

CSRF Meta-Analysis: Economy in South Sudan

This Research Repository has been compiled by the Conflict Sensitivity Resource Facility (CSRF) to assist donors and aid workers in South Sudan to better understand the context in which they work. The repository is searchable by key words, and it is categorized by “theory focus” and “practice focus” to enable easier exploration of specific topics. The CSRF has conducted a meta-analysis for eight theoretical categories, analysing a selection of relevant, key literature and extracting some of the most salient questions for donor-funded programming. This meta-analysis provides an overview of literature available on the economy in South Sudan.

The CSRF is implemented by a consortium of Saferworld and swisspeace and supports conflict-sensitive aid programming in South Sudan. The United Kingdom, Switzerland, Canada, the Netherlands and the European Union have joined forces to develop shared resources through the Conflict Sensitivity Resource Facility in South Sudan.

Introduction

Prior to South Sudan’s independence in 2011, researchers explored dynamics relating to the oil economy, state finances, macro-economy, livelihoods, land and trade. In particular, there was a robust approach to examining the impacts of Operation Lifeline Sudan (OLS), livelihoods and trade before 2005. Literature on the post-2013 crisis is often written with an eye to policy recommendations and explores topics that are relevant for humanitarian aid, recovery and resilience. These include publications on the food security situation, livelihoods, access to markets, and trade but also on the macro economy and public spending as well as the economy of peacekeeping. Related to these themes, publications reflected on the impacts of the COVID-19 pandemic, climate change, developments in the oil market and the war in Ukraine during the last three years.

The economics of livestock keeping and norms and values associated with livestock is poorly understood and often dominated by stereotypes that fail to analyse the complex interaction between pastoralist livelihoods, ecology, social safety nets, and political economies. Due to the presence of ongoing armed conflict, empirical data is in some contexts difficult, costly and dangerous to collect; as a result, published literature only provides a sketchy picture of a highly dynamic and volatile context and its

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CSRF (2023). [Hydro-politics in the Sudd Wetland: The implications of past and current water development projects for South Sudan and the Nile Basin.](#)

World Bank (2022). [Directions for Reform: A Country Economic Memorandum for Recovery and Resilience in South Sudan.](#)

NIIA & SIPRI (2022). [Climate, Peace and Security Fact Sheet: South Sudan.](#)

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World Bank (2022). [South Sudan Economic Monitor: Towards a Jobs Agenda.](#)

impact on livelihoods. The questions below were developed with the aim of connecting current economic trends with those that existed in the colonial and post-colonial periods, exploring underlying economic dynamics and the macro-economic situation.

1. How was South Sudan's economy changed by oil exploitation?
2. What is the state of agricultural and livestock production in South Sudan?
3. What is the state of public debt in South Sudan?
4. Why is corruption so persistent?

1. How was South Sudan's economy changed by oil exploitation?

Oil exploration in Sudan began in the late 1970s, but oil revenues to Southern Sudan were only received from 2005 onwards. The oil revenues of the Government of Southern Sudan (GOSS) quickly grew from nothing to over a billion USD in 2006. But despite oil revenues, the nature of the South Sudanese economy has changed little for most citizens. Most South Sudanese are farmers or agro-pastoralists who do not depend on the extractive economy. Around 80% of households still depend on one of these activities as their primary source of livelihood. Because most agriculture and pastoralism are conducted on a subsistence basis, it is not formally recorded in economic data. The oil sector on the other hand still employs a relatively small fraction of the overall South Sudanese workforce (according to ILO data 13%¹ work in the industrial sector and 25%² in the service sector). Albeit the ratio of South Sudanese working within the oil industry compared to foreign nationals reaches 80%.

Oil revenues allowed for a massive formalisation of the public sector. With hundreds of thousands employed in the security sector (the army, the police, the wildlife service, etc.), the state is the biggest formal employer in South Sudan. Oil revenues allowed the state to maintain a redistributive ability through formal state employment. The salary of an individual soldier

or civil servant injected cash into an extended family, which was likely to be rural, and thus cannot only be considered from the point of view of the central state budget. However, salaries of soldiers and civil servants are inadequate due to the high inflation and they are often paid with delays.

Oil rents have financed a boom in Juba, with construction and service sectors seeing massive investment, further centralising Juba's importance to the economy, but ensuring greater economic inequities between Juba and other parts of the country. Such revenue thus provides a focus for competition rather than collaborative development.

However, the country's dependence on oil revenues leaves the economy vulnerable to external shocks. Albeit the signing of the Revitalised Agreement on the Resolution of

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World Bank (2022). [Directions for Reform: A Country Economic Memorandum for Recovery and Resilience in South Sudan](#).
International Crisis Group (2021). [Oil or Nothing: Dealing with South Sudan's Bleeding Finances](#).
The Sudd Institute (2021). [Local Content in Practice: Improving the Participation of South Sudanese in the Petroleum Industry](#).
The Sudd Institute (2020). [Remediating South Sudan's War-induced Petroleum Environmental Damage: Environmental baseline Conditions and Current Impacts](#).
James, Laura. M. (2015). [Fields of Control: Oil and \(in\) security in Sudan and South Sudan](#).
Leben, Nelson M. (2013). [Still waiting for the Bonanza: The Oil Business in South Sudan after 2005](#).

Conflict in South Sudan (RARCSS) in 2018, halted armed conflict between the signatories and ushered in a modest economic recovery. Continuing local-level armed violence, natural shocks, the Covid-19 pandemic and more recently the current crisis in Sudan have

¹ World Bank (2021). [Employment in industry \(% of total employment\) \(modelled ILO estimate\) – South Sudan](#).

² World Bank (2021). [Employment in services \(% of total employment\) \(modelled ILO estimate\) – South Sudan](#).

hampered a further increase in oil producing and concomitant recovery since 2020.

What is more, in light of the state's public finances and political economy, revenues from the oil sector won't benefit the public at large: Substantial transfer payments to Sudan for pipeline usage, debt compensation and widespread corruption tied to obscure investment practices means that only a fraction is left for public spending.

2. What is the state of agricultural and livestock production in South Sudan?

Most agricultural and livestock production in South Sudan is geared towards subsistence and survival, rather than markets. Low productivity, poor road infrastructure, insecurity affecting parts of South Sudan and a limited tradition of selling crops and particularly livestock for cash, has led to multiple, partly disconnected rural economies, rather than one single agricultural and livestock sector. This explains why basic commodities – everything from grains to vegetables and meat – are more easily imported from neighbouring countries, even if the technical inputs to produce such goods are readily available in South Sudan. With increasing

global commodity prices in agriculture as result of the war in Ukraine, such import-dependency puts further strain on the economy. An abundance of land and water in many areas does not ensure a competitive agricultural system. Access to markets in most fertile areas is limited due to a lack of transportation infrastructure, as are techniques of modern agriculture such as crop rotation, the use of fertilizers and improved seeds, and mechanised techniques.

Both the agricultural and livestock sectors are confronted with the negative consequences of climatic changes. Changing rain patterns, floods and increasing temperatures have already reduced crop yields, limited pasture and water resources for cattle production and led to the loss of livestock. The scarcity of suitable land may deepen existing conflicts between cattle-keepers and agriculturalists.

Although the signing of the revitalized peace agreement in 2018 ended the armed conflict between the signatories, subnational violence, informal taxation, and changing migration patterns and the resulting spread of diseases continue to affect agriculture and livestock production.

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Gebreyes, Yacob A. et al. (2016). [The Impact of Conflict on the Livestock Sector in South Sudan](#).

Varela, Gonzalo J.; Cali, Massimiliano; Pape, Utz Johann; Rojas, Esteban (2016). [Market Integration and Poverty: Evidence from South Sudan](#).

3. What is the state of public debt in South Sudan?

There are two dimensions to public debt in South Sudan. The first is how the legacy of debt from the Sudanese state be resolved. This question was left unanswered at the time of independence. While Sudan officially holds all the debt incurred prior to South Sudan's secession, Khartoum does expect South Sudan to either accept a portion of the historic debts incurred or offer concessions on other matters in return for escaping these obligations.

The issue has large played out in the context of negotiations over transit fees for South Sudanese oil exports through its northern neighbour. Under the "Agreement on Oil and Related Economic Matters" in 2012, South Sudan owes its northern neighbour 3.028 billion US dollars to

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The Sudd Institute (2022). [It takes a Village to Raise a Child: South Sudan's Reengagement Strategy with Key International Financial Institutions.](#)

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World Bank (2017). [South Sudan Economic Update, 2017: Taming the Tides of High Inflation.](#)

Bernard et al. (2016). [Special Working Paper on Devaluation of South Sudan Pound: Short-term Food Security Implications.](#)

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be paid off by a fixed fee per barrel. The exact prize has been subject of recurrent negotiations and there are still outstanding payments owed by the Government of the Republic of South Sudan to the Sudanese government.

The second dimension is the domestic public debt accumulated under the South Sudanese government: Since independence in 2011, oil production shutdown (2012), armed conflict (starting from Dec. 2013) and decreasing global oil prices (mid 2014) led to a dramatic rise in public debt. By mid-2020, the state's external debts amounted to 46 percent of the gross domestic product GDP leading to regular payment arrears. This situation was only resolved later that year after a debt restructuring deal was struck with the Qatar National Bank QNB. Since then, the South Sudanese government has met all its debt obligations and the country's rating improved from "debt distress" to "high risk".

Still, suspected off-the-book loans, future lending against oil revenues from private creditors and

associated high interest rates continue to obscure official figures.

Additionally, a highly overvalued exchange rate pegged to the US Dollar contributed to the rapid depletion of foreign exchange reserves until December 2015. After that, South Sudan abandoned the fixed exchange rate and allowed the South Sudanese Pound SSP to trade freely on the market against foreign currencies. The resulting scarcity in hard currency and rising debt obligations led to hyperinflation in the country that only came down recently under fiscal and financial reforms.

Although high food prices due to the Ukraine war, an underperforming oil sector and recurrent natural shocks such as floods pose a continuing challenge for fiscal balance, current prognosis put South Sudan on a modest growth path, mainly due to predicted higher oil revenues in the mid-term.

4. Why is corruption so persistent?

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Transparency International (2022). [Corruption Perceptions Index.](#)

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Renzi, Tamburo (2021). [The Impact of FDI in South Sudan.](#)

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The Sentry (2015). [The Nexus of Conflict and Corruption in South Sudan.](#)

De Waal, Alex (2016). [When Kleptocracy Becomes Insolvent: Brute Causes of the Civil War in South Sudan.](#)

South Sudan suffers from crippling corruption, ranking 178 (score 13) out of 180 on Transparency International's Corruption Perceptions Index in 2022. A political economic interpretation of corruption must consider the expression of corruption as a form of patronage

and the expectation by the wider public that resources are to be shared, as well as the more intuitive answer of greed. Having established such patterns during humanitarian operations such as OLS – when aid was also diverted, corruption after 2005 is largely a question of scale and magnitude, rather than a new phenomenon entirely. It is important to note that many actors are directly or indirectly, and knowingly or unknowingly, complicit in corruption. The looting of billions of dollars of South Sudanese assets was made possible by external actors such as regional banks, the international financial system, and aid programs with insufficient oversight or controls, particularly around procurement and distributions.

[Further publications on international engagement in South Sudan are available in the CSRF Research Repository.](#)