



Country Update

South Sudan: Development Challenges and Policy Options

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Introduction

Economic planning and integration remain quintessential for South Sudanese growth. The country struggles with internal problems like lack of infrastructure and external problems like economic isolation. These issues contribute to the overall state of poverty and are counter-productive to government developmental efforts.

Since the birth of the country in 2011, South Sudan has been struggling with widespread social issues. These entails falling school enrolment rates and life expectancy rates. In 2015, the school enrolment rate in the country was 72.99%¹, one of the lowest in the world, attributed to lack of funds and displacement due to wars. This is complemented with the life-expectancy rates, which again is one of the lowest, standing at 57.846 years in 2015², due to the crippled health infrastructure, and lack of sufficient medical professionals and equipment to deal with the diseases. The lack of nutrition can also be attributed to poor immunity. However, since 2011, funds have flowed in as several international organisations continue to work in the region for development alongside the government.

Along with the social issues, the economic issues form the main crux of contention for the poor in the state. The excessive poverty rates and dependency on oil exports plague the current economic situation and developmental efforts. Currently, the poverty

estimates believe 82% of the country lives under \$1.90 PP a year³. This form of poverty, however not extreme poverty, is exaggerated with other factors such as inadequate social welfare and rising inflation. Moreover, while inequality fell, it was reasoned due to the fall in income of wealthier households, which affects employment and businesses. There has been a considerable amount of risks to trade due to the unavailability of funds for fiscal budgets and a dependency on oil exports for revenues. These economic issues call for long-term developmental projects to be enabled by both state and non-state actors.

National Development Priorities

Concurrent with the state's economic situation, the Government of South Sudan (GoSS) was urged by internal and external parties to focus on developmental objectives for its growth and progress. The GoSS produced the first South Sudan Development Plan (SSDP), originally a transitional plan until 2013 that was extended until 2016, complementing Vision 2040. This plan highlighted key objectives of the government in the context of inclusive development. The major themes, such as peace, security and the rule of law, democracy and good governance, socio-economic development and international compacts and partnerships, are reflected in the first plans.

The South Sudan Development Plan commemorates the key objective surrounding achieving the economy's potential via the promotion of governance. The first objective, "build a

¹World Bank, School Enrollment Primary % Gross for South Sudan, Available at <https://data.worldbank.org/indicator/SE.PRM.ENRR?locations=SS>

²World Bank, Life expectancy at birth, total (years) - South

Sudan, Available at <https://data.worldbank.org/indicator/SP.DYN.LE00.IN?locations=SS>

³World Bank (2020), The World Bank in South Sudan, Available at <https://www.worldbank.org/en/country/southsudan/overview>

democratic, transparent, and accountable government with an effective balance of power among the executive, legislative and judicial branches of government.”⁴ remains a key feature of the development objective and remains significant to the overall planning and implementation of policies, since South Sudan was one of the most fragile states⁵, with concerns of human right violations that increased.⁶ Thus this plan provided scope for greater democratisation of the state. On the lines of governance, government accountability is an important element of the plan⁷ and revolves around establishing a people-centric government and complementing the fourth objective by establishing dialogue within the state. This might be an important element since the 2014 clashes.⁸ This also provides a roadmap for stability within the governmental response to situations, improving reputation and reliability amongst international investors.

Secondly, the government focuses on development via trade and developmental means to steer away from the current economic situation. The plan, contextually, aims to develop the economic potential via diversification of the economy and strengthen existing infrastructure. For example, providing support to gum arabic producers in the SSDP enables diversification and targets employment of the most vulnerable⁹, making it inclusive. Adding onto diversification, supporting infrastructure is central to any South Sudanese progress. The Republic of South Sudan (RSS) has less than 100km of paved roads in the whole country. Recent developments at Port Sudan increased and continue to impact revenues from natural resource exports. The poor connectivity to the African trans-national highway also promotes the isolationist nature of the trade.¹⁰ Infrastructural growth must be a target to ensure additional revenue generation via connection to markets and an incentive for export-related growth of the economy via increased access to neighbouring East African Community (EAC) and African states. Further, the simultaneous

diversification from the oil-based economy can target employment generation, create a multiplier effect and increase real GDP in the long run. Moreover, this policy remains the most important, as economic development via diversification can improve the exports, reduce oil reliance for fiscal budgets and move towards inclusive growth, thus correlating to good governance.

While economic development allows poverty alleviation in the country, it can transform social and human development, hence improving living standards. The GoSS prioritises “elimination of food insecurity”¹¹ and increases educational standards under the SSDP plan for social and economic development. Under this policy, the government aims to make agriculture more sustainable to increase yield for better output and tackle food insecurity. Adding onto that, revising educational standards is important, as 70% of the population is youth¹². Targeting them can improve economic engagement and enable them to develop new skills in the industry. The prioritisation of education is important to tackle both diversifications as well as expand innovation in the country. Further, the plan to increase yield via modernisation can pave the way for rising living standards and providing more income to the most vulnerable. The prioritisation of this indicator can allow citizens to truly benefit from an increase in economic development and provide for future development.

Social and human development can only be possible if there exists peace and security. The SSDP outlines “defending the sovereignty and territorial integrity of South Sudan seeking to prevent a resurgence of conflict”,¹³ which is an important insight into the idea that the government focuses not just on external security building but an internal revision to justice making mechanisms and focus on the institutional building. One of the most important tasks of this developmental priority is the provision of constitutional building and establishing a National

⁴Ministry of Finance and Economic Planning, Development Plan, Available at <http://www.mofep-grss.org/south-sudan-development-plan/>

⁵BBC (June 2014), *South Sudan 'most fragile state' in world*. Available at <https://www.bbc.com/news/world-africa-28039164>

⁶HRW (2019), Available at <https://www.hrw.org/world-report/2019/country-chapters/south-sudan>

⁷Country Engagement Note for South Sudan, 2017 (page 12)

⁸HRW (August 2014), *South Sudan's New War Abuses by Government and Opposition Forces*, Available at <https://www.hrw.org/report/2014/08/07/south-sudans-new-war/abuses-government-and-opposition-forces>

⁹Diagnostic Trade Integration Study for Developing Capacities

for Trade Integration and Economic Diversification, 2014, (page 117)

¹⁰Medlicott, 2021

¹¹FAO, *South Sudan Development Plan*, Available at <http://www.fao.org/faolex/results/details/en/c/LEX-FAOC149673/>

¹²South Sudan Country Report for the Fifth United Nations Conference on Least Developing Countries, 2019, (page 26)

¹³Ministry of Finance and Economic Planning, *Development Plan*, Available at <http://www.mofep-grss.org/south-sudan-development-plan/>

Security Adviser (NSA) under the Office of the National Security Advisor (OoNSA) to streamline security and control in the state. However, while it provides for streamlining of decision-making capacity, many of the political and economic resources in the state are in control of non-state actors that makes it essential to provide for a unified response to the situation. Hence, the ONSA and the establishment of constitutional committees provide the government with some direction into a unified approach to the security issues necessary for combating security challenges within the borders. The continuity of these projects is essential to establish long term control and strengthen humanitarian assistance. The lack of funding also remains a significant problem for the government. However, it is being tackled.

Regional Economic Communities Membership

Regional Economic Communities (RECs) play an important role in the development of states using international relations. South Sudan remains an active member of several RECs, such as Common Market for Eastern and Southern Africa (COMESA), Intergovernmental Authority on Development (IGAD) and East African Community (EAC), which have enabled greater access to cooperation on economic issues. The membership in these RECs allows South Sudan to engage in greater free trade with the vision of one market, which allows for the acquisition of technical expertise on trade policy making in the current scope of limited resources.

The GoSS participation in the IGAD has proven at multiple developmental fronts to ensure South Sudan becomes ready for future regional partnerships through the RECs and the African Union (AU). Through the North-South peace talks and identification of natural resource potential through sustainable development, dispute resolution has formed the major scope of the IGAD and South Sudan partnership. The North-South conflict impacted the exploitation of oil potential due to military difficulties¹⁴. Furthermore, the IGAD peace process is focused on the idea of reinitiating economic aspects in the negotiations and re-shifting focus to oil exploitation. These continue to impact

trade and development negatively mainly due to the loss of revenues en route to Port Sudan, Sudan¹⁵. While South Sudan benefited from the various agreements partnered with the IGAD as it has demonstrated the exclusive abilities to identify political conflicts and promote economic interests via natural resource management and the hope of economies of scale.

Complementing the IGAD is the EAC, which is one of the most important partners of GoSS. The EAC has established a pivotal role in changing South Sudanese priorities in economic development and supporting its policymaking, both directly and indirectly¹⁶. The key advantage to the admission remains assistance in developing and strengthening policy making in key areas such as mobile and telecommunication, retail trade and air transport services¹⁷. This alignment can be crucial for future regional integration and development of norms in the EAC itself to provide quality and competitive production of goods in the future. The EAC Common External Tariffs, while comes with equal costs, enhances the intra-regional trade, which can be leveraged with the limited infrastructure, but enables acquisition of opportunities in the export related growth. The EAC forms an important opportunity for the growth of the GoSS economic ambitions by promoting economic norms, which can be modelled in the GoSS policy making regimes and enact greater access to markets in the region despite limited connectivity.

Trade Profile

Partners and Patterns

Trade partners constitute an important status in determining a state's economic position both internally and externally due to their influence on the acquisition of foreign exchange, capital and development, and the wider current account and capital account. South Sudan's demographic places it in a unique position, along the White Nile, and proximity to other economic powers like Kenya and Ethiopia allows access to its markets. However, the state of being landlocked and undeveloped infrastructure blocks South Sudan from expanding market access and increasing trade relations with

¹⁴ International Crisis Group for South Sudan: Keeping Faith in the IGAD Peace Process, 2015 (page 10)

¹⁵ Wennmann, 2011 (page 12)

¹⁶ Kamau, 2016 (page 1)

¹⁷ Sauve, 2012 (page 8)

other important partners. With trade liberalisation efforts, the significance of export partners and export led growth (ELG) is ever-increasing in the context of realising trade potential and development.

Export-led growth (ELG) is an essential phenomenon in South Sudan in conjunction with domestic requirements in terms of imports. ELG, defined as “growth of countries can be generated not only by increasing labour and capital within the economy but also by expanding exports”¹⁸, substantiates the usage of comparative advantage to export goods and services, which can create positive externalities within the economy. In South Sudan, these items identified as livestock and food items in trade with Kenya¹⁹ showcased the idea that GoSS must divert more attention towards cultivation and economies of scale in this sector. However, while this may not be the goal, other infant industries are given protection through trade barriers until export growth can enhance earnings. The ELG mechanism is influential, as earnings from trade can increase acquisition of new capital, and in turn, allow for widening the export basket, as well as increasing efficiency in production. The ELG can boost trade earnings and increase access to foreign exchange for GoSS, which remains critical ²⁰. Thus, trade partners are important with a focus on ELG and domestic efficiency for the long term, under the broad terms of exports and imports.

South Sudanese partners in trade remain crucial for its overall growth in exports and earnings from oil. The major export products include crude petroleum, gold, forage crops, sawn wood and rough wood. On the other hand, major imports include cars, delivery trucks, packaged medicaments, other edible preparations and knit men’s coats. Moreover, both the major export destinations and import sources are outside the region²¹:

These export destinations are mostly marked with oil exports and crops due to the rich and fertile land in

the country. While imports are majorly machinery and vehicles, the country’s manufacturing sector is weak and relies on developed countries from the North for the same. However, it must be observed, despite the economic arrangements in the EAC and the COMESA, major partners of the GoSS include those beyond the reach of land and marks the need for greater regional economic integration. The intra-bloc total volume of trade constitutes only a mere 10% of the total exports of the EAC, with Kenya-Tanzania forming $\frac{2}{3}$ rd of the trade²². In the context of GoSS, it can be due to infrastructure constraints and the limited resource pool²³. While oil forms about 98% of the total exports, it also finances most of the fiscal budget. There is also increasing volatility in prices²⁴, which cause deterioration to terms of trade and impact revenues. In general, what is to be focused on is that the major export partners remain those outside the EAC and focus on oil exports, with volatility in prices, which creates issues in fiscal and current account balances.

Utilisation Rates

Utilisation rates are best understood as the “percentage of an organisation’s potential output that is being realised”²⁵. These figures demonstrate important objectives such as that of productivity of an economy. The UNCTAD and several other organisations, both state and non-state, conduct such reviews to understand the workings of the economy. In the context of the GoSS, UNCTAD’s Productive Capacities Index (PCI) demonstrates the economy’s overall productivity. The usage of utilisation rates can enable countries to identify major challenges to economic growth and development, and at the same time, allow correction based on policy changes.

The Utilisation Rates (UR) in the context of the South Sudanese economy are widely seen regarding UNCTAD’s PCI indicators. Six components form the core of the index: human and

¹⁸ UNCTAD (2001), IS THE EXPORT-LED GROWTH HYPOTHESIS VALID FOR DEVELOPING COUNTRIES? A CASE STUDY OF COSTA RICA, Available at https://unctad.org/system/files/official-document/itcdtab8_en.pdf

¹⁹ South Sudan: A Study On Competitiveness And Cross Border Trade With Neighbouring Countries for African Development Bank Group, 2013 (pages 65-67),

²⁰ Al Jazeera (Aug 2020), Running on empty: South Sudan is out of foreign exchange reserves, Available at <https://www.aljazeera.com/economy/2020/8/20/running-on-empty-south-sudan-is-out-of-foreign-exchange-reserves>

²¹ ITC trade data map, OEC. World, available at <https://oec.world/en/profile/country/ssd>

²² Miriri, Duncan (September 2019), Africa dreams of free trade as red tape rules on the ground for Reuters, Available at <https://www.reuters.com/article/africa-trade-eac-idUSL8N2593ZD>

²³ CIA World Factbook (2021), South Sudan, Available at <https://www.cia.gov/the-world-factbook/countries/south-sudan/>

²⁴ Ibid

²⁵ Kenton, Will (Jun 2021), Capacity Utilization Rate for Investopedia, Available at <https://www.investopedia.com/terms/c/capacityutilizationrate.asp>

natural capital, energy, transport, ICT, institutions, and structural change and the private sector. This help realise the growth and remove the barriers to development based on corrections by policy changes. Since 2015, the country has progressed rapidly on all indicators. However, progress on ICT has been relatively slower. In 2015, GoSS was marked 5.1 on the indicator, and in 2016, 5.5. At the same time, growth in human capital grew from 35.2 in 2015 to 36.1 in 2016, which showcases the idea that while human capital grows, ICT efficiency is relatively increasing slower. It is important to note that the growth in human capital refers to the increase in fertility rates and available labour and may not necessarily refer to the quality of skill sets and the resulting structural unemployment.

Further, these indicators are also highly interdependent, such that when spoken of structural change, “Weak institutions are also mirrors of poor levels of human capital”²⁶. Moreover, the importance of the UNCTAD indicators is extensive in reflecting the priorities for policy changes and economic planning in states which remains an essential element of economic cohesion and for the optimum allocation of resources. About the UNCTAD indicators, the Utilisation Rates demonstrate several gaps between the country's economic policymaking and its needs. These challenges can be articulated into transport, human capital and ICT majorly, hindering the realisation of the potential of country's wide natural resources.

The UR is essential in tapping natural capital, which remains one of the most important assets of the South Sudanese economy, both in terms of exports and domestic consumption of resources. In terms of access to electricity, which forms a significant part of natural capital as fuel, only 6.721% of the population had access to electricity in 2010²⁷. This is important to understand, as low natural capital may not directly correlate to low natural resources but to lack of efficiency in managing processes and shortage of equipment. The lack of access to electricity is being tackled with Vision 2030 to equip 23-24% of the population with electricity, enhancing IT and human

capital utilisation further.

In terms of utilisation of natural capital, human capital is one of the most important indicators under the UNCTAD PCI, enabling socio-economic development in South Sudan. There has been a growth in the human capital in the country since 2015. However, the lack of quality education in terms of skills might be an important hurdle for development on the UR scale and for increasing potential in innovation on the economic indexes. In the UNCTAD report on the LDC 2020, “South Sudan and Sudan, more than 20 per cent of school-aged children have dropped out of school – setting the dropout threshold at 5 per cent of school-aged children would almost double the number of countries affected by this phenomenon”²⁸. The dropout rates from school are complemented with the lower standards of education, which hinders the potential of labour in production lines and innovation in the country. While many indicators are involved in the formulation of human capital index, education is under focus. It reflects the future in terms of social growth and reallocation of labour from primary to tertiary or secondary sectors, boosting the local economies. However, South Sudan does not fare well, which leads to under-utilisation of resources. Moreover, while many policy initiatives have been taken, the prevailing instability prevents them from bearing fruits, which remains a grave concern to the overall human capital in the short and long term.

Complementing the natural and human capital of the economy is transport utilisation. This indicator is of particular importance due to the landlocked nature of the country, which places transport and infrastructural development under a lens to enable trade facilitation not just within the national borders but beyond the borders. The Africa Infrastructure Development Index (AIDI) ranked South Sudan as the second-worst country in Africa in connectivity and transport infrastructure²⁹. The UNCTAD PCI for this indicator was 13.1 in 2015 and 14.4 in. While there is evident growth, it does not match the pace of on-ground realities. There are only 100km of paved roads in the country, which further strip the country of its connectivity and utilisation.

²⁶ UNCTAD (2021), UNCTAD Productive Capacities Index for the UNCTAD, Available at https://unctad.org/system/files/official-document/aldc2020d3_en.pdf

²⁷ World Bank, Access to electricity (% of population) - South Sudan, Available at <https://data.worldbank.org/indicator/EG.ELC.ACCS.ZS?locations=SS>

²⁸ UNCTAD (2020), Measuring productive capacities: LDCs' progress towards sustainable development, Available at https://unctad.org/system/files/official-document/ldcr2020_ch3_en.pdf

²⁹ The Africa Infrastructure Development Index 2018 for African Development Bank, 2018 (page 4)

Connectivity can result in a lower cost of transport to the producer, hence more profit and increased market access. While the poor numbers on the indexes demonstrate the underutilisation, it is increasingly important to counter this indicator to achieve better functioning markets.

The current utilisation of resources emphasises untapped opportunities in the country, focusing on natural, human capital and transport services. In present circumstances, the country produces 131.4 million watts (MW)³⁰, while the estimated potential being 2500MW³¹. Filling this gap can lead to an increased usage of sustainable resources (e.g., utilisation of resources near the White Nile) and employment for youth via reskilling and investments.

Market Access Opportunities in RECs

The Regional Economic Communities (RECs) were developed in line with the vision of a unified African Economic Community, with a common currency, free movement and free trade following the 1991 Abuja Treaty. These communities were tasked with creating building blocks for Africa's wider economic and political integration using trade and other forms of cooperation. There are multiple economic arrangements. However, the African Union (AU) recognises 6 RECs and the rest as intergovernmental agencies. These RECs are spread across North, South, East, and West Africa, officially recognised and supported with the help of the United Nations Economic Commission of Africa (UNECA). However, of specific importance to the focus of the Note is the GoSS involvement in the RECs. GoSS remains a part of EAC, Common Market for Eastern and Southern Africa (COMESA) and the IGAD. While the RECs remain institutionally different, the common goal of all three remains to establish a common African federation, in line with

the African Union.

African Continental Free Trade Area

The African Continental Free Trade Area (AfCFTA) is a landmark agreement, with the scope of a continental integration in Africa, via trade as a significant instrument. 54 of the 55 AU states signed the AfCFTA, and 31 states have ratified it so far. It came into force on the 1st of January 2021, with the commitments of trade liberalisation and harmonisation of standards, etc.

The AfCFTA aspirations and economic potential permit it to benefit from the scope of regional integration. The tariffs on 90% goods will be phased out in five years by non-LDC members and in ten years by LDC members. Both LDCs and non-LDCs also have the option to develop their infant industries, e.g. through the use of sensitive lists.³² While the main beneficiaries are oil and mining industries³³, economic integration paves the way for shared expertise related to other industries also to develop efficient economies and move away from the import-substitution models.

Moreover, while the AfCFTA inspires a Customs Union for the whole continent, it is gradually progressing towards free movement of labour, persons and capital, along with the right to establishment under relative protocols signed in 2018³⁴. These protocols and aims are significant for South Sudan, as they will enable access to talent pools and wider investments for its industries. Moreover, this can reduce imported inflation from neighbouring countries and increase job creation in the trans-national manner. The Customs Union and Agenda 2063³⁵ both remain effective and attainable due to the growing integration of RECs, and the development of intra-regional trade, making continental integration achievable. Phase I of the negotiations on trade in goods and services concluded in 2018. Phase II dealing with investment and competition policy is paused due to COVID-19.

³⁰ESI Africa (Jan 2019), Regional motivation to develop South Sudan's hydro power capacity, Available at <https://www.esi-africa.com/industry-sectors/generation/regional-motivation-to-develop-south-sudans-hydro-power-capacity/>

³¹Deng, Jacob (Jan 2019), Regional motivation to develop South Sudan's hydro power capacity, Available at <https://www.esi-africa.com/industry-sectors/generation/regional-motivation-to-develop-south-sudans-hydro-power-capacity/>

³²United Nations, African Continental Free Trade Area – LDC provisions, Available at <https://www.un.org/ldcportal/african-continental-free-trade-area/>

³³UNCTAD (2019), Press Release Economic Development in

Africa Report 2019: Made in Africa: Rules of origin for enhanced intra-African trade, Available at <https://unctad.org/press-material/facts-figures-0>

³⁴African Union, Protocol to the treaty establishing the African Economic Community related to the free movement of persons, right to residence and right to establishment, Available at https://au.int/sites/default/files/treaties/36403-treaty-protocol-on-free-movement-of-persons-in-africa_e.pdf

³⁵African Union, Agenda 2063: The Africa we want, Available at <https://au.int/en/agenda2063/overview>

The World Intellectual Property Organisation (WIPO) estimates that its conclusion can bring substantial changes and introduce an Intellectual Property (IP) policy comparable to the continent's level of industrialisation³⁶. However, while freedom of movement may be applicable in several blocs like the EAC, states both in the EAC and the AU do remain hesitant to engage in furthering such provisions³⁷.

The African Union (AU) and the AfCFTA have the potential to even cushion the economies from the COVID-19 impact. While South Sudan is a signatory to AfCFTA, it has not yet ratified the agreement. Thus, all evaluations would be hypothetical. Considering the LDC nature of the country, it could benefit from an extended time scale for liberalisation and form better relations with nearby states like Sudan as trade ties deepen. While investments and connectivity projects will undoubtedly rise, ratification can showcase the commitment of the GoSS to integration as well, as early ratification can make it seem an attractive/preferable destination for investments and projects. At the same time, ratification can majorly benefit the energy sector, as the tariffs on external machinery for the energy projects will reduce eventually. Since the potential for renewable energy is immense³⁸ and unexploited, it leads to achieving the SSDP and could even make it an eventual export to enhance the trade basket. Hence, a sustainable and efficient establishment of energy projects along the White Nile can benefit both the state and its trade ties with others. The AfCFTA, due to its larger scope, majorly can benefit the governmental goals to make use of the potential of the country and make it an attractive investment destination, as well as reduce imported inflation on machinery, which improves efficiency.

East African Community

South Sudan's accession to the East African Community (EAC) is of great importance to the country's current and future economic activity. It has

great potential in the acquisition of imports, increasing technical expertise and mitigating wider macroeconomic problems of the country. Concurrently, it also produces greater outcomes for the country and consequently leads to greater economic access in the EAC states and the wider world, focusing on connectivity and raw material trade.

The EAC and South Sudan share close relations in trade and increasing political and security dialogues. Currently, a common market, the EAC has effectively risen to the level of one of the most integrated RECs in Africa. The Common External Tariff (CET) mechanism and removing tariff barriers (except on sensitive lists) in trade is an important step towards assuring the political federation it aspires to be³⁹. The CET has played an effective role in enhancing South Sudan's foreign trade policy and allowed it to apply higher tariffs in some instances than it did before, which benefits the infant industries and enhances intra-bloc trade⁴⁰. While the freedom of movement has not been applicable in all states, it would allow access to a larger intellectual resource pool from the neighbouring states. While EAC has responsibly aimed to become a political federation by 2023, it may require more efforts from the states to do so. South Sudan and other states have relatively delayed responses to freedom of movement, which remains critical to the overall target and may delay the goal. Further, while the next step on the ladder may be a monetary union, the current scenarios and relations make it sceptical about achieving the goal soon. However, if a monetary union is formed, then GoSS may benefit from a unified response to currency fluctuations and impacts on foreign currency reserves.

Due to the EAC's unique structure and the opportunities possessed by the evolving union, South Sudan can be a significant beneficiary of developed industries operating in infrastructure and connectivity projects throughout the other developed states of the EAC. This concerns

³⁶Nkomo, Marumo (December 2020), The African Continental Free Trade Area: a significant role for IP for WIPO, Available at https://www.wipo.int/wipo_magazine/en/2020/04/article_0005.html

³⁷Patel, Jyanaisha (March 2021), Africa launched its free trade zone in January. Here's what Africans think about economic integration for the AfroBarometer, Available at <https://afrobarometer.org/fr/blogs/africa-launched-its-free-trade-zone-january-heres-what-africans-think-about-economic-integration>

³⁸Mothersky, David (Jan 2018), South Sudan's Renewable Energy Potential for USIP, Available at [https://www.usip.org/sites/default/files/2018-01/sr418-south-](https://www.usip.org/sites/default/files/2018-01/sr418-south-sudans-renewable-energy-potential-a-building-block-for-peace.pdf)

[sudans-renewable-energy-potential-a-building-block-for-peace.pdf](https://www.usip.org/sites/default/files/2018-01/sr418-south-sudans-renewable-energy-potential-a-building-block-for-peace.pdf)

³⁹Adam, Christopher (September 2016), Policy Brief on Considerations for South Sudan joining the East African Monetary Union for the International Growth Centre, Available at <https://www.theigc.org/wp-content/uploads/2016/09/Adam-et-al-2016-policy-brief.pdf>

⁴⁰Frischtak, Ana (January 2013), Policy Note on South Sudan's EAC Accession: Legal Obligations and Negotiating Options for the IGC, Available at <https://www.theigc.org/wp-content/uploads/2014/09/Frischtak-2013-Policy-Brief.pdf>

telecommunications, development of roads and highways, which are linked in some of the projects in the EAC, under or the Eastern Africa Submarine Cable System (EASsy)⁴¹ and the Single Digital Market (SDM). The SDM calls for unifying telecommunications (internet and mobile services) in the six states of the EAC⁴². This leads to linking digital economies and creates a new cyber market for services, with a potential of greater investment in the country due to the unexplored nature of the industry. Currently, the state has no national broadband agency⁴³ in the telecommunications market and with a vast digital divide in the rural-urban economies. The SDM and the EASsy, which remain ambitious African projects to connect the continent, can bring greater connectivity and competition in the country and lead to innovation. While complemented with the right to establish a business, it can benefit the entrepreneurship and the technical reskilling of workers in the continent, which is one of the priorities of the GoSS in the SSDP.

In general, the EAC is in a stage of clear vision for a political federation. However, there is currently a common market, with some notable differences in freedom of movement, which is important for developing states in EAC like South Sudan. While at the same time, concerns arise over the probable economic loss due to these freedoms, they are short-term and, in turn, facilitate economic progress in the long-term by reskilling labour and increasing competition. The GoSS, via EAC and the current common market, can increase connectivity, as previously identified as one of the major barriers to securing access to other markets. At the same time, gold is a necessary export that can provide great revenues if sustainably and legally mined. Its potential in export-based quantities can later even offer expertise and efficient mining of other minerals.

Challenges

South Sudan, the continent's newest country, has managed to accede to several international organisations and enact many laws to regulate its economic environment. However, experts and the international community have debated if the current economic environment will attract trade and investment. While many issues plague the economy, as discussed above, like illiteracy and lack of talent pool, it is important to discuss some other key economic challenges of the country that hinder the realisation of the trade and investment potential with its regional and international partners.

Exchange Rate

The Exchange Rate is considered as one of the most important barriers towards an effective and stable trade balance between South Sudanese and foreign traders.

Concerning formal trade, the demand pressures on the dollar have caused an extreme scarcity in the market⁴⁴. As expressed by the International Alert, the scarcity of the dollars created due to excessive demands has resulted in quotas from local bureaus. It is essential to note the source of the scarcity is due to the lack of investments from abroad, which causes this imbalance. Constant depreciation and scarcity make imports expensive. Hence, importing important machinery can be priced much higher, leading to more demand for dollars and more outflows. The exchange rate also seriously impacts the ability of GoSS to maintain a healthy competitive behaviour as exporting firms may rely on depreciating currency to maintain competition instead of producing economies of scale to lower prices and improve productivity. Moreover, while South Sudan relies heavily on imports of food produce⁴⁵, the scarcity and the high price of imports can cause increased food insecurity in public. Apart from the above, the depreciation also scares off the

⁴¹South Sudan Communications for the Logistics Capacity Assessments, Available at <https://dlca.logcluster.org/display/public/DLCA/3.4+South+Sudan+Telecommunications>

⁴² Ibid

⁴³World Bank Group, A SINGLE DIGITAL MARKET FOR EAST AFRICA, Available at <https://documents1.worldbank.org/curated/en/809911557382027900/pdf/A-Single-Digital-Market-for-East-Africa-Presenting-Vision-Strategic-Framework-Implementation-Roadmap-and-Impact-Assessment.pdf>

⁴⁴ World Food Programme (2020), Market Update: Depreciation of South Sudanese Pound (SSP) for the WFP, Available at

https://fscluster.org/sites/default/files/documents/market_update_depreciation_of_south_sudanese_pound_ssp.pdf

⁴⁵ World Food Programme (2020), Market Update: Depreciation of South Sudanese Pound (SSP) for the WFP, Available at

https://fscluster.org/sites/default/files/documents/market_update_depreciation_of_south_sudanese_pound_ssp.pdf

investors in the market and upsets the balance of payments.

Investment Policy

Revision to the current investment policy must be a critical step for the GoSS to establish a safer economic environment for investors and gain access to additional credit. With all efforts to improve security and the social system, the goal remains to become an attractive market for foreign investments.

The investment policy of a country can provide for a stronger economic environment. While theoretically, the South Sudan Investment Promotion Act allows the right to transfer profits, this has been particularly challenging for many investors⁴⁶. Such practices may discourage foreign investors from investing in the country and may even impact its incentives to promote job creation via inviting foreign companies to produce. Further, the administrative difficulties involved⁴⁷ could be a significant obstacle to secure foreign funding. Evident by the World Bank's rating for the extent of the corporate transparency index, South Sudan has been given a 0⁴⁸, thus reflecting discrepancies in the transparent economic environment to gain the support of foreign investors.

Investments are an essential part of trade both externally and internally, as they allow companies and governments to secure additional credit and ensure economies of scale and improve access to technology, which are essential for an economy like South Sudan. Right kind of investments also encourage job creation and innovation in the economy.

Thus, improvements in investment-related policy and practices has the potential to make the country an attractive destination for new companies to settle and do business, which remains an important goal for the GoSS.

Power and Connectivity

Improving infrastructural facilities in South Sudan is important to leverage its opportunities. As previously outlined, weak connectivity has made it difficult for producers to interact with their consumers, and foreign producers to interact with domestic partners. This leads to a lack of consumption and production, which has several economic consequences at both the micro and macro-levels.

Connectivity is an important tool, as described above, to create a foundational basis for the circular flow of income. "60% of South-Sudanese firms rated transport as a major-to-severe obstacle to doing business"⁴⁹, which reflects the need for more cooperation in the infrastructural domain. While there are only about 100km of paved roads, estimates say 7,000km of roads are needed to provide rural accessibility⁵⁰, demonstrating the critical condition of transport in the state. Further, poor connectivity is associated with high costs for the firms, for transport which leads to lack of availability of goods in rural regions and higher insurance costs.

Moreover, while transport itself is a significant impediment due to the lack of roads and bridges, even power is a severe issue. Lack of enough power in Juba and other cities⁵¹ is a source of concern. However, the most important is the absence of power in the other rural regions, halting most of the development work. While projects to establish grids are ongoing with the help of the African Development Bank (AfDB), currently, the state of power in the country is extremely challenging.

⁴⁶ The Global Impact Investing Network (August 2015), THE LANDSCAPE FOR IMPACT INVESTING IN EAST AFRICA for GIIN, Available at

https://theqiin.org/assets/documents/pub/East%20Africa%20Landscape%20Study/11SouthSudan_GIIN_eastafrica_DIGITAL.pdf

⁴⁷ Ibid

⁴⁸ World Bank, EASE OF DOING BUSINESS IN South Sudan for the WB, Available at https://www.doingbusiness.org/en/data/exploreconomies/south-sudan#DB_pi

⁴⁹ Ranganathan, Rupa (September 2011), Policy Research Working Paper on South Sudan's Infrastructure for the World

Bank, Available at <https://documents1.worldbank.org/curated/en/164561468302991285/pdf/WPS5814.pdf>

⁵⁰ Ibid

⁵¹ African Development Bank (May 2020), South Sudan: "City of darkness" no longer, African Development Bank supported electricity project lights up capital for the AfDB, Available at <https://www.afdb.org/en/success-stories/south-sudan-city-darkness-no-longer-african-development-bank-supported-electricity-project-lights-capital-35701>

Policy Options to Address Challenges

The Republic of South Sudan (RSS), since its independence, has been constrained by political and economic challenges, which continue to have an impact on its potential economic growth. Targeted policy mechanisms often solve imminent economic issues. However, it is important to vitalise essential prospects in the RSS to achieve development. For this purpose, this section addresses four specific areas for policy improvements: agriculture and resource development, transport and infrastructural growth, trade and integration, and growth for MSMEs. It is important to understand that all these policy areas remain inextricably interlinked

Agriculture and Resource Development

The agrarian nature of the country plays an important role in job creation and economic growth due to the widespread effects it has on the population. However, RSS is exposed to intense aridification and severe floods and droughts, impacting already strained food insecurity issues⁵². Moreover, climate change will make the situation worsen, as RSS, which has a relatively higher food import bill⁵³, would become even more dependent on imports. This, in turn, would worsen the condition of the current account and adversely impact the lowest strata of the society. However, being relatively a new country in the global economic system, RSS can leverage the expertise and research by other countries to build a green, sustainable economy, for the benefit of its people.

Besides the agrarian challenge, the RSS also faces the challenge of energy production resources. With increased calls for renewable energy production, the

RSS' major export of oil can be threatened. Thus, renewable energy production can help combat climate change and emissions and increase revenues and scope for livelihoods. The "green pivot" proposed for South Sudan, incorporating the solar farms of smaller scales, is a promising plan for development⁵⁴, which can provide energy for businesses, infrastructure and even lead to job creation. The International Energy Agency (IEA) report also estimates that after more security guarantees are available in the region, these small-scale farms can export potential to other regions in Africa, where demand for renewable energy by 2040 will increase and form 50% of total consumption⁵⁵. This would lead to increased development and export potential and help South Sudan meet its climate change related commitments.

Moreover, in addition to clean energy, efficient and sustainable mining is the requirement of the hour to build a green economy. Hence, resource development in a sustainable form can enhance the economy's energy consumption patterns and trade basket and increase employment in labour-intensive ores. Since the parliament passed the South Sudan Mining Laws in 2012⁵⁶, it has undoubtedly steered a process for diversification. However, administrative hurdles cause disinterest in large conglomerates to invest in exploration. These are evident by the IEA reports, which state an example of a Chinese company and the large disconnect between state and national government on mining rights and regulations⁵⁷. While these difficulties might, in the short run, be overcome by creating or revising legal structures, it is also important to strengthen competition laws to improve efficiency. While regulations might discourage companies from investing in the short term, they will only allow greater sustainable development in the long term.

⁵² OCHA (Mar 2021), Climate, Peace and Security: The case of South Sudan for the Relief Web Services, Available at <https://reliefweb.int/report/south-sudan/climate-peace-and-security-case-south-sudan>

⁵³ Crop Monitor (2020), South Sudan: Conflict and Food Insecurity Updated April 16, 2020, Available at https://www.preventionweb.net/files/71333_71333specialreportsouthsudan2020041.pdf

⁵⁴ Mozersky, David (Jan 2018), South Sudan's Renewable Energy Potential for USIP, Available at [https://www.usip.org/sites/default/files/2018-01/sr418-south-sudans-renewable-energy-potential-a-building-block-for-](https://www.usip.org/sites/default/files/2018-01/sr418-south-sudans-renewable-energy-potential-a-building-block-for-peace.pdf)

[peace.pdf](#)

⁵⁵ Valentine, Katie (October 2016), Renewable Energy in Africa Is Set to Surge by 2040, IEA Says for Our World, Available at <https://ourworld.unu.edu/en/renewable-energy-in-africa-is-set-to-surge-by-2040-iea-says>

⁵⁶ Mozersky, David (Jan 2018), South Sudan's Renewable Energy Potential for USIP, Available at <https://www.usip.org/sites/default/files/2018-01/sr418-south-sudans-renewable-energy-potential-a-building-block-for-peace.pdf>

⁵⁷ Ibid

Transport and Infrastructural Growth

Transport and connectivity, as previously discussed, is the single most important economic hurdle for the government and businesses to improve economic activity in the country. With the above-quoted figures and statistics on the state of infrastructure in the state, connectivity must be improved for the basic interaction of consumers and producers at the national and international levels. The government, along with domestic and foreign partners, has given leeway to numerous projects for improving infrastructure, which also provide an important fiscal push and a multiplier effect with increased local employment and investment. Most of these projects remain long-term.

While the South Sudanese government under the SSDP has taken the lead to improve infrastructure in the country, the African Development Bank and other neighbouring states and EAC also remain key actors. The South Sudan Infrastructure Action Plan (IAP) is an ambitious project under the auspices of the AfDB and other regional actors, which aims to boost RSS connectivity in roads, highways, marine transport and aviation sectors⁵⁸. There is an eight-point program for upgrading highways⁵⁹ and roads to acceptable transport standards, with the key motive of reducing transport costs to neighbouring states. Further, the plan also outlines introducing White Nile private transport through South Sudan⁶⁰ to leverage its position in the continent.

While we discuss prospects for infrastructure, telecom and IT systems have acquired an essential role in improving connectivity for development. External experts identify several issues with the same, such as strong regulation and limited access to administrative information⁶¹ as a significant reason for the lack of incentives to invest. Despite increasing market structures and value, the current

state of the telecom market is critical and must be addressed to connect the cyber-space and expand e-markets. One of the examples evaluated by experts is the presence of different licensing authorities by the central government.

The whole of the RSS economy is significantly impacted by the transport and connectivity challenges. There should be more efforts to connect the marine transportation and border areas to the villages to ensure sustainable trade and reduce transport costs. Moreover, attention should be paid to the telecom industry. The government can improve regulation and provide guidelines to decision making authorities to ensure that telecom companies invest and enhance connectivity in the state.

Trade and Regional Integration

South Sudan's position in Africa, being landlocked geographically and surrounded by emerging economies, has enabled it to participate in several economic blocs. These blocs allow it to increase its trading power. Nevertheless, the state of free movement in the bloc needs to be addressed to leverage opportunities.

The EAC has become a common market, and there has been typical encouragement for freedom of movement of goods between several EAC states. However, concerning South Sudanese citizens and companies, visa procedures and fees still exist between itself and other EAC states⁶². While President Kiir has proposed to remove them on a bilateral basis with Kenya,⁶³ it will be useful to consider freedom of movement and the right to the establishment under appropriate conditions. This will allow RSS to increase access to skilled workers but also make business easier. However, there are plausible issues regarding the domestic employment of workers. These should be through

⁵⁸ AfDB, South Sudan: An Infrastructure Action Plan for the AfDB, Available at [https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/South%20Sudan%20Infrastructure%20Action%20Plan%20-%20A%20Program%20for%20Sustained%20Strong%20Economic%20Growth%20-%20Summary%20Report.pdf](https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/South%20Sudan%20Infrastructure%20Action%20Plan%20-%20A%20Program%20for%20Sustained%20Strong%20Economic%20Growth%20-%20Chapter%2010%20-%20Creation%20of%20a%20Communications%20Network.pdf)

⁵⁹ Ibid

⁶⁰ Ibid

⁶¹ AfDB, Creations of a Communications Network in South Sudan: An Infrastructure Action Plan, Available at <https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic->

[Documents/South%20Sudan%20Infrastructure%20Action%20Plan%20-%20A%20Program%20for%20Sustained%20Strong%20Economic%20Growth%20-%20Chapter%2010%20-%20Creation%20of%20a%20Communications%20Network.pdf](https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/South%20Sudan%20Infrastructure%20Action%20Plan%20-%20A%20Program%20for%20Sustained%20Strong%20Economic%20Growth%20-%20Chapter%2010%20-%20Creation%20of%20a%20Communications%20Network.pdf)

⁶² IOM (March, 2019), Study Highlights Need for Free Movement of Labour in East Africa, Available at <https://www.iom.int/news/study-highlights-need-free-movement-labour-east-africa>

⁶³ Takpiny, Benjamin (Feb 2021), South Sudan proposes visa waiver with E. African states for the Anadolu Agency, Available at <https://www.aa.com.tr/en/africa/south-sudan-proposes-visa-waiver-with-e-african-states/2160089>

quotas and other appropriate regulations for persons and businesses of other EAC countries.

Support for MSMEs Growth

Micro, Small and Medium-Sized Enterprises (MSMEs) hold a huge value in defining the circular flow of income in the economy. In a developing country like RSS, they contribute to job creation, innovation, and the state's future growth. Hence, it becomes essential for the government to support the MSMEs, improve tax revenues, job creation, and increase the flow of money to the specific strata of the society wherein aid might not be deliverable.

The RSS economy is majorly dominated by the public sector and foreign actors, and there remains less space for the homegrown private sector. However, there is a large informal sector of the economy⁶⁴, mainly comprising the most affected sections of society, which lack access to banking and finance. Hence, micro-credit loans can majorly benefit these sections to increase their business sizes. However, the lack of an institutional framework for the same has been seen as a major problem⁶⁵. Many hurdles remain to be addressed by effective implementation of targeted plans to develop MSMEs and the informal sector, which can have the potential to increase sizes of businesses, and eventually contribute to the tax revenues and overall development.

⁶⁴ Haas, Astrid (March 2016), What South Sudan will gain from joining the East African Community from The Conversation, Available at <https://theconversation.com/what-south-sudan-will-gain-from-joining-the-east-african-community-55592>

⁶⁵ Dube, Andile (December 2016), On the suitability of group

lending model in South Sudan's small and medium enterprises sector for the African Review of Economics and Finance, Available at <https://www.ajol.info/index.php/aref/article/view/162159>



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