt and the rest of the Middle East).

2.7   The gap between the South and the North – which over the years widened in most respects – was heightened through the exclusionary practices against South from the political process vis-à-vis the quest for independence. Not a single southern party or politician was invited to the 1952 Cairo meeting that was hosted by the Egyptian government to negotiate self-rule arrangements, as if Southern Sudanese had no say in the destiny of their own country[5]. Northerners aspired towards integrating the South into a unified state structure and constitutionalism in their own image and by their own design, and thus were oblivious to the legitimate demand, and their own pledge to fully consider Southern Sudanese Members of Parliament for a federal government for the three Southern Provinces. Thus, the lack of clear recognition of the political leaders of the North to the concerns of the South gave birth to the first civil war in the country, the beginning of which can be traced to the violence which erupted on 18th August 1955 in the Southern town of Torit, less than four months before independence. The war was led by the South Sudan Liberation Movement and its military wing, the Anya-nya, and aimed at the independence of the South[6].

2.8   The successive Northern post-independence parliamentary and military governments failed to peacefully resolve the conflict until it was settled seventeen years later for an autonomous South under the 1972 Addis Ababa Agreement, during the military May regime of President Nimeiri (1969-85). Although the regional authority granted by the Agreement was somewhat limited and to a significant degree depended on the backing of the President Nimeiri, it turned the sentiments of the South from separatist aspirations to a genuine commitment to unity. Less than ten years later, however, President began to gradually unravel the Agreement as he built bridges with the Northern opposition. Thus, he started the unlawful policy of removing troops from the South to the North in contradiction of the Agreement and derailed the democratic process in the South by dissolving legally elected regional governments for the South in 1980, 1981 and 1983, all of which violated the constitution and laws. The final strike occurred when Nimeiri divided the South into three regions, weakened their powers, and imposed the Shari'a laws in September 1983. In addition, during the short peaceful respite (1972-83) political leaders both in the North and South were preoccupied with power politics. With little attention paid to socio-economic development, the South continued to suffer from marginalization and deprivation in all aspects of life, while institutional and physical infrastructures remained in a debilitated state.

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[3] Ibid. p. 68.
[4] Mansour Khalid (2003), War and Peace in Sudan: A Tale of Two Countries, Kegan Paul, London, p. 21.
[5] Riek Machar (1995), South Sudan: A History of Political Domination- A Case of Self-Determination,
University of Pennsylvania, African Studies Center.
[6] Ibid

2.9　　Given the worsening situation, a new rebellion was born with the name of Anya-nya Two, a revival of the original Anya-nya One. The renewed rebellion began to mobilize the South into a full-fledged return to a liberation struggle under the leadership of the Sudan People's Liberation Movement/Army (SPLM/A). This time, however, the objective was to create a New Sudan free from any form of discrimination on the grounds of race, ethnicity, religion, culture or gender, and that would challenge the Arab-Islamic hegemony over the whole country, not just over the South.

2.10　　Following the fall of Nimeiri's regime, both the transitional government (1985-86) and the short-lived parliamentary regime (1986-89), failed to put an end to the civil war, which expanded to incorporate areas in the geographical North (Abyei, Nuba Mountains and Southern Blue Nile). The military coup of 1989 led by the National Islamic Front (NIF), which would later become the National Congress Party (NCP), political Islam emerged as a major force in the centre of Sudan's politics, turning war in Southern Sudan into a *Jihad* (holy war)[7]. The only solution the Islamists had for addressing the "Question of the South" was forcible Arabicizsation and Islamicisation. It was this intransigence on the issue of state and religion, on the one hand, and the internal contradictions in the evolution of the liberation struggle, on the other hand, which pushed the SPLM to insist on demanding either a secular constitution or alternatively the right to self-determination not only for the South, but for all the territories in the North that fell under its control.

2.11　　This contention, however, did not dissuade the ruling regime from ceasing efforts to explore windows of opportunity for reaching a peace agreement with the SPLM! Thus, while the war was raging, negotiations between the GoS and the SPLM for a peaceful settlement began to gather momentum under the auspices of IGAD and on basis of its Declaration of Principles (DOP) in 1994. Although the negotiation process was subject to various setbacks, resulting in the intensification of war in the years between 1998 and 2002, the prospects for decisive military or political victory of one side over the other diminished, and this came to be better understood by both GoS and SPLM/A. At the same time, the value of accepting some measure of compromise, as well as the risks of not doing so, rose greatly for both of them. A combination of internal dimensions, regional and international factors, including the emergence of Sudan as a producer of oil, increased the viability of a negotiated settlement.

3.0　　The CPA: A Turning Point in the Evolution of South Sudan's Political Economy

3.1　　The signing of the Machakos framework, on 20 July 2002, prepared the ground for reaching the Comprehensive Peace Agreement (CPA)- and its five Protocols[8]- between the GoS/NCP and the SPLM/A on 9 January 2005. The CPA, however, was as much the result of international pressure as it was a reflection of the will of the Sudanese themselves, who yearned for peace after decades of a devastating war. The international community, represented by the quartet (USA, England, Norway, and Italy) and partners (IGAD countries), was heavily supportive and involved in mediation and facilitation, and served as guarantors of the Agreement. Ending an over two-decade long war, the CPA is a turning point in the modern history of Sudan as it shapes current and future political developments in both Northern and Southern Sudan. It is a landmark in the historical evolution of the relations between the centre of the Sudanese state and South Sudan, as well as other marginalized regions in the country.

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[7] Mansour Khalid (2003), opcit, p. 199.
[8] These were: Power Sharing Protocol, Wealth Sharing Protocol, Security Arrangements Protocol, Protocol on the Resolution of Conflict in Southern Kordofan/ Nuba Mountains and Blue Nile States, and the Protocol on the Resolution of Abyei Conflict.

3.2   Thus, at the national level, the CPA offered a roadmap for democratic transformation from the existing one-party rule to a multi-party democracy, through to a mid-term free and fair elections during a 6-year Interim Period, and constitutional restructuring of the Sudanese state on basis of citizenship rights, following two decades of monopoly of power by the ruling party, the NCP. The overarching objective was maintaining sustainable peace, while giving priority to unity of the country as a preferable option by making unity attractive to southerners. However, the CPA also granted regional autonomy for Southern Sudan in a manner that verges on confederacy (without using the term), coupled with unprecedented wealth sharing arrangements, including equal shares of oil revenues during the interim period, while ensuring the participation of southerners in legislative and executive power structures at the federal, as well as the northern states, levels, including the position of the First Vice President of the Republic.

3.3   The CPA devised a constitutional framework, on the basis of a "one country-two systems" model, within which Islamic Sharia'a and Islamic banking would be followed in the North, while a secular constitution and traditional banking would be adopted in the South. The Agreement also approved the existence of two forces, SAF and SPLA during the interim period, with the formation of Joint/ Integrated Units (JIUS) consisting of equal numbers from SAF and SPLA. Above all, the CPA granted Southerners the right of self-determination to be exercised in a referendum at the end of the interim period. It attended to the problem of Abyei by assigning a special status to the region by keeping its administration under the Presidency of the Republic, until the people of Abyei determine, in a separate referendum to be organized simultaneously with the Southern Sudan referendum, whether they want to remain in the North or be part of southern Sudan. The CPA also resolved the conflict in the two transitional areas of the Blue Nile and South Kordofan through a special protocol for the people of the two areas to express their views on the CPA through a Popular Consultations process.

3.4   The Interim period was perceived to provide space for the two partners to the CPA, as well as the rest of the Sudanese political forces, to promote and foster a Sudanese commonality that would eventually lead either to "A Transformed Democratic United Sudan" or split of the country into two independent states through the free vote of Southerners in the self-determination referendum. The only assurance for realizing the transition to a genuine citizenship-state, and for making unity "attractive", was through honest and genuine implementation of the CPA in a way that would allay Southerners' fears of continued subordination, marginalization, and disenfranchisement, and guarantee their freedom, equality, and justice. The implementation process of the Agreement, however, has ostensibly reflected the conflicting interpretation, perception, and understanding by each partner of its terms and objectives. Thus, the implementation of the CPA had been hampered from the start by potentially serious tensions between the two partners leading to widespread concerns. Besides, the sudden death of Dr. Garang only three weeks following the commencement of the interim period (30 July 2005) further caused a slow implementation by both partners.

3.5   Moreover, "nationalists" in the South, within and outside the SPLM, were only concerned with the self-determination referendum as an "exit" opportunity for realizing the aspirations of Southerners in asserting their identity and human dignity by opting for separation. Given the history of un-met promises in the North/ South peace deals, it may be possible to understand the doubts in the minds of the Southerners with regards to the benefits to Sudan's unity or about the NCP's resolve to live up to the CPA. The international donor community also played a role in creating a favorable environment for the partition of the country. A mixed blend of all these factors has predictably pushed Southern Sudanese to overwhelmingly vote (over 98%), at the 09 January 2011 self-determination referendum, in favor of secession and the establishment of South Sudan as an independent state.

4.0   The Transition to Statehood

The Secession from the North: Challenges to Sustainable Peace

4.1   The proclamation and recognition of the Republic of South Sudan as an independent 6227sovereign state on 9th July 2011 remain remarkable achievements. It marks the first time in Africa that a state is formed through the free will of its peoples and not through colonial borders. The transition to independence and statehood, however, could be circumscribed by two sets of formidable challenges that are expected to mold the nature, character, and evolution of South Sudan's political economy.

4.2   First, the political economy of the new state will continue for a while to be shaped by the historical evolution of its relation with the power centre in Northern Sudan, in the context of the evolution of the yet unfinished Sudanese state-building process. On the one hand, the sluggish implementation of the CPA provisions has left a number of disputes unresolved, notably; border demarcation, Abyei, South Kordofan and the Blue Nile. The conflict in Darfur, albeit having no direct relation with the CPA, casts a shadow on the future of peace between the South and the North. On the other hand, against a backdrop of a long history of war and mistrust, the South has to equally reach amicable resolution of substantive issues consequent on the disengagement from a newly configured state in the North besieged with an uncertain future.

4.3   Secondly, the South is besieged by the daunting challenge of state-building with respect to both legitimacy and accountability, in terms of democratic governance, peace-building and human rights, and the fulfilment of the state's core functions such as security and justice, service delivery, mobilization of revenues, facilitating economic development and employment generation.

4.4   If these challenges are not appropriately addressed, they constitute potential sources of conflict, thus threatening sustainable peace in the two states. The success of the ongoing discussions between Khartoum and Juba in finding solutions to these challenges, and the decisions taken by South Sudanese on their post-CPA political framework, could well determine the success or failure of the transition and the country's long-term future. It is by having a harmonious resolution to these issues that the Two Parties shall be able to turn the liabilities consequent on secession into assets and make of the two states a model of good neighborly relations.

4.5   The African Union Peace and Security Council in October 2009 mandated the African Union High Level Implementation Panel on Sudan (AUHIP) to facilitate negotiations between the GoS and the SPLM/A of both the CPA's outstanding issues and the post-referendum arrangements. Since October 2010, the AUHIP has been working with the two parties to resolve these issues, ideally before the 9th of July. While some progress has been achieved in some areas, however, due to their intricate and complex nature it was agreed to continue the negotiations following the independence of South Sudan. Talks are progressing to date.

4.6   The ongoing negotiations under the auspices of the AUHIP have been guided by the Panel's overriding principle of promoting southern and Northern Sudan as politically and economically viable entities. The underlying premise of this principle is to work for, a future in which Northern and Southern Sudan remain politically, socially, economically and culturally interlinked, are stable, democratic, fair and prosperous societies, secure within their

borders, and at peace with their neighbours. Both states, therefore, have to gear up to addressing serious repercussions and important sequels on sustainable peace that shall ensue from secession. Informed by the Panel's vision, the two states have to devise measures that shall head off these repercussions taking into consideration the interlocked economic, political and social interests of the North and South.

4.7   Almost all ministers, senior government officials, SPLM leaders and cadres, and South Sudanese intellectuals interviewed, are of the opinion that maintaining peaceful coexistence and constructing cooperative relationships with the North is instrumental for the viability and stability of the South. In the words of the Head of National Intelligence and Security, "our biggest post-independence issue is managing the interdependency with the North and maximizing mutually beneficial relations between the two countries, underpinned by a win-win approach in a two-way flow. This comprises the issues of security. This is the most critical thing". However, this does not preclude others who believe that following independence, "the South is the South and the North is the North" and prefer to consolidate relations with East Africa.

CPA Outstanding Issues

4.8   **Abyei:** the question of Abyei, a region referred to as a bridge between the North and the South, has remained averse to any agreement between the two parties. Rejecting the decision of the CPA-based Abyei Borders Commission (ABC), and the award of the Hague Permanent Court of Arbitration (PCA), the region has turned into an area of continuous skirmishes and violent confrontations flaring up between the Sudan Armed Forces (SAF) and the SPLA, and prompted observers to dub the area "Sudan's Kashmir"[9]. Following an ambush by the SPLA targeting SAF and UNIMIS forces in the area, SAF invaded and occupied Abyei on May 22nd, 2011.

4.9   After talks in Ethiopia facilitated by the AUHIP, however, the parties on 20 June 2011 concluded an "Agreement on Temporary Arrangements for the Administration and Security of the Abyei Area". The agreement provides for the redeployment of all SAF and SPLA forces out of the area and its demilitarization. A new UN force with (4200) troops contributed by Ethiopia, the United Nations Interim Security Force for Abyei (UNISFA), will be responsible for security, alongside a new local police force. The area administration will be nominated and funded jointly by the two governments and overseen by a joint committee of the parties with AU facilitation. The final status of the area is yet to be determined. Until a permanent settlement is reached, Abyei continues to pose a risk to peace and stability and is potentially the most intractable of the problems facing North and South Sudan, thus a thorn in the back of the emerging state in the South and could become an element in the resumption of armed conflict between the South and the North.

4.10   In this regard, a well crafted consultation process on the desire of the Abyei people, as an option, to join the new state would be key to avoiding possible future conflict in the region. Some SPLM leaders recognise that, while Abyei still remains a Northern territory until its status is permanently settled, and that there is still a lack of clarity on the preparedness of the new Nation to suffer once again a new conflict on this issue[10].

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[9] Abyei: Sudan's Kashmir. Roger Winter and John Prendergast (2008). ENOUGH Strategy Paper 11. www.enoughproject.org

[10] The President of South Sudan, in his address to a meeting with the Abyei community leaders following independence, asserted that Abyei belongs to the nine Dinka Ngok chiefdoms.

Border Demarcation

4.11   Though agreement had been reached on delimitation of eighty per cent of the 1/1/56 border line (the standard accepted by the Parties in the CPA), differences remained with regard to five disputed areas along the boundary. There are risks attendant on failure to resolve the issue, particularly as these contested areas are reportedly rich in oil and mineral resources. Any tensions arising will lead to interruptions both in the annual migration of nomadic communities across the border and in cross-border trade, which may further fuel the conflict and could also cause a humanitarian crisis of sorts.

South Kordofan and the Blue Nile

4.12   These two transitional areas, (together with Abyei), assume strategic and political importance for sustainable peace, following the separation of the South. First, they incorporate grazing lands used by pastoralists on both sides of the North/South divide. Second, they are rich in agricultural land, mining, and oil (Abyei). Third, they represent the dividing line between two standing armies: SAF and SPLA. Thousands of combatants from these two regions fought the war with Southerners since 1983 and vast areas of the two states were under the control of the SPLA. During the peace negotiations, the SPLM/A insisted that these areas be included in either a secular democratic New Sudan or that their peoples be given the right to vote with southerners on whether to live within an autonomous Southern confederal region or to opt for secession.

4.13   In the face of Sudan Government's insistence that the two states of South Kordofan and Blue Nile are part of the North following the 1956 border lines, a compromise was reached, agreeing on "popular consultations", as a democratic right and mechanism to ascertain the views of the people of the two states on the CPA regarding the extent to which the agreement meets their aspirations. The consultations process should have been completed before 9 July 2011. The dangers posed by the consultation process in the two states include: 1) the need for new security arrangements as there are still thousands of SPLA "Northern" fighters in each state, 2) the ceilings of the expected people's demands regarding power sharing and the degree of autonomy from the centre, and 3) failure in securing the required majority in the legislature that would reflect the genuine desire of the SPLM constituency in each state.

4.14   The standoff over the election results in South Kordofan and the SAF decision to forcibly disarm the SPLA component in the JIUS stalled the consultations process, while triggering a large scale war in the region on 6 June 2011. There is also a very high level of tension and allegations by both sides of military build-ups in and around the Blue Nile state. The main problem that has resulted in the current war in South Kordofan is the ambiguity of the CPA Security Arrangements in dealing with SPLA units in the two areas, which are paradoxically manned by combatants from the North, while they have to deploy south of the 1956 borderlines by 9th of July. The rejection of the NCP leadership of a framework agreement, brokered by the AUHIP, between the GoS and the SPLM-North (SPLMN) for political and security arrangements in the two states, escalated the devastating war on the ground.

4.15   The recent formation of a military alliance between the SPLMN and two Darfurian rebel factions, using the four bordering Southern states as a rear base, will further fuel the longstanding mutual mistrust between the North and the South as each is accusing the other of

harbouring and supporting their enemies. This is likely to eventually lead to confrontation between South Sudan and the Republic of Sudan, thus exacerbating the fragile security situation, particularly in South Sudan. For example, the GoS/ NCP did not find it appropriate that President of South Sudan, in his speech on Independence Day, saluted the freedom fighters from Northern Sudan who joined the SPLM. The current political impasse regarding the future status of the two areas is a source of potential conflict, which, if not peacefully resolved, is an invitation to an all-out war between the two states, with far reaching implications for the whole region. While the Government of South Sudan has already endorsed the presence of a UN peacekeeping force (UNMISS), the GoS has adamantly rejected a proposal for the deployment of UN peacekeepers along the North-South borders.

Post-Secession Arrangements

4.16   A score of critical post-referendum (read post-separation) challenges, of direct bearing on the viability of the two states, needs careful political handling and have to be faced jointly by the Two Parties. Success or failure in finding a solution to these challenges shall determine the fate of the two states, particularly since neither the CPA, nor the INC, provided guidance in this respect. These are: citizenship and related issues, currency and banking, public service, security arrangements, national security and intelligence, international treaties and legal issues, debts, oil (production, processing, and apportionment of revenues, contracts, and environmental impact), water resources, and apportionment of assets and liabilities. The fact that the CPA has formally expired without resolution of these "final status" issues is, in and of itself, a threat to the political and economic viability of both states in the North and the South.

4.17   Indeed though the two parties have divergent views on many of these issues, the still-ongoing negotiations, facilitated by the AUHIP, have made some progress in terms of commitment and common understanding on:

- *Citizenship and Nationality*: commitment that nationals of the other state shall enjoy in each state the freedoms of movement, residence, work, and property;
- *Security Arrangements*: commitment to conclude an agreement on Border Security and the Joint Political and Security Mechanism (JPSM);
- *Borders*: commitment to maintaining a soft, but secure, border, with unimpeded movement of goods and people, and economic and social interactions across the boundary, and adopting an integrated border management approach;
- *Economic Cooperation*: commitment to a long-term cooperation in the management of water resources, using regionally and internationally accepted principles and standards.
- *Assets and Liabilities:* commitment by the Republic of the Sudan to assume responsibility for the debt and external assets, while the two States will undertake a collaborative campaign to obtain debt relief for Sudan's debt. Otherwise, the two states will then consider the apportionment of the debts and assets.

5.   Post-Independence South Sudan

Challenges to State-Building

5.1   Following the commencement of the CPA-premised interim period on 09 July 2005, government structures in South Sudan (GoSS), South Sudan Legislative Assembly (SSLA), judiciary and police force, and a human rights commission, were established. In April 2010, the President of GoSS, ten state governors, SSLA, and states' legislative councils, were all elected. Notwithstanding the establishment of these institutions, however, the situation in South Sudan following the declaration of independence on 09 July 2011 is in sharp contrast to the one that existed when British troops departed from the North in 1956. Sudan, at independence in 1956, inherited from the colonial rule a viable civil service, worthy judicial institutions, a well-functioning railway network, the largest irrigated agricultural scheme in Africa, a well-disciplined army and police force and a reputable educational system up to tertiary level. However, the new Republic of South Sudan will have to struggle with the challenges of building both institutional and physical infrastructure of a modern, civil state.

5.2   Most importantly, good political and economic governance, based on transparency and accountability, is the key for building a politically and economically viable state capable of articulating a common vision for national unity, and providing stability and dividends of peace to its aspiring citizens. The Southern leaders and intellectuals should learn from the lesson of their counterparts in the North who failed throughout the post-independence era to articulate a nationally shared vision for equitable development and democratic management of Sudan's multiple diversities, and to preserve the unity of the country.

5.3   The agenda facing the South Sudan's leaders and intellectuals in the process of nation and state-building is overwhelming, while they have to simultaneously deal with many problems, though they vary in terms of urgency. Discussions with government officials, political leaders, intellectuals, and donors, have highlighted a host of critical thematic issues that the nascent state has to address, and the dire need for the appropriate capacity and tools for their resolution require serious reflection on the part of the new state of South Sudan. In addition to the building of institutions and state structures, and physical infrastructure, there are three areas deserving utmost attention. The first problem is that of internal security, including identification of salient as well as latent causes for instability. Secondly, is the responsibility of the new state to guarantee the dividends of peace to the people of South Sudan. Third, good governance and integrity in public life represent the key to political stability and healthy economic growth as rightly maintained by GoSS in its own document on security sector reforms.

6.   Conflicts and Threats to South Sudan Security

6.1   Even though war was declared to be over by the signinge of the CPA-Protocol on Security Arrangements, persistent insecurity has continued to afflict various parts of South Sudan. Communities throughout the region remain vulnerable to violent conflicts. The continuation of this violence made GoSS appear incapable of providing security and inevitably diminished its ability to establish unchallenged authority over the area under its control. For building this authority, while ensuring human security, it is incumbent on the government to disband (or integrate) irregular armies as well as demobilize surplus forces. In turn, this calls for a revitalized inclusive Disarmament Demobilisation and Reintegration (DDR) process that would result in reduced access to small arms, thereby minimizing the potential for communal violence. To ensure the success of this process, the DDR activities, in

reality, should go hand in hand with reconciliation, diffusion of a culture of peace, and economic development.

6.2   Thus, for many years to come, South Sudan will struggle with the volatile combination of a "culture of war" and proliferation of, and easy access, to small arms. With too few productive opportunities for its large population of youth, lack of physical infrastructure, especially outside of urban areas, and chronic capacity deficits at all levels of government and society, insecurity will remain a critical concern across Southern Sudan. Conflicts due to the proliferation of small arms tend to result in more deaths, making them more difficult to resolve, particularly given the erosion of authority of traditional leaders and weak capacity of government authorities. Criminal cattle raiding and trading activity has become more common than in the past and is taking place on a commercial scale in some areas, with the proceeds benefitting leaders and hundreds of others in their networks.

6.3   Causes of this instability were customarily attributed to tribal propensity to violence, SAF, NCP-instigated border feuds, and the Ugandan Lord's Resistance Army (LRA). Most of the interviewees are aware that the imminent dangers to security, if not curbed, may lead the new state to join the league of failed states in Africa, and that after independence, Khartoum shall no longer be available as a scapegoat for internal conflicts in South Sudan. Internal conflicts are neither entirely due to external factors, nor due to innate ethnic hostilities, rather, they are symptoms of underlying political, managerial and economic causes. Although GoSS in the last five years had been doing its level best to resolve those conflicts, low-intensity violence and lawlessness continues to abide in some areas, such as Jonglei, Unity and Upper Nile states.

6.4   Equally, attributing rampant intra-tribal and inter-tribal conflict solely to tribalism shall not lead to a proper understanding, let alone solution, of the problem. Much research exists documenting the antipathy between various tribes. Further research, also suggests that some of the ethnic groups feel that they may have a prerogative to lead the South given the cardinal role their community is claimed to have played in the second civil war. Such claims have immensely contributed to cause disunion among communities and heightened hostilities between the two communities. There is a strong belief among enlightened Southerners, corroborated by research evidence that conflicts between tribes, though "demarcated along tribal lines", are attributable to manipulation of ethnic cleavages by political and military elites for self–serving purposes, as well as economic and environmental change, population movements, and access to and control of natural resources[11].

6.5   Although the CPA paid attention exclusively to the North-South conflict, attempts at South–South reconciliation protected by the SPLA have been on-going since 1999. During the interim-period, efforts led by the President of GoSS materialized in absorbing into the SPLA thousands of militia formerly aligned to the North, thus responding to the uppermost requirements of the people of Southern Sudan: unity and security. The relative stability achieved during the first half of the interim period, however, has degenerated, particularly following the 2010 general elections. Peace spoilers and tribally-based militia activities in some pockets have continued to resist GoSS authority, thus creating an atmosphere of instability, and need to be either confronted or accommodated. This is because these militia leaders have been able to secure salaries and power based on their potential as spoilers, which creates a perverse incentive for them to maintain their access to conflict resources. The

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[11] Field interviews with officials and civil society in Juba, July 2011.

engagement of potential spoilers was necessary for short-term stability, but now presents challenges for longer-term stability and democratization.

6.6   Senior SPLA officers, however, are of the opinion that such militias are not in a position to pose any serious threats to security as Khartoum will no longer tolerate having problems with the South as it will be not easy for them to do so. Therefore, the SPLA have made it clear that they will forcibly deal with any forces operating inside South Sudan intending to destabilise their hard-won peace. The Minister of SPLA Affairs (Defense) interviewed, provided the following insight, "it is quite evident from the latest renewal of the Amnesty offer to the militia groups by President Salva that our preferred course of action is dialogue. However, it is far from certain that these militia groups and particularly the Lam Akol/ George Athor faction will respond positively. After all, Beshir and the NCP are desperate to have some cards to play against us and I believe they will do everything possible to hold on to such groups. The real difficulty Beshir and those groups will have to contend with is how to sponsor subversive activities against the Republic of South Sudan without running the risk of having the militias forced back into the territory of the Republic of Sudan".

6.7   External sources of destabilization and threat to South Sudan's security, particularly those intricately related to historical conflict within the region, should not be underestimated. The LRA, for example, used region bordering between Uganda and Southern Sudan as a rear base for launching attacks on Ugandan communities, while staging attacks on villages in Eastern and Western Equatoria. Refugees and remnants from the conflicts and crises in the region also pose a potential threat of infiltration and exploitation by terrorists, armed groups, and criminal elements such as drug and human traffickers, and money launderers.

Challenges to Security Sector Reform

6.8   The ability of an independent South Sudan to provide security and justice to its people will be largely determined by the manner in which the security sector is transformed. The issue of security sector reform is currently debated under the Prevention and Security Pillars of the draft South Sudan Development Plan (SSDP), in a process of wider and intensive consultations at the level of the GoSS and the ten states, in addition to review by the donor community, civil society and NGOs. The leadership of the Ministry of Defence is also pushing forward the idea of creating an independent body to oversee the SSR program to ensure better results.

6.9   On the one hand, considerable progress has been achieved in the provision of security in post-CPA Southern Sudan and more recently for the 2010 general election and 2011 Referendum. Security and justice-related ministries and legitimate South Sudan security organizations have been formed, while relevant Laws, Acts, Policy Papers and Service Provision orders have been drafted. On the other hand, however, national government and state capacity to deliver security and rule of law in terms of necessary infrastructure, trained personnel, policy and legal frameworks and basic service delivery are not yet established in security or rule of law organizations. Above all, there is a lack of a National Security Vision, leading to a full National Security Strategy; and a National Security Architecture.

6.10   Moreover, the Minister of SPLA Affairs (Defence) indicated that this predicament has adversely impacted the SPLA in terms of its mandate and its long-term vision and strategy. First, until the capacity of the police forces is improved, the SPLA is burdened with the responsibility of policing and the provision of public and community security, a task the army is unprepared for. Second, the integration of OAGs came at a heavy cost to the professionalization of the SPLA. Making armed and unprofessional militias part of a regular army posed a threat to

discipline and professionalism in that army, but excluding them from the peace deal would have been a threat to peace itself. Besides, leaders of those groups inflated numbers of their forces to cater for non-military supporters and kinsmen. The haphazard integration of non–military elements into the SPLA complicated the transformation of a pyramidal military hierarchy, particularly when the integrated militias came with their own rank systems and command hierarchies. Third, inflating the ranks of the SPLA hampers realizing the objective of downsizing the army in line with the targets set by the SPLA Transformation Strategy.

7.   Political and Democratic Governance

7.1   In the aftermath of the CPA interim period, the GoSS will need to demonstrate that it can govern effectively by including the political opposition and civil society in the governance process and by becoming increasingly accountable to the citizens of South Sudan. Social, political and economic stability will depend on GoSS core institutions performing their functions sufficiently well to manage public resources effectively and distribute them equitably. Transparent governance will be critical to mitigate conflict fuelled by patronage systems that favour particular ethnic or socio-economic groups. The viability of the new state of South Sudan is, therefore, contingent on the promotion of multi-party democratic, decentralized and participatory governance. These principles are already enshrined in the Transitional Constitution of the Republic of South Sudan (TCRSS), which was passed on the eve of the independence proclamation. Controversy over some critical constitutional issues will continue to haunt the political discourse, and could well determine the success or failure of the transition to a permanent constitution and the long-term future of the country.

7.2   Political consensus is yet to be reached on a process of inclusiveness and political accommodation of the competing political interests and groups, and forging a shared national identity in order to better address the challenges of state- and nation-building. There are fears and concerns not only amongst opposition political forces, but even within the ranks of the SPLM, civil society groups, and the donor community, of degenerating into a centralized authoritarian one-party state, nurturing divisive tribal and ethnic proclivities, thus mirroring the observed patterns and governance concerns in post liberation governments across Africa. Ordinary South Sudanese would hate for their leadership to replicate the bad model of governance that has led to separation from the north. Besides, South Sudan has a golden opportunity to craft alternative and truly innovative governance frameworks that could be an example for other African countries.

Political Accommodation

7.3   Since June 2005, the SPLM-led government in South Sudan has initiated a series of South-South dialogue to debate and reach consensus on issues that would unite Southern Sudanese in their diversity. Efforts to foster dialogue and reconciliation were clearly reflected in the Juba Declaration (January 2006), which has created optimism and a measure of political stability in South Sudan. Despite important progress in creating a climate of unity in the South, this unity is potentially fragile, as recent political developments have demonstrated. Before the referendum, the GoSS had taken an encouraging step towards political accommodation by convening the All Southern Sudanese Party Conference in October 2010. The conference, which was attended by political forces, civil society organizations, and faith-based groups, reached consensus on post-referendum constitutional arrangements. These included an inclusive Constitutional Review Committee (CRC), an all party constitutional conference to deliberate on the permanent constitution for the new independent state and decide on the length of the interim period for a broad-based transitional government, under

the leadership of the President of GoSS, which will be charged with organizing general elections for a constituent assembly that shall promulgate the permanent constitution.

7.4   However, differences between the SPLM and the political parties on the composition of both the CRC and the transitional government derailed the process and prompted some of the political forces to withdraw from the CRC. The numerical dominance of the SPLM in the CRC in the opinion of these forces is a breach of the Conference resolutions and a step towards the consolidation of the SPLM power. Therefore, if some political forces feel that they were excluded from the constitutional review process, the question that poses itself is whether a coalition government could be formed after July that would include all the political forces of Southern Sudan. While opposition parties came forward with a seemingly unrealistic proposal of a 50-50 division of portfolios with the SPLM, GoSS President and Chairman of the SPLM has emphatically underscored his intention of forming an inclusive broad-based post-independence government, however, without proposing a specific formula. Most of the SPLM leaders I talked to are aware of the imperative of bringing opposition parties on board, but think that these entities lack bases of popular support, and that a few of them have militia armies that render them illegitimate political organizations.

Identity, Conflict, Power Dynamics, and Decision-Making[12]

7.5   Despite a widespread sense that the CPA has not met expectations in terms of service delivery and broader representation for South Sudan's diverse identity groups, southern Sudanese were united around the promise of independence. The shared focus on the self-determination referendum connected most southern Sudanese and their leaders and served as a very powerful conflict mitigating factor during the CPA implementation period. It also drew hundreds of thousands of South Sudanese to return to the South from the Diaspora, from neighbouring countries and from the North, in addition to the more than 2 million who have returned since 2005. It is also important to note that beyond the more or less united view with regard to North-South issues and the referendum, Southerners belonging to diverse ethnic groups, clans, and sub-clans lack a unified identity as "South Sudanese" and tend to identify themselves and others first by their clan/sub-clan or ethnic group, then according to other intra-community cleavages, such as returnees from other countries as opposed to those who stayed in Sudan during the conflict[13]. These are differences that have led to disparities in education, wealth, and access to employment opportunities, and that sometimes lead to tensions within and between communities

7.6   For the most part deeply ingrained patterns of grievance provide the context for decision-making and power relationships in the GoSS. Underlying ethnic and regional cleavages continue to provide a motive; actors who mobilize these grievances and have the organizational, financial and other capacities to organize and direct violence (the means); and trigger points that provide the opportunity for conflict actors to set violence into motion.

7.7   Patterns of conflict in Southern Sudan have developed over many decades and reflect layers of historical, social, political, and economic grievances that are both strongly tied to ethnic identities and readily mobilized in the post-war context. South Sudan is home to numerous ethnic groups, clans, and sub-clans, who continue to suffer from high levels of poverty, illiteracy, and food insecurity. The population includes a significant percentage of

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[12] This part, and the following part on inclusive and decentralized governance, draws much from discussions with, and solicited written notes by Paul Nantulya, Technical Advisor, CRS East Africa Regional Office (Kenya).
[13] Ibid.

youth, which can be described as a "youth bulge". Decades of war and displacements have altered, perhaps permanently, the demographic map of Southern Sudan, leading to a mismatch between traditional, tribally-based ideas about settlement and access to resources, such as land, and new patterns of settlement driven by wartime displacement in some cases sustained in the post-war period by various economic and security interests of the resettled populations and post-war urbanization. These contradictions have yet to be reconciled.

7.8   High expectations of the South Sudanese population for "peace dividends" in the form of development, security, and representation for the South's marginalized peoples following the 2005 CPA remain largely unmet. Patronage, low capacity, and accusations of corruption within the GoSS limit efforts to improve delivery of basic services, such as health, education, and security. As in other post conflict situations, those who fought for peace expect to be rewarded. Mainly, this system uses government salaries, for little or no work performed which further drains government resources that otherwise might be used for service delivery.

7.9   Much as South Sudanese contend that patronage and containment policies have indeed contributed to greater short-term stability since the signing of the CPA, they have also undercut principles of merit-based public administration and democratic governance, heightening grievances among the general population and those left out. There also seems to be an impression that persons of Dinka origin form the majority in the SPLM, SPLA and GoSS and this seems to further feed the sense of exclusion by other ethnic groups[14]. Beyond majority support for the referendum and separation from the North, there is a lack of unified southern identity. Instead, individual ethnic, clan and even sub-clan identities influence perceptions of representation, inclusion, and exclusion. This is exacerbated by physical isolation of many rural areas due to lack of roads. In this environment, politics quickly become ethnically charged and increasingly viewed as a zero sum game, in which political elites provide resources to their ethnic or clan constituencies, either through formal institutions or patronage (jobs). This is the context which drives power relationships, policy priorities and decision-making.

Inclusive and Decentralized Governance

7.10   The main reason for the South Sudanese people's disillusion with the currently applied federal system (decentralized) is the absence of real power devolved to the states, let alone the local levels of the administration. The experience of the South, with even semi-confederal status, is fraught with the same challenge of power "de-concentration" rather than real decentralization. Good decentralized governance presupposes inclusiveness, particularly involving women, in the centre of power, as well as real devolution of political and fiscal powers to the states and lower levels of the administration. In South Sudan, historical gender disparities in education result in a public service in which women are not proportionately represented. This will require time and affirmative action to rectify. However, the Transitional Constitution of South Sudan stipulates at least a 25% representation of women at all levels of government. Women constitute 22% in the present cabinet. Similarly, equitable geographical representation is crucial to fair distribution of the gains of development.

7.11   The establishment of formal governance in South Sudan has not met the expectations of South Sudanese in a satisfactory way. Economic and social development in the region is hindered by weaknesses in the local government system; ineffectively-executed mandates by overlapping government structures, waning public confidence in government institutions, and resource constraints.

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[14] Ibid.

7.12   As is the case in many African countries, local government territorial administrative boundaries tend to reflect ethno-geographic boundaries. Policies and procedures are unclear, poorly understood and not well applied. In the absence of a coherent system and process of policy formulation, monitoring and implementation, people have come to associate low levels of access to public services not with limited effectiveness of government institutions but rather with their ethnic group's limited political representation and access to power. In many of these cases, ethnic minorities have responded to poor service delivery by demanding their own administrative units and/or redrawn territorial boundaries. For example, in March 2011, the violence that erupted in Eastern Equatoria state seems to have begun from the perspective of inclusive government.

7.13   The decentralization challenge for South Sudan is to move to a system that takes the power of decision-making closer to the citizens; gives them more opportunities to hold the government accountable; improves political accommodation of various (tribal) groups; provides effective service delivery and maintenance of law and order. The recently approved Local Government Act (LGA) has laid down the foundation and the structure for this new system. However, the translation of the Act into reality has unveiled a number of gaps that need to be filled, if decentralization is to gain hold on the ground. First, the Act has not been properly harmonized with other sources of local government legislation, the constitutional provisions and local customs and traditions. It fails to set boundaries for legislative powers at the county level, thereby creating grounds for severe conflicts between county administrators and higher structures of local government. Second, the Act outlines a complex array of institutions and positions without delimitating their functions, allowing a high degree of overlap. An example of this is the failed attempt to define different types of local government councils (rural councils, urban councils and industrial councils). It offers no practical difference other than labelling them with different titles (city council, municipal council and town council). Third, in general, the Act needs elaboration of significant matters, such as devolution of powers and creation of new counties. In particular, as the Act authorizes the delegation of authority without any restriction, this has made it difficult to hold local authorities accountable for their actions.

7.14   Another aspect that requires clarification is regarding the creation of new local government units: while the Act states that it depends on the size of the territory, population, economic viability, common interest of law and communities, and administrative convenience and effectiveness, it does not set any minimum for each criteria. In addition, according to the regulatory framework, public services in the 10 states of South Sudan are to be provided through the lowest tier of government (i.e. county, payam and boma). However, the Act is quite vague in defining the primary responsibilities of the local governments as it does not specify which specific services should be provided by counties in terms of education (primary or secondary), health or sanitation. While both the Constitution and the LGA grant explicit revenue generation powers, the LGA does not sufficiently define rules regarding finances and revenues. It enunciates few principles of finance planning and lists taxes and revenues that can be used to fund local governments' functions, but does not set any parameter for taxes and local rates, giving excessive autonomy to each local government to set rates without any limit. The legislation does not provide any reference to the principles that will be followed for the allocation of government grants to the local governments, and the ability of local governments to borrow or lend money is ambiguous.

7.15   In response to these challenges, UNDP conducted an assessment of the decentralized governance system (November 2005-January 2006), which showed a clear lack of dialogue, consultation and coordination within and between governance structures on many critical issues, including lack of clear policy framework on fiscal decentralization. Accordingly, the

government endorsed a UNDP proposal to establish the Governors' Forum of South Sudan (GFSS) to serve as a mechanism that would facilitate regular interaction between the GoSS and state governments and among the states. Since its formation in 2006, the GFSS convened eight times under the chairmanship of the President of South Sudan to review issues and policies mainly related to political, fiscal and administrative decentralization and reforms. Discussions showed that the Forum has become an inter-governmental mechanism for the state governors, the executive, and legislature, to come together and debate on critical development problems[15]. They openly criticize each other on issues of corruption, performance, and misuse of public funds, in a "peer review" fashion; each governor reports on progress made with respect to security, education, health, water and sanitation, rule of law and human rights and suggests recommendations and resolutions to be implemented at the state level.

7.16   Furthermore, some development partners indicated that this is the most focused program that produced results as the President of GoSS declared 2009 as the year for decentralization and instructed the Minister of Finance to affect transfers down to the county level. However, there are also problems of implementation regarding, for instance: a) devolution of powers as a result of the long tradition of each state governor or minister holding on to their power and feeling threatened if they relinquished part of it to other levels or institutions, b) lack of government officials' responsiveness to capacity-building and assumption of responsibilities by inclining to leave the load of work for the technical experts, and c) people assuming positions that do not fit their professional background or skill-set. The issue of public administration is a real challenge.

The Transitional Constitution: Issues to be resolved

7.17   The ratification of the SPLM-dominated SSLA of the draft TCRSS by majority vote does not seem to end the heated controversy over some of its provisions. While some opposition parties outrightly rejected the constitution now commonly known as the "SPLM document", strong differences even among senior leaders of the ruling party itself had to be negotiated and patched up before the draft was tabled for voting. **The following issues are still being discussed at the various levels of consultation:**

- Presidential Powers: the TCRSS gives the President excessive powers to "remove elected governors of the ten states and dissolve the elected parliaments and appoint new members". This is considered to concentrate power in the central government, thus contravening the autonomy of the states and contradicts the tenets of true democracy and decentralization. While the proponents contend that the use of these powers is conditional and only applicable to situations where national integrity and national security are threatened, the opponents are suspicious that such powers are susceptible to abuse since these conditions are not defined.
- The Term of the President and the Transitional Period: while there exist no term limits to the tenure of the President (and state governors), some opponents of the TCRSS are not comfortable with the four-year transitional period.
- Permanent Constitution Process: the TCRSS provides for a Constitutional Review Commission (CRC) to draft the permanent constitution, which will approved by a National Constitutional Conference (NCC), to be ratified by the National Legislature. Both the CRC and NCC are appointed by the President. This is considered as an executive-driven approach as opposed to an inclusive and participatory people-driven

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[15] Interview, UNDP Governance Program Specialist.

process, which can result in unnecessary concentration of power in the hands of the Executive. Besides, it is considered to be inappropriate to give a legislative mandate to a body with unelected members. The domination of the National Legislature by one political party renders it unrepresentative of all South Sudanese political interests. Opponents propose an elected Constituent Assembly to draft the permanent constitution, and to mandate a public consultation process on the draft constitution and a referendum in which the public votes to approve it.

- Decentralization vs. Federalism: some South Sudanese leaders and intellectuals, particularly Equatorians, believe that federalism or constitutional decentralization, rather than the current administrative decentralization or administrative devolution of duties, is the most appropriate governance system for South Sudan. The proponents of federalism are not sure why South Sudanese demanded federal arrangement in the Interim Period between Khartoum and Juba, but not between GoSS and the ten states of South Sudan. The debate over federalism vs. Decentralization will figure prominently in the permanent constitution drafting process.

- The Structure of Parliament: the TSRSS introduces an upper chamber of Parliament (The Council of States), whose members will be elected through their respective States Assemblies, in what appears to be an effort at wider inclusion. The opposition, however, is of the opinion that the only reason for this action is to recognize and accommodate the SPLM representatives in the Council of States at the national level. In any case, many people believe that any decision to restructure the legislature, as to whether it will be unicameral or bicameral should be left to the drafters of the permanent constitution.

- Expansion of the National Legislature's Membership: the TCRSS provides for the incorporation of the 96 elected members (mostly SPLM) of the National Assembly in Khartoum into the National Legislative Assembly (NLA), while adding the 20 South Sudanese who were representatives in the Council of States of the Republic of Sudan to the Council of States. The TCRSS also provides for the President to appoint additional members, not exceeding 66, to the NLA. Ostensibly, the rationale behind the expansion of the National Legislature's Membership is to ensure a measure of inclusivity and a more adequate representation of South Sudanese interests. From a different perspective, however, since the majority of the added elected members are representatives of the ruling party, even if all the 66 appointed members to the NLA represent the rest of the political forces, the SPLM will still dominate the legislature.

Management of the Transitional Government

7.18   The SPLM, as the ruling party and dominant political force, is faced with the daunting challenge of managing both the transition to democratic and decentralized governance, and the multiple ethnic, religious, cultural, and socio-economic diversities of South Sudanese society. Success in addressing these challenges hinges, first, on the degree to which the SPLM opens the political space and allow a genuine multi-party system to take hold, and second, on its ability to transform itself from an armed liberation movement into a broad–based democratic party by reinvigorating its vision of the New Sudan.

7.19   The foregoing constitutional review process was dampened by continuous debates amongst the political parties on certain key governance issues. The rest of the transitional period and the forthcoming permanent constitution process, however, avails the SPLM with the opportunity to bring together the political parties in the country around a "new minimum consensus" that can bring the disparate interests of the country together and pave a democratic

way forward. As such, broadening this debate to capture the totality of issues that South Sudan will have to deal with as it enters formal statehood will be instrumental.

7.20   There are currently over 24 political parties in South Sudan, which are in general organizationally weak, and while few have substantial followings, party bases are often limited to a specific regional or ethnic dimension. Thus, regulation of political organization and activity commensurate with democratic governance is an urgent priority for the management of the transition. First, in order to give a real meaning to political accommodation the new state should consider respecting best practices in the formation of political parties' in the form of widely accepted Act or Code. Such a Code would respond to accepted practices related to the minimum number of party adherents across different states before it is registered; having an established programme of activities; transparency in sources of funding; and ensuring by-laws that govern party operations. Second, while there is no agreement between the SPLM and the opposition about when the next elections are due, the government should draft and adopt electoral legislation in the near future, prioritizing an Act dealing with the formation of election management body. Third, serious consideration ought to be given to the choice of an electoral system because it can significantly influence the representativeness of the legislative assemblies. A simplified version of the "mixed" parallel system, used in 2010, may be appropriate.

7.21   The SPLM remained a national party espousing the vision of a New Sudan united on "new bases", structured into Northern and Southern sectors, until a de-linkage was endorsed by the Movement's Political Bureau (PB) in February 2011. Many of the SPLM cadres in South Sudan feel that if the CPA objective of restructuring the whole Sudan in order for it to become home for all Sudanese has not happened at the national level, a similar task awaits the new state, namely to unite South Sudanese in their multiple diversities. The same PB meeting underscores the importance of maintaining a viable and functional SPLM in the Two States guided by the vision of New Sudan in the interest of peace, stability, good neighbourliness and prosperity for the Sudanese people.

7.22   In the words of a veteran SPLM leader, and political advisor to the late leader of the Movement, as well as to the current Chairman, "much as the Sudan writ – large needed Garang's vision to unify the country on new basis across multitudinous divides, so would South Sudan need that vision to transcend ethnic, linguistic, religious and cultural cleavages. That vision, it was repeatedly observed, was designed to create a badge of identification for Sudanese "nationalities" superior to parochial attachments, ethnic chauvinism and primal loyalties."[16] The SPLM will need to look beyond the narrow fences of the party to the greater South Sudan in order to achieve its vision of a true citizenship-state of freedom, equality, justice, peace, and prosperity for all.

8.   The Peace Dividend: The Economy and Imperatives of Good Governance

8.1   The people of South Sudan have shown extraordinary resilience in emerging from a civil war that lasted over two decades. Those people did not only aspire to see a new flag raised, or their political leaders ensconced in power. Before everything else, they wanted to live in peace and dignity. 50.6% of the people of South Sudan are below the poverty line, with a gnawing gap in poverty levels between classes and within regions. According to UNDP, recent surveys have shed light on the massive level of poverty and deplorable human development situation

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[16] Dr. Mansour Khalid, Unpublished Draft Manuscript, Chapter 10, P. 20

in South Sudan. Realistically, most, if not all, the goals will fail to have been met by 2015. National capacities and institutions need to be strengthened to achieve the MDGs. The population expects marked improvement in social services, especially health, education, reliable clean water supply and sanitation, livelihood opportunities, and power and roads infrastructures. People returning to South Sudan in their hundreds of thousands, predominantly from the North, are contributing to a growing demand on already overstretched essential services, thus putting additional strains on poor communities. Thus, absorption and reintegration of returnees, and catering for their land, housing, and infrastructure needs, is another challenge. It is the inability of the ruling elite to deliver these functions and public goods to people that gave rise to the description of South Sudan as a fragile or failed state-in the making. It is worth noting that 72% of the population is comprised of youth under the age of 30 years. The population is characteristically rural, female and young with considerable potential that can be engaged in contributing to the socio-economic development of the whole country. All ministers, senior government officials, donors, observers, and the consulted development literature on South Sudan, concur on these formidable challenges that the new state must address.

8.2   Employment and Job Creation: With only 10% of the workforce officially employed, job creation is a top priority for the new country and is key to stability and social Justice. Conversations with ministers and government officials have indicated that GoSS is committed to delivering jobs and services. It was also frequently suggested that the best way for South Sudan to achieve these goals is through the development of a strong, broad-based and competitive private sector. GoSS Growth Strategy underscores the focus on growth in the agricultural sector since the majority of the people of South Sudan live in rural areas and are engaged in smallholder agriculture, farming livestock and fishing. The Undersecretary of the Ministry of Labor and Public Service emphatically remarked that the demand on public service employment is too overwhelming to be absorbed. Furthermore, discussions indicated that the private sector should be strengthened for job creation, particularly in SMEs, agriculture, and road construction, and the need to open opportunities for short-duration skills training and employment support through temporary job creation activities. An SME fund geared at facilitating the growth of business with strong local content would be highly beneficial for job creation and income promotion. The Ministry has also introduced some employment creation programs consistent with the ILO track strategies, though with varying degrees of success. One of them, for instance, is the Stabilization of Income Generation and Emergency Employment. This program includes emergency temporary jobs by cash-for-work and immediate public employment services. Another program is the Local Recovery for Employment Opportunities and Reintegration. This aims at expanding private sector and direct employment support services such as financial management and micro-finance.

8.3. Paradoxically, notwithstanding the abundant natural resources and unrealized investment potential enjoyed by South Sudan, the economic situation is still fragile and the economy is unsustainable. The success of the post-independence state to effectively manage the transition and deliver the peace dividends hinges on its capacity to address both overarching structural problems and key priority issues, while engineering the institutional good governance mechanisms to ensure that this transformation becomes intrinsic.

The Government Planning Process

8.4.   The GoSS strategic response to the challenges facing South Sudan is outlined in the South Sudan Development Plan (SSDP) 2011-13, which is now under consultation and review. The SSDP will provide an overarching vision for the country's economic and social development priorities and will prepare the ground for a fully fledged five-year plan The SSDP will follow the requirements of an interim Poverty Reduction Strategy Paper (iPRSP) and will build on the existing GoSS policy positions (Vision 2040 and GoSS Growth Strategy) and the various existing sector plans and the 2010 Action Plan to address core government functions. It represents a comprehensive framework of goals, objectives and performance targets, action plans to pursue them, and the related allocation of resources.

8.5.   Development partners have been associated with the process and are providing input to the Plan. This process is running in parallel with the revision of the GoSS Aid Strategy, which will be incorporated in the SSDP. The SSDP has four main objectives that correspond to the four pillars around which it is structured:

1. Governance- building a transparent and accountable state–developing accountability and promoting anti-corruption activities are prominent priorities;
2. Social and Human Development - progressively accelerating universal access to basic social services with the aim of building human capabilities;
3. Economic Development - achieving diversified and sustainable economic growth and development which improves livelihoods and reduces poverty;
4. Conflict Prevention and Security - defending the sovereignty and territorial integrity of South Sudan, upholding its constitution and securing the dividends of peace by seeking to prevent the resurgence of conflict, providing equitable access to justice and maintaining law and order.

8.6.   The SSDP sets targets and includes cost estimations for each of them, and as such is linked with the GoSS sectoral planning process and its annual budget. The SSDP represents a substantial step forward towards a South Sudan poverty reduction strategy. The Plan still needs to be more prioritized and more strategic, and to be translated into budgeted work plans. It is hoped, however, that the anticipated outcome will reflect a consensus among GoSS and development partners concerning existing needs and priority targets on which both actors will come to agree.

8.7.   **Evaluation**: the government is currently undertaking a comprehensive evaluation of the structures of government to find out to what extent the current GoSS and lower level government's structures, systems, performance, and behavior of workers, facilitate the achievement of effective and efficient implementation of policies and projects/programs and foster accountability, transparency, and team work. The findings of the study are to inform government in restructuring of the government system in post-independence South Sudan. A Minister without Portfolio, at the Office of the President, has been entrusted with leading the evaluation exercise and chairs a Ministerial Committee responsible for supervising the work. The evaluation report encountered some scepticism in the beginning related to the objectives of the study and establishing the confidentiality of respondents[17].

South Sudan Growth Strategy

8.8.   Recognizing the critical importance of promoting economic growth for delivering the peace dividend, the Ministry of Finance and Economic Planning (MOFEP) has coordinated in

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[17] Interview with the Minister.

2009 the development of a GOSS Growth strategy, in collaboration with the relevant GOSS institutions and units and with key development partners. The Growth Strategy broadly defines the role that government should play in the economy. It also identifies the highest priority constraints on which public sector actions should focus; insecurity, poor infrastructure, and multiple taxation. The Strategy sets out a vision for broad-based economic growth for the benefit of as many South Sudanese as possible, and provides them with employment and livelihood opportunities. Thus, since the majority of the people of South Sudan live in rural areas and are engaged in smallholder agriculture, farming livestock and fishing, broad-based growth means growth in the agricultural sector.

8.9.   The Strategy defines the private sector as the key driver of economic growth. The government will not undertake economic activity directly, and its role in promoting economic growth is: a) to create an enabling environment and b) to address the key constraints or barriers to private investment. Planning for the implementation of the Growth Strategy will be done through a more detailed and comprehensive GoSS strategic plan, which will build on existing annual planning instruments such as the GoSS Budget Sector Working Groups and newly available survey data such as the National Baseline Household Survey.

8.10.   Though the GoSS strategic response to the challenges facing South Sudan is a great stride towards achieving the delivery of the peace dividend, the new state has yet to deal with a set difficult structural, intrinsic, and governance problems. These include: private sector development, oil dependency and the imperative of finding alternative revenue sources, poor infrastructure, allocation of public resources, the capacity gap in service delivery and public sector management, accusations of corruption, and the politicization of public service.

Private Sector Development (PSD)

8.11.   Informed by GoSS Vision 2040 and in line with GoSS Growth Strategy, the Ministry of Commerce and Industry (MOCI) has drafted a PSD strategy and highlighted the constraints and barriers facing the private sector. The Ministry of Investment (MOI) has also published its policy framework, defined its objective(s) of promoting domestic and foreign investment in South Sudan, and identified the challenges. An Investment Promotion Act was enacted and a South Sudan Investment Authority was established in 2009. In all of these policy documents, the private sector is perceived as the vehicle for alleviating poverty by contributing to economic growth, provision of goods and services, thus creating jobs and employment. Historically, except for subsistence agriculture in which 80% of the population participate, the public sector has been the major employer in South Sudan, while the private sector is either invisible or weak and is not sufficiently broad to absorb the unemployed. Towards this objective, both the ICSS and the TCRSS urges the government to "facilitate the development of the private sector, particularly indigenous entrepreneurs and to establish and develop a viable private sector capable of participating effectively in reconstruction and development of South Sudan."

8.12.   However, in the informal discussions held by the mission in Juba two main concerns were raised, including by government officials. First, a disturbing phenomenon emerged: the rise of a dubious business class. The above constitutional provision obliges GoSS to encourage and nurture local entrepreneurship with a view to widening growth and employment opportunities and putting an end to the culture prevalent in South Sudan that the only job an educated person should ever yearn for is government employment. Instead, the obligation to encourage domestic entrepreneurship had become a warrant for adventurous fortune hunters to avail themselves to government contracts or government – mediated bank

loans through illicit pay offs. One of the interviewees indicated that this phenomenon, if allowed to continue, will ultimately give rise to what is called "matatu capitalism", rather than to the emergence of a business class that makes viable contributions to the economy of the country[18]. Secondly, there is a lack of history of private sector and business culture. Interviews have reflected that "the private sector has been in the hands of foreign businessmen, mostly Greeks, Syrians, Lebanese, Italians, and British. The main business activity was petty trade. After independence, commercial activity in South Sudan was dominated by Northern Sudanese. South Sudanese businessmen were almost non-existent[19]". In the post-CPA period, Northern Sudanese have been gradually replaced by nationals of neighbouring East African countries from Uganda, Keyna, Ethiopia, Eritrea, and Somalia.

8.13.   The Adviser to the Minister of Commerce and Industry also highlighted the main obstacles to private sector development: political insecurity, weak institutional capacity of GoSS, problems of governance and corruption, lack of physical infrastructure, limited access to land, lack of available financial means and low savings, multiplicity of taxes, lack of input and output markets, price fluctuations, lack of infrastructure such as warehouses, lack of skills, absence of well-educated managers and reliable business partners.

An Unsustainable Allocation of Public Resources

8.14.   According to the published budget, the revenue of GoSS is, and will continue to be, dominated by oil proceeds (98% in 2010), while progress in improving non-oil revenues has been slow. 53% of the government spending was on salaries, 29% was on operating costs, and only 18% on capital. According to the SSDP, the pillar with the lowest budget allocation is the Social and Human Development pillar, with less than 10% of the expenditures over 2008-2010 in spite of the importance given to health and education at the policy level. As such, the economy is described as a classic "payroll" economy where the wage packet of the army, organized forces, and civil servants drive almost all expenditures. Coupled with off-line allocations for defence and security, there has been less public money for capital investment and public services. Thus, there is almost a complete lack of infrastructure, including no paved trunk road system, no electricity or power grid, only a handful of public water and sanitation systems, and the complete absence of social infrastructures throughout the South. There has been essentially no public investment program in South Sudan during the last six years, which is increasingly seen as one of the major failures of the CPA interim period. According to a UN source, even the percentage of national resources that are being channelled into the social sector, particularly the block transfers to the states, is often sent back by the ministries responsible for these sectors at the end of the year, unable to spend it.

8.15.   Human capital levels are extraordinarily low. Only 20% of the population is estimated to ever use health facilities. At 37%, the youth literacy rate is half the sub-Saharan Africa average. About half of the children enrol in primary school, yet only 10 percent complete it. Half of the population does not have access to safe water, and less than 10% have access to basic sanitation. More than 90% of women cannot read or write and maternal mortality is one of the highest in the world. Notwithstanding these under-achievements, there has been a modest progress in some areas. Though there appears to be little evidence of aggregate improvements in social indicators, both primary school enrolment and the number of schools

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[18] Interview with Dr. Mansour Khalid, a veteran SPLM leader and political adviser to the Chairman of the SPLM.
[19] Interview with the Senior Advisor for the Minister of Commerce and Industry.

have increased. Health services have expanded and a monitoring and evaluation framework is in place, which allows for better targeting of scarce resources.

8.16.   NGOs and UN agencies currently provide 80% of basic services in South Sudan. In light of the fragile government capacity, this will not change in the short-term. Overtime, however, it is hopeful that a gradual transfer of service delivery from NGOs and the UN to the GoSS will take place. DFID, for instance, established the Basic Services Fund (BSF) as a short- term funding mechanism, disbursing up to USD 20 million over two years. The BSF will focus on providing grants to non-state service providers with a proven track record and robust proposals to deliver basic services, and helps to build capacity among local communities and national NGOs for the management and maintenance of services.

Oil-Dependent Economy: Averting the Resource Curse

8.17.   GoSS acknowledges in all of its policy documents the unsustainable nature of its oil-dependent economy, as oil revenue accounts for almost 98% of expenditure. The SSDP underscores that this high reliance on one commodity has created a situation of volatile revenues and, due to the lack of buffer savings through the CPA period, unstable government expenditure patterns. No effective strategy has been developed to pursue saving when oil prices are higher than expected. Volatile public-spending is extremely damaging for the economy as it increases the risk that spending commitments, such as teachers' salaries or contract payments are not paid. As well, it can have a destabilizing effect on price levels. In the opinion of a senior government official, "since 2005, we are maintaining a rent-seeking economy. People keep waiting for, and counting days for, transfers from Khartoum. Owning our oil after 09 July will not change the situation. What is required is to break the trap by using oil revenues effectively to give impetus to other sectors of the economy, agriculture, trade, manufacturing, tourism, so that the energies and skills that are still dormant and waiting for rents will have the motivation to work for making a decent life."

8.18.   This statement reflects the real dilemma of decision-makers of the new state, which is further compounded by other factors. First, reports indicate that oil production is peaking now with a strong likelihood of declining export revenue over time. It is expected that by 2018, known oil reserves in South Sudan will be close to exhaustion[20]. Secondly, revenue volatility due to extreme commodity dependence provides evidence of the challenges GoSS will continue to face as a highly oil-dependent government. In 2009, GoSS experienced a fiscal crisis due to the crash in world oil price. This was a lesson for GoSS to learn how to function with much less money than it has now. In response, GoSS, together with development partners, drew the Juba Compact and adopted austerity measures to weather the crisis. However, this action would not have helped had it not been for the received arrears repayments owed to GoSS by the GoNU. A third factor is the absence of a taxpayer-government relationship with the citizens, which reduces the demand for accountability, as oil-revenues are viewed as a windfall.

8.19.   Though progress in improving non-oil revenues has been slow, GoSS has embarked on reforms to boost revenues from the various tax sources and customs[21]. A Taxation Act was enacted in 2009, which defines the tax system of South Sudan, establishes the general

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[20] Interview with a UN senior official.
[21] The largest sources of non-oil revenue are Customs and Sales Tax. The CPA stipulates that these are both national competencies. As such, reforms to boost revenues from these two major sources from their current low levels must be done in conjunction with the GoNU. Now, it's the challenge of GoSS.

principles for the assessment and collection of taxes and other charges, and the rights and obligations of taxpayers. Besides, MOFEP will lead the implementation of the AfDB's Non-Oil Revenues study recommendations on the identified areas where the taxation policy is being poorly or unevenly applied in Southern Sudan.

Agriculture

8.20.   Apart from investing more to increase output or successful exploration that finds additional resources, diversification of the economy and promotion of non-oil economic growth is essential for South Sudan. This implies the identification of alternative revenue sources. Hydroelectric power and mining are seen as likely possibilities for generating revenues. However, all Ministers and senior government officials interviewed and the various GoSS policy documents consulted, have cited agriculture as a source of huge potential. Agricultural development is viewed as the engine that will not only allow South Sudan to diversify its economy away from oil dependence, but also to directly reduce poverty and food insecurity.

8.21.   The key to bring about broad-based economic growth involves removing the constraints that limit this sector from realizing its potential. Indeed, the 2004 SPLM Strategic Framework for War-to-Peace Transition acknowledges, "Oil is a non-renewable natural resource and we cannot anchor our development on it. Thus, our rationale for making agriculture the engine of economic growth to achieve effective poverty eradication is premised on the reality that 95% of our population [in South Sudan] live in rural and semirural areas". The document concluded: "In short, the policy of the SPLM will be based on using oil to literally fuel agriculture as the engine of growth".

8.22.   The Bank is already engaged with GoSS relevant ministries and departments, and with the donor community, to gather information on status of Agriculture and Rural Development sectors in the country and has supported the agriculture sector assessment study, the results of which have been presented at a workshop in Juba on12th September, 2011. The study reviews all sub-sectors highlighting constraints and opportunities with the ultimate objective of informing the Bank's prospective interventions and areas of support to GoSS.

Infrastructure

8.23.   The issue of infrastructure constitutes a real problem for the leadership of South Sudan's government and a great burden for the economy of the new state. The infrastructure deficit remains a major impediment to growth and private investment in the country. Indeed, GoSS Growth Strategy identifies poor infrastructure as one of three highest priority constraints to broad-based economic growth. In light of the current pattern of the allocation of public resources, the only significant public investment has come from the World Bank-administered Multi-Donor Trust Fund (MDTF). This has resulted in modes improvements in electricity and water supply, and expanding dirt road networks in many parts of South Sudan. While the infrastructure sector is, at present, not substantially covered by either the EU or any of its Member States, the World Bank is intending to concentrate future concessional funding in this sector.

8.24.   The AfDB has undertaken an "Infrastructure Needs Assessment Study" to address the critical infrastructure sectors of transport, energy and water and sanitation. The Bank is currently working on the assessment, in close collaboration with GoSS and development partners towards the preparation of an "Action plan for Infrastructure Development."

9. Public Sector Management for Service Delivery: The Capacity Deficit

Human Capacity Development

9.1　Building capacity in the social sectors is critical for delivering services and, therefore, has an impact on the peace dividend. The weakness of the human resources base, as well as its management, was a recurring theme in all discussions with the ministers and government officials, as well as partners such as the Head of UNDP Office, UNMIS Deputy Resident and Humanitarian Coordinator, and UNDP Program Specialists. The complicated 3-tier administrative arrangements in South Sudan, which is structured as: GoSS, 10 state governments, 78 counties, and 19 constitutional commissions, will have a huge human resource demands. Discussion with the Minister of Human Resource Development (MoHRD), emphasized that an inherent problem faced by all these institutions is the lack of skilled personnel. The current public service skills base is weak because it is derived from unqualified and untrained civil servants who previously worked for the defunct Coordination Council of Southern Sudan, and those recruited under the SPLM Civil Authority of the New Sudan (CANS). The Minister added that before government structures were established in 2005, ministers used to appoint staff on their own terms, and ministries were filled with relatives, tribesmen, and friends, without the required credentials or necessary skills.

9.2　However, institutional conditions remain fragile, individual capabilities are heterogeneous, delivery capacities remain extremely weak, and there is an acute need for a professional and accountable public service to create confidence in government. According to UNDP, half of all positions in ministries remain unfilled, 50% of public service staff have only early education and only five percent have a graduate degree or higher. Furthermore, reviews indicate that many of the current staff lack necessary work experience and have major difficulties in English communication, the official language of government. It is, therefore, of primary urgent need that every single office in every single ministry and in all ten state governments requires training, technical assistance and long-term support.

9.3　There is a huge need for trained human resources at all levels of the health sector. The Minister of Health emphasized during the interview that the ministry faces two major problems, 1) only 23% of the health facilities are functional, but lack infrastructure in terms of blood banks, medical supply stores, laboratories, in addition to pharmaceutical equipments, and 2) deficit in medical staff (doctors, specialists, nurses, and midwives), coupled with lack of training schools. Given the long gestation period of educating and training quality human resources, major efforts should begin immediately. Notwithstanding the modest achievements made during the interim period, the Minister of Education recounted almost the same capacity problems faced by his ministry. The shortfall in qualified teachers and schools at the level of GoSS, states, and counties, the need for text books, and the weak institutional capacity, has been identified as the most immediate challenge. Furthermore, there is a clear problem of coordination and communication between the ministry and the 3-tier levels of government. Above all, the Minister pointed out that only 6.5% of the government budget was allocated to education in 2010 compared to 10% in 2006. The universities of Juba, Malakal, and Wau should be considerably expanded in both student- intake and the variety of courses dependent on the needs of the South. For the various developments envisaged and for the efficient running of both the public and private sectors, the South needs a basic stock of well-educated and trained people.

9.4   In addition to an intensive focus on the education sector, the MoHRD and GoSS have undertaken two measures to address the capacity gap. First, a Ministerial Committee, headed by the Minister for Cabinet Affairs, was formed and mandated to critically examine both the structure and staff to recommend public service reform. Second, a Technical Committee was also established and entrusted with the task of developing terms of reference and guidelines. GoSS has also launched two initiatives to consolidate public service capacity enhancement. The Core Governance Functions Action Plan, published in November 2010, articulated the 18 priority functions of government that must be established or strengthened to ensure the viability of the institutional framework of the State. Since then, the government has made remarkable progress, but many of the rapid capacity needs within the Core Governance Functions will require continued support beyond July 2011. Building on the Core Governance Functions, the SSDP includes a three-year strategy for capacitating the new state to deliver on the national development objectives articulated in the Plan. The strategy focuses on both institutional and human capacities, and was developed under the leadership of the MoHRD.

9.5   Three more initiatives for addressing the capacity challenge have also been launched, with support from the UNV system, IGAD and the AU:

1. Under the Rapid Capacity Placement Initiative, 150 specialist UN Volunteers, including members of the Diaspora, are being embedded in key public sector institutions, particularly at the state level, where needs are most acute, under overall coordination of UNDP.
2. Under the IGAD Regional Initiative, which is supported by the Norwegian Government, 200 experienced civil servants from three IGAD member states (Ethiopia, Kenya and Uganda) are being deployed to core ministries. The first 45 civil servants from Kenya have already been deployed and have assumed their duties in their respective GoSS ministries. IGAD civil servants are contracted by the GoSS through Memoranda of Understanding with participating countries and "twinned" with South Sudanese civil servants to provide direct on-the-job training.
3. The AU Initiative, supported by UNDP, will see up to 1,000 technical experts from AU member states deployed to work within the GoSS Civil Service. Once this initiative is launched, AU technical experts will be deployed to support strategic functions at national and state levels in the areas of Public Administration, Agriculture (Food Security), Infrastructure Development, Energy Development, Health and Education, and Local Government.

10. Management of the Economy: Institutional Capacity

Oil Resource Management

10.1   The CPA granted 50% of the oil produced in the South to GoSS after deductions to an Oil Revenue Stabilization Account and the producing states. However, the interplay of state power contest and conflict over the control of oil resources seems to have defined the management of Sudan's oil economy. Thus, the CPA pre-Interim period witnessed bitter wrangling between the two ruling partners over who should run the Ministry of Petroleum. There were strong resentments and frustrations among southerners, who argued that the Ministry should have gone to the SPLM since the major oil fields belong to the South. Throughout the interim period, the SPLM has consistently accused the NCP of not giving the South its fair share and for frequently delaying transfers, and expressed reservations regarding the actual calculation of prices and production figures. GoSS was not privy to the agreements between the government and the companies on production rights, contracts, refineries, and

pipelines, while the country's oil production was not independently verified. Lack of transparency and marginal involvement of Southerners in oil management were instrumental in the SPLM decision to withdraw from the GoNU in 2007. It was not until the cabinet reshuffle that followed the April 2010 elections that the SPLM gained control of the Ministry of Petroleum.

10.2   The independent state of South Sudan has since achieved sovereign rights over its oil and other mineral resources. The management of the oil industry, therefore, is a key factor that will determine the future of the country. The TCRSS has already laid down the foundation of an institutional architecture and guiding principles that aim to ensure effective economic governance and an independent, transparent, and accountable management of the oil industry. The Constitution provides for the formation of: 1) a National Petroleum and Gas Commission (NPGC) to serve as a policy-making body with respect to petroleum and gas resources, 2) a Ministry in charge of petroleum and gas to be the policy-implementing body, and the authority for negotiating all oil contracts for the exploration and development of oil, initiating legislation, rules, and regulations, formulating strategies and programs for the development and management of the petroleum and gas sector, and signing contracts on behalf of the Government upon the approval of the NPGC, and 3) a National Petroleum and Gas Corporation to participate in the upstream, midstream and downstream activities of the petroleum and gas sector on behalf of the government. The government has also embarked on the development of a legal framework and is currently finalizing the drafting of a petroleum policy and law.

10.3   Though the constitutional endorsement of South Sudan's oil-related governance institutions suggest good progress in the management of the oil sector, the new state faces difficult challenges. First, lack of transparency in the management of oil increases the risk of political tensions and economic pressures spilling over into violent conflict. Although the draft petroleum policy commits the government to transparency regarding oil revenue and its management, and to join the Extractive Industries Transparency Initiative (EITI), at present little is known about the revenue from oil sale. The oil business is under the control of the Ministry of Energy and Mining and little is known outside that ministry. Detailed production, revenue, cost data, and the fiscal terms of contracts should be disclosed to the public. It is also imperative to establish an independent monitoring and verification mechanism. The Auditor General pointed out the dearth of information on the flows on oil revenue and the urgent need for oversight not only by the parliament, but by the public in general. Moreover, some plans are being considered with regards to auditing these revenues, through the establishment of a special department within the Audit Chamber for this purpose. Second, a serious concern is the damage caused to the natural environment as a result of the failure to isolate water from oil either due to a deficiency in production technology or to lack of environmental concern by the production companies. Hopefully, as stated by the Undersecretary of the Ministry of Environment at GoSS, "independence would give [the new state] leverage over the oil industry." Indeed, the government presented an environmental protection bill in 2010, whose implementation needs to be carefully and closely followed up.

10.4   The industry's low operating standards and lack of social development has led to growing hostilities and violent conflict against the companies, adding to the industry's already high-risk profile. As a result, the local population suffers most and are subjected to forced displacement and the loss of their livelihood. This calls for instituting a consultative mechanism whereby the local population participate in the process of making decisions about new explorations and the assessment and management of natural resources in the affected areas. The post-independent GoSS also has to deal with concluding negotiations with the NCP on dividing the industry and its infrastructure and as to whether oil produced in South Sudan

can be exported using the existing pipelines and terminals, and what price would have to be paid to the oil companies and the government of Sudan. Related to this is the fate of oil fields in disputed border areas, particularly in Heglig, Melut Basin, and Abyei, which remain unresolved.

10.5   Having to assume the full responsibility of managing the economy following independence, development partners' efforts must continue to assist South Sudan in building stronger capacity for oil revenue management both within MoFEP and MoEM.

Public Financial Management

10.6   When the MoFEP assumed responsibility in October 2005 to manage hundreds of millions of US dollars in oil revenue transfers, it lacked Public Financial Management (PFM) Systems and had only limited human capacity. During the CPA interim period, however, the ministry embarked on rigorous public financial management reforms to address weaknesses in the sector for better transparency and accountability regarding the use of public funds. Development partners, including the AfDB, have provided support to the ministry in the areas of planning, budgeting, and treasury systems; carrying out core functions in procurement and accounting on behalf of the government; and preparing South Sudan Integrated Fiduciary Assessment (SSIFA), which seeks to identify critical weaknesses in public finance management and proposes ways of addressing them. Strengthening the PFM is one of the main objectives of the Juba Compact between donors and GoSS. The Compact commits the government to ensure strict adherence to the 2009 Appropriations Act, and to fast-track the submission of key public financial laws to the National Legislative Assembly for approval, including Public Finance Management, Revenue, Procurement, and Auditing. Both the Minister and the Undersecretary for Finance expressed their commitment to institute good PFM, driven by efficient planning and budgeting system that would have a direct bearing on effective public service delivery.

10.7   Discussions with Director of Budget at the MoFEP and the UNDP Public Financial Management Advisor underlined the enormous challenge that the ministry is going to face in managing the windfall of oil revenues. Some areas that need urgent follow-up were highlighted: 1) the Public Financial Management and Accountability Bill, and the Revenue Bill are not yet endorsed. Though the TCRSS provides for a National Revenue Fund to be administered by MoFEP, the law that sets the criteria and conditions for the allocation of revenue is yet to be enacted; 2) difficulty in tracing expenditures of the various government institutions due to noncompliance with the Appropriations Act; 3) there are no procurement procedures or guidelines and the interim procurement regulations (introduced by the GoSS in 2006 and approved by the council of ministers) are not followed, and the procurement law is yet to be enacted; 4) lack of prioritization of, and inattentiveness to discretionary and non-discretionary expenditures has resulted in an unsustainable budget, which calls for cutting the enlarged wage bill in preparation for negotiations with the IMF; 5) the budget preparation and execution process based on a ceiling determined by the Ministry has caused problems, resulting in a resort to the preparation of a supplementary budget every year to meet past or expected future budget overruns. In 2008, the supplementary budget was equal to 60 percent of the approved budget; 6) low accounting capacity and inadequate institutionalized accounting systems with poor internal and external audit control; and 7) the ministry's human capacity is still limited, compounded by the recruitment of unqualified staff, most of whom studied in Arabic.

Macroeconomic Management

10.8   South Sudan has only limited experience of macroeconomic management as this responsibility was retained by the GoNU in Khartoum as per the CPA provisions. Thus, the Central Bank of Sudan (CBS) was mandated to design and implement a single monetary policy in the whole country through a) an Islamic financing window in Northern Sudan under a deputy governor of CBS, and b) the Bank of South Sudan (BOSS), headed by a deputy governor of CBS, was to be established to manage the conventional window in Southern Sudan. At independence, the TCRSS has provided for the establishment of the Bank of South Sudan to be responsible for the formulation, conduct and implementation of monetary policy. However, the South has no financial infrastructure, thus considerable efforts will have to be made to develop such a vital sector.

10.9   According to the president of the Bank of South Sudan (BOSS) (deputy governor of CBS) and his assistant governor, there are eight commercial banks, three of them are foreign and five are owned by South Sudanese[22]. In the words of the two senior officials, "these banks have large liquidity that has not been utilized in lending to private business. The interest rate is high and discouraging. We did not want to impose a rate on them so as not to be responsible if they lost. People generally save either in foreign currency, livestock, or gold. People still put their money at home and not in the banking system. Southerners are returning after the long years of war and have no collateral or assets. The "Know Your Client" concept is inapplicable in their case. These banks are dependent on current accounts and deposits, giving low rates on savings. We are collaborating with the Central Bank of Uganda for technical assistance. USAID has provided us with three advisors, and developed an accounting system, and how to migrate from the old system after independence. The AfDB can support the Central Bank with the appropriate policies that fit the socio-economic realities of South Sudan and the creation of an enabling environment for investment".

10.10   In response to these challenges, the government has drafted the Central Bank Act, which clearly defines the role and function of the post-independence Bank of South Sudan, putting in place the legislative framework for a sound regulatory system. The SSDP sets as a priority for the new Central Bank to establish a policy regime that encourages the growth and depth of deposit-taking and lending institutions. With the government's growing awareness of strengthening macroeconomic management, it is critical to develop the capacity of the central bank in the areas of monetary policy, operations, research and statistics, and banking supervision. The government efforts in ensuring effective monitoring of the economy and coordination of monetary, exchange rate and fiscal policy, and the close collaboration between BoSS and MoFEP, must be supported.

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[22] The 3 foreign banks are: Ethiopia Commercial Bank, Kenya Commercial Bank, and the Kenyan Equity Bank. The local banks are: Buffalo Commercial Bank, Ivory Bank, the Agricultural Bank, Nile Commercial Bank, and Nuba Mountains Bank.

11. Twin Obstacles to Good Governance

Corruption

11.1 Corruption was a common subject in the conversations held with all the South Sudanese interviewed in Juba. Donors are also keen to know how their funds are spent. The wide criticism of GoSS on corruption is reiterated in the burgeoning news media in South Sudan. All of the government's policy documents are replete with references to corruption and the means to fight it. Not surprisingly, in his statement of the government Policy in 2006, as well as in subsequent policy pronouncements, the president of GoSS reaffirmed the commitment of his government to the policy of zero-tolerance to corruption. The South Sudan Anti Corruption Commission (SSACC) was formed in the same year. The President of GoSS in his first term of office also ended the services of two ministers of finance and dismissed senior officials in that ministry for conduct unbefitting their duties. In 2008, the Auditor General (AG) was charged with corruption and removed from office, together with some other staff.

11.2 However, the concern with corruption is not limited to the leaders and intellectuals of South Sudan, but it is pervasive among the people of South Sudan. Both the Perception Survey of the SSACC and the focus-group interviews carried out by the National Democratic Institute (NDI) in 2010 revealed that people associate corrupt practices with political leaders, party leaders and commanders in the army with positions of influence. In their view, accountability and transparency are almost non-existent due to lack of systems and absence of checks and balances throughout government structures. The GoSS offices and especially procurement offices of both government and military supplies and services are viewed as major points of corruption. GoSS is still perceived as a movement and not a government with clear systems for officers to follow. Power is mainly abused by those who have been in the struggle and feel they deserve to be rewarded for the time they spent in the war regardless of the means. The corruption culture in South Sudan is mainly attributed to poor management skills and lack of operational procedures and guidelines for civil servants in managing public resources and offices.

11.3 It seems that this predicament has the effect of informing the government's continued efforts to combat corruption. The SSACC has developed an Anti Corruption Strategy 2010-2014 and a Five Year-Work Plan, which contains a series of preventive and responsive measures to be undertaken at all three levels of government in South Sudan and among non state actors. The TCRSS has bestowed the long-awaited prosecutorial powers on the SSACC. However, the success of the strategy in producing results is contingent on empowering both the state and non-state oversight institutions and removing the constraints that hamper their ability to implement their respective mandates, while ensuring effective coordination between the anti corruption institutions. These factors, combined with the perception that there is weak political commitment to the existing institutions of accountability, make fighting corruption an unwinnable task.

11.4 Without underestimating the government's efforts in combating corruption, there are proposed measures for dealing with these factors to promote transparency and accountability: empowering the SSACC to make an annual integrity survey, and name and shame wrong – doers whenever there is irrefutable evidence to support charges against them, without prejudice to the due process of the law; strengthening public financial management by enacting the necessary legislation and enhancing the capacity of concerned government institutions; empowering and

safeguarding the independence of the judiciary; enhancing the capacity of the members of the National legislature to exercise meaningful oversight over the executive; expanding the reach of the media and enacting the necessary legislation and promulgating a Freedom of Information Act that enables the public and the media to access all information relating to corrupt practices; creating an enabling environment for civil society organizations (CSOs) as major stakeholder in the campaign against corruption by supporting the legal and regulatory reforms to provide protection to and allow CSOs and media organizations to work freely.

Politicization of Public Service

11.5   Corruption, nepotism, and ethnicity, are intimately intertwined and feed into each other as major constraints that hamper the effective functioning of the state institutions in South Sudan. Many South Sudanese believe that access to government positions on the basis of tribal affiliation breeds corrupt practices, while it provides sanctuary to the culprits who feel accountable to their respective ethnic communities and leaders hailing from them, not to the state. A survey based on focus groups interviews carried out by the NSI in September 2010 revealed that in response to a specific question about challenges the GoSS will likely face if Southerners voted for separation, corruption, tribalism, and nepotism topped the list. Participants complained of corruption, where public funds are expropriated by officials for their personal use; ethnicity based discrimination with respect to government and civil service employment; and nepotism, where people favour their relatives, regardless of merit. Many participants expressed apprehension that ethnicity-based discrimination in the government and civil service may continue to exist even 10 years after independence.

11.6   In the opinion of many of the SPLM cadres, ethnicization pervades all levels of the administration, with ministers and senior civil servants almost granted a carte blanche to fill their respective bureaucracies mainly with those who belonged to their ethnic groups. Experience and competence as the criteria for appointment are often fudged in favor of region or locality, with unregulated access to resources that can be used arbitrarily. One of the SPLM leaders recalled that on assumption of power in July 2005 Garang decided to put an end to ethnic-based governance by appointing Governors/ political overseers in South Sudan's states from ethnic groups other than the dominant ones in those states. In a DESTIN research report, respondents in a youth focus group discussions said, "Dr Garang has set up an initial system of caretakers. He made that to diffuse tribalism. When he died, the leadership broke Garang's government. They came with an ideology that counties should be based on tribes. That had led to tribalism and nepotism.[23]

11.7   Consequently, politicization of the administration has become a stimulant, rather than a depressant, of conflict, which if unchecked, might make the new state further susceptible to failure. According to the SPLM cadres interviewed, the prevalence of this culture was attributed to and understood in the context of a failure of the SPLM to promote national integration by domesticating the principles of equality, justice and democracy. The vision of the SPLM remains centred on transcending ethnic proclivities and obliges the leaders of the Movement, in particular, to take the lead in restraining ethnically-based reactions in all matters political. In April 2011, the people of Greater Equatoria in a well-attended conference voiced their concern regarding predominance of Dinka, Nuer and Shiluk in the government and administration and inadequate representation of Equaorians in the upper tiers of

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[23] Political Science Development Studies Institute, Southern Sudan at Odds with Itself, London School, of Economics, 2010, p. 41

government and army[24]. As much as these demands might be justifiable, a competitive democratic system is based on counting numbers of voters, not weighting votes. Accordingly, numerical weights shall always be determinant factors in allocation of jobs and positions. But apart from numbers, there shall be no peace in South Sudan, unless a formula is devised to ensure equitable representation of all communities at all levels of government and administration.

11.8   While the imperative of regional, ethnic or gender diversity in appointments to cabinet and recruitment in the civil service cannot be ignored, obliviousness to other requirements such as competence, integrity, ability and objectivity shall inevitably lead to the creation of an unaccountable and incompetent public service. It was ethnic-political alignment that led to the dismantling of the Southern Region and abrogation of the Addis Ababa Agreement in 1983, and this time might result in the dismemberment of South Sudan itself. The challenge, therefore, is to articulate a vision whereby these groups would be identified as collectives of people sharing an identity based on ethno–cultural roots, but still have a common destiny and mutual economic interests.

12. South Sudan External Relations

12.1   The post-CPA Ministry for Regional Cooperation (MRC) has already been transformed into the Ministry of Foreign Affairs and International Cooperation (MFAIC) responsible for the formulation and execution of the Republic of South Sudan's foreign policy. Since foreign policy denotes the linking of internal/ domestic and external/global environments, the nature of the new state's external relations will be determined by its success or failure in addressing the overwhelming internal challenges highlighted by this report. Though the draft policy framework of MFAIC had not yet been finalized during the preparation of this study, it was confirmed that the President has articulated key strategic objectives, on top of them is "ensuring our sovereignty, full control of our borders, and internal stability through dialogue." It was reported that, "the focus [of the strategy] is on the immediate neighbours or region, thus, the concept of regionalism. This is why in the case of East African Community (EAC), cooperation and/or regional integration is emphasized[25]".

12.2   It is evident that the neighbouring East African countries will be the natural allies of South Sudan. In addition to cultural links, Uganda and Kenya consistently offered political support to the SPLM during the liberation struggle and the two served as rear bases for the SPLA operations. Ethiopia also backed up the Movement during the earlier phases of the civil war. Kenya hosted and led the regional Intergovernmental Authority on Development (IGAD) peace process that resulted in the CPA, thus facilitating the creation of the new state. The neighbouring countries have also been generous hosts for thousands of refugees from the South. Each border state has their own interests as they stand to benefit from the development of a considerable market and major infrastructure in the South[26]. It is also natural that South Sudan would want to strengthen ties with sub-Saharan Africa, the West and beyond. The US and all member countries of the EU lent their support to the CPA negotiations process and have been providing humanitarian and development aid to the government of South Sudan throughout the last six years.

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[24] The Greater Equatoria Conference was convened in Juba between 14 and 16 April 2010.
[25] Interview of the Minister at the Office of the President of South Sudan.
[26] Globserver Africa, South Sudan Sets for Post-Independence Economy, Press Release, 17/01/2011.

12.3   While forging strategic alliances with non-Arab Africa is natural, South Sudan should seek more balanced relations with the rest of Africa, the West, and the Arab world. The new state will have to develop its external relations to the satisfaction of all parties in a region witnessing overlapping foreign influences and divergent economic interests. For example, although Egypt was originally supportive of unity, it was one of the first countries to recognize the new state as it seeks regional stability and protection of its supply from the Nile waters. It must also be pointed out that membership of South Sudan to the Arab League will be a major strategic advantage. South Sudanese are the only Africans in sub Saharan Africa who communicate in Arabic. Thus it can open up major employment/economic opportunities of South Sudanese in the Arab world and major source of leverage in assisting Africa to seek new relationships with the Middle East.

12.4   The immediate challenge, however, will be to find ways of building cooperative and good neighbourly relations with the Republic of the Sudan. Despite all political discords between North and South Sudan, a people-to- people integration has been built up through the years. This is especially in North/South contiguous border zone, where almost half of South's population lives. Those economic bonds, built through the years, need to be bolstered rather than weakened. Above all, the Republic of Sudan shall be the neighbor of the new state with the longest international borders. Despite incongruities in the economies of the two parts of the country, there are still convergences that should not be overlooked. Sudan, for instance, with a population of 30 million and a high population growth rate, shall be the main market for South Sudan's tropical products, especially given that all other countries neighboring the new state, to the east, south and west, are either competitors in the production of those commodities or short of elastic markets. While South Sudan will be joining the EAC, regional geopolitics and the dynamics of sub-regional economic integration, shall also impose on it participation in other sub-regional blocks such as the IGAD and the Common Market for East and Southern Africa (COMESA). in both of which the Republic of Sudan is a member.

13. South Sudan Development Partners

13.1   According to the SSDP, it is estimated that South Sudan has received approximately one billion US dollars of international assistance on an annual basis between 2006 and 2010. This assistance has been extremely varied, ranging from addressing immediate humanitarian needs to the provision of basic services and infrastructure for the long-term development of the country. The greatest volume of development expenditures has been in the areas of primary health, basic education, infrastructure and rural development. The leading donors during the period are the members of the "Sudan Troika," namely; the US, United Kingdom, and Norway. The EU institutions collectively constitute the second largest donor.

13.2   Some donors, particularly the US, outsource work to contractors and NGOs to ensure that oversight was enhanced by having a greater number of their own staff on the ground, while others rely on pooled funds and the UN as main delivery mechanisms, with oversight through the Joint Donor Team (JDT). South Sudan benefits from external funding through five pooled mechanisms, which were originally created to improve aid co-ordination and ensure alignment of development assistance towards government priorities[27]. However, the CPA mandated a Multi- Donor Trust Fund for Southern Sudan (MDTF-SS), administered by the World Bank, to serve as a channel for capacity-building and institutional strengthening

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[27] The other four pooled mechanisms are: Basic Services Fund (BSF), the Capacity Building Trust Fund (CBTF), the Sudan Recovery Fund (SRF) and the Common Humanitarian Fund (CHF).

and quick start/impact programs during the six-year Interim Period. However transfers from the MDTF have been excruciatingly slow and heavily criticised not only by GOSS but also by local and foreign NGOS. Secondly the commitments made by international partners in the Oslo Forum of 2005 have not been honoured.

13.3   In February 2010, the JDT expressed some concerns as to whether the World Bank, administrator of the MDTF, would be able to process the rest of the funding before a deadline of the end of 2011, and projects to build new schools and health centres had suffered. The JDT attributed this slowness of disbursement to the cumbersome legal and fiscal procedures for operating in an environment like South Sudan[28]. In December 2010, an independent multi-donor evaluation of donor support to conflict prevention and peace-building activities in South Sudan revealed that the use of pooled funds and multilateral programs has minimized the number and divergence of interventions[29]. But several of them have been inefficient due to high transaction costs and disbursement delays. Some of the pooled funds administered by the UNDP have also had disappointing results. By contrast, bilateral interventions have provided the most effective support. The World Bank, on its part, attributes these shortcomings to logistical difficulties, resource scarcities, institutional weakness, and the weak absorptive capacity of the government. Rather than the Bank's fiduciary and contracting procedures, it is this complex set of factors and dynamics that have constrained performance[30].

13.4   The Minister of Finance and Economic Planning's 2010 budget speech on the issue of donor funding implies dissatisfaction with reports of development partners to the Budget Sector Working Groups, and their noncompliance with the GoSS Aid Strategy, which requires that projects are aligned with Government priorities. The government, however, is by no means underestimating the efforts made by the MDTF at the planning level, such as aiding GoSS in ensuring effective prioritization of development plans, sequencing of projects, and improving financial management. However, concerns remain regarding the MDTF's record in the roll out of committed fund, and efficiency of development aid in South Sudan in general. The GoSS, while recognising the weakness in absorptive capacity, does not see this as a plausible justification as it casts doubts on the efficacy of human and institutional capacity building, which top the priorities of donor countries. Secondly, it suggests that GoSS is averse to building its own institutional and human capacity. Investors have also remarked that aid agencies were distorting the economy and the labour market. A South African investor, who was reported to have spent US$ 50 millions in a Juba brewery, employing 250 workers, said that no sooner had he trained locals in accounting skills than they were snapped up by aid agencies[31].

13.5   Notwithstanding these criticisms, South Sudan will need the continued support of development partners in implementing the core priorities of the SSDP, in particular through donor financing of the priority programs identified in the four pillars. The SSDP aims at moving away from humanitarian financing towards development expenditure, particularly in the core areas of infrastructure, service delivery and capacity enhancement. According to the Ministry of Finance, external funding will play a critical role in strengthening the government's capacity to manage and coordinate the implementation of the SSDP. To do this,

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[28] Michael Elmquist, Head of the JDT, Reuters Africa, 18 February 2010.

[29] **Bennett, J., S.** Pantuliano**, W.** Fenton**, A. Vaux, C. Barnett, and E. Brusset, (2010), Aiding the Peace:** A Multi-donor Evaluation of Support to Conflict Prevention and Peace-building Activities in Southern Sudan 2005–2010. ITAD Ltd., United Kingdom.

[30] The World Bank, (2010), Multi-Donor Trust Fund for Southern Sudan: Taking Stock and A Way, Forward, A FR/OPCS Implementation Support Mission.

[31] Mnsour Khalid, opcit., Chapter 8, p. 27.

the government will be working with all development partners to ensure that there is coherence between domestic resources and aid, so that they are complementary to one another in achieving the SSDP objectives. This should involve all development assistance being reported alongside the 2012 and 2013 Budget and increasingly using government systems in the delivery of aid programs. Further work will be undertaken to develop an Aid Financing Strategy by September 2011, which will set out in greater detail the aid architecture required to ensure that development assistance is sufficiently aligned to the delivery of the SSDP priority programs.

14. Role of the AfDB: Defining a Niche

14.1 It is not the first time for the African Development Bank to engage with countries emerging from some type of conflict and a re-definition of colonial boundaries. Examples that come to mind include Rwanda, Eritrea and, more recently, Liberia. However, what is different this time around is that the Bank has accumulated a wealth of experience from its engagement with these countries, in addition to, for the first time, having a dedicated unit for the pursuit of issues from such countries and a dedicated financial instrument to cater for the varying needs of fragile states. In addition the Bank has in all of the above mentioned cases worked in close partnership with donor agencies and NGOs on the ground to facilitate transition issues and prevent a return to conflict in these various countries. Also, the Bank has been able to learn a series of lessons from its experience which it can profitably apply to the case of South Sudan. These lessons include the importance of playing to its comparative advantage, listening carefully to its clients, cooperating closely with its donor partners and continuously generating knowledge that can further enrich its development work on the ground.

14.2 From various conversations held both in Juba and Khartoum, it is vividly clear that there are high expectations on the role of the Bank in supporting this new state. The expectations go beyond financial assistance which the Bank is well placed to provide, and have more to do with the expectations arising from the Bank being an African institution and the kind of expertise it can bring to bear to contribute towards the building and prosperity of the new nation. However, it must be maintained that very little is known about the Bank and the way it operates and its particular "brand" as distinguished from other development partners. The following are the main proposals for specific areas of engagement. These areas remain very broad and will require detailed analysis, sector strategies and eventually developing them into specific project ideas. They might also be differentiated according to whether they are expected to reap medium- or long-term impacts:

- Improving Financial and Economic Governance: This area of concentration should include activities where the Bank already has a comparative advantage through work in other countries but also through preliminary work started in South Sudan. It would include continued focus on capacity-building for improved economic governance in the various ministries, including in the areas of budgeting and procurement. A focus on this area would also include transfer of expertise for more efficient and sustainable management of oil resources, etc. The Bank should focus on a transfer of international best practices from similar situations;

- Improving the Private Sector Environment: We have already alluded to the dearth of an entrepreneurial class in South Sudan that needs to be nourished and trained and provided with appropriate opportunities. The Private Sector arm of the Bank can also

start scoping for investment opportunities that are suited for a post-conflict situation, where experience has been gathered through the post conflict engagement in Liberia;

- Reaping the Peace Dividend through job creation: In congruence with evidence from other post-conflict situations, job creation especially that targeted at young males can be among the most deterrent of strategies preventing a slope back to resumption of conflict. There are several possibilities here including skills training, microfinance provision, encouraging SMEs, etc. Also, different strategies can be used linking to other areas of interest to the Bank (e.g. infrastructure where there should be an insistence on labour-intensive and food-for-work techniques, similarly for agriculture);

- Infrastructure: As stated above, the Bank is in the process of finalizing an infrastructure needs survey. Depending on resources available, the Bank could partner in this area with other donors and the private sector. In all cases, focus should be on the most important and critical infrastructure for job creation and enticing of the private sector;

- Agriculture: The main strategy here is to work towards sustainable agriculture that can both lead to food self-sufficiency and export, neither of which should suffer at the expense of the other;

Tools:

1. In line with the Bank's policy to bring the institution closer to regional member countries with a view to enhancing the impact of its development assistance, the Bank should have a strong field presence and open a South Sudan country office. The Bank's presence in the field will enhance its understanding of the unique realities of South Sudan and deepen the Bank Group's dialogue with the country regarding policy reforms that need to be undertaken. The proposed field office should benefit from a communication officer whose role would be to define and communicate the Bank's brand, in addition to communicating the Bank's achievements in South Sudan. The office should also have a representative from the Bank's private sector department whose role will be to identify private sector opportunities for direct investment by the Bank, in addition to working on improving the environment for private sector;

2. Most of the major development partners are represented in Juba. They, in turn, have certain expectations of the Bank in the new nation. There is already a Joint Donors Team made up of the UN, WB, USAID, EU, DFID and there exists a general expectation that the Bank would join this team, if not lead it;

3. The Bank should assist South Sudan to become an effective member of various bodies concerned with the management of natural resources including the Extractive Industries Transparency Initiative etc. In addition it should help the country in improving its international rankings on a variety of areas including Doing Business Surveys and Rankings. Having positive rankings will be instrumental in attracting Foreign Direct Investment. This would of course entail the availability of data, again an area where Bank assistance would be instrumental.

4. The Bank should use a mixture of instruments to support South Sudan, including loans from its Private Sector Window, all three windows of the Fragile States facility, in

addition to the country's ADF allocation. The Bank should also play a proactive role in identifying co-financing resources and opportunities for South Sudan. It has a wide experience in organising donor round tables especially for major infrastructure projects and even more when they are of a multinational nature;

5. The Bank's regional integration department should undertake appropriate studies for areas of interdependence between South Sudan and its different neighbours and find ways and means for exploiting this interdependence for the mutual benefit of the countries involved. A greater involvement of the Bank in the Vienna process is also a step in the right direction.

15. Conclusions

15.1   Since Sudan gained its independence in 1956, South Sudan has been subjected to political, economic, and cultural hegemony and marginalization by various periods of central government. The region's predominantly rural, subsistence economy has been devastated and negatively affected by two episodes of civil war (1955-72, and 1983-2005), resulting in serious neglect, lack of infrastructure development, major destruction, loss of human life and displacement. Ending a more than two-decade long war, the CPA was a turning point in the turbulent history of the region and a landmark in the historical evolution of the relation between the centre of the Sudanese state and South Sudan. The Agreement granted the South unprecedented political power and wealth-sharing arrangements and the right of self-determination to be exercised in a referendum at the end of a six-year interim period. The overwhelming majority of South Sudanese voted in favor of secession, resulting in the long-awaited birth of the Republic of South Sudan as an independent sovereign state.

15.2   The transition to independence and statehood, however, could be circumscribed by two sets of formidable challenges that will mold the nature, character, and evolution of South Sudan's political economy. First, the new state will be haunted by a host of substantive CPA-related outstanding issues and post-secession disputed arrangements, which if remained unresolved, can threaten sustainable peace and stability. Secondly; South Sudan is besieged by the daunting challenge of state building with respect to both legitimacy and accountability, in terms of democratic governance, peace-building and human rights, and the fulfilment of the state's core functions such as security and justice, service delivery, mobilization of revenues, facilitating economic development and employment generation.

15.3   South Sudan is not destined to take the beaten path of state failure. Given the abundant resources and social capital, with a better start than most of the African countries on the eve of their independence, there is no reason why South Sudan cannot take off in 10 years time. However, this can only be done through conscious efforts to promote good governance. The SPLM should build on its physical, economic and moral strength in order to succeed in the goals it has been struggling to reach for two decades. The matter is entirely in the hands of the SPLM and the government it leads. Both are neither shorn of development strategies and economic transformation blueprints, nor of a guiding compass. What is lacking in the eyes of many political and economic analysts of the South Sudan dilemma is political will, foresightedness, and perceptive understanding of what its greatest achievements - peace and liberation- mean. The responsibility is squarely on the shoulders of South Sudan's elites.

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Transitional Constitution of the Republic of South Sudan

ANNEX 1

Persons Met

Lual Deng, Minister of Petroleum, GoNU

Peter A. Nyaba, Minister of Higher Education, GoNU

Mansour Khalid, Advisor to the Chairman of the SPLM

Malik Agar, Governor of the Blue Nile State, Chairman of the SPLM-North

Nhial Deng Nhial, Minister of SPLA Affairs (Defense), GoSS

Cirino Hiteng Ofuho, Minister in the Office of the President, GoSS

Oyay Deng Ajak, Minister of Investment, GoSS

David Deng Otrobi, Minister of Finance and Economic Planning, GoSS

Stephen Dhieu Dau, Minister of Commerce and Industry, GoSS

Luka Manoja, Minister of Health, GoSS

Michael Milly Hissen, Minister of Education

Barnaba Menjamin, Minister of Information

Mary Jervase Yak, Minister of Human Resource Development, GoSS

Priscilla Joseph Kuch, Minister without Portfolio, Office of the President, GoSS

Steven Wondu, Auditor General, GoSS

Atem Garang, Chief Whip, National Legislative Assembly (Former Deputy Speaker, National Assembly)

Majak Agoot, Chief Security and Intelligence, GOSS

Aleja Malouk, Governor, Bank of South Sudan

Othom Rago Ajak, Assistant Governor, Bank of South Sudan

Bior Ajang, Undersecretary, Ministry of SPLA Affairs, GoSS

Ter Tongyik Majok, Office of the Minister of Defense, GoSS

Rebecca Joshua Okwaci, Undersecretary, Ministry of Labor and Public Service, GoSS

Salvador Garang, Undersecretary for Finance, MoFEP, GoSS

Peter Lai Aker, Director of Budget, MoFEP, GoSS

Daniel Deng, Head of the Southern *Sudan* Bureau for Community Security and *Small Arms*

George Benjamin, Spokesman for the South Sudan R*eferendum Commission*

Kom Kom Geng, Member of South Sudan National Legislative Assembly (Chairperson of Services & Physical Infrastructure Committee

Henry Umai Akolwin, Member of South Sudan National Legislative Assembly, Deputy Chairperson, The economic, development and finance committee

Abuk Payiti Ayik, Member of Member of South Sudan National Legislative Assembly

Lise Grande, UN Deputy Resident and Humanitarian Coordinator

Joe Feeney, UNDP Head of Office

Anselme Sadiki, UNDP, Program Specialist, Governance

Mandisa Mashologu, UNDP, Team Leader, Poverty Reduction and MDGs Unit

Zinabu Rekiso, Economic Specialist

Mamadou Torey, UNDP Public Financial Management Advisor

Emmanuel Elisa, PSD Project Coordinator

Leben Nelson Moro, Associate Professor, Centre for Peace and Development Studies, University of Juba

Biong Kuol Deng, Advocate, Liberty Advocates LLP, Juba

Charles Deng, Advocate, Juba

Mading Ngor, Reporter and Manager of Newsudanvision Website

Mayoum Alier, Manager, Ebony TV

Odongi IbaluKirram, Chairperson of SPLM Chapter in South Africa

Sabit Asholi, Business Entrepreneur, Juba

Atif Kiir, Office Director, the SPLM Secretary General