

# SECURING A PRODUCTIVE SOUTH SUDAN

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## **The Priority**

On July 9, 2011, South Sudan emerged as a sovereign nation, with an internationally-recognized legal identity, separate from the Republic of Sudan. Despite this monumental achievement, the people of South Sudan must still secure a state that is consensual and productive, and that can provide the enabling environment necessary to significantly improve national standards of living. Thus, while South Sudan achieved independence in 2011, the actions taken in 2012 to build the nation will be critical and will determine whether it emerges as a successful or failed state.

As it enters 2012, South Sudan already faces many problems and challenges to building a strong, industrious country, and addressing these effectively requires a consensual and productive government. Some of the problems that are likely to dominate the new country's political economy in 2012 include: building a federal state and government capable of managing ethnic diversity and providing a fully functioning infrastructure that includes a system of laws and institutions to prevent corruption; gaining full control of its natural resources through effective access to the waters of the Nile River and resolving North-South issues over the division of oil royalties; and securing the country's permanent boundary with the Republic of Sudan. If these issues are

not tackled fully and effectively, the country will fail to create the wealth it needs. Failure could create institutional instability capable of significantly affecting prospects for peace, not only in South Sudan, but also in the east Africa region and throughout the continent.

## **Why Is It Important?**

### **State and Government Reconstruction**

During decolonization and preparations for the independence of Sudan in 1956, the country's citizens' demand for a federal system of government was rejected in favor of a unitary system. This system centralized political power in the capital city of Khartoum and sowed the seeds for much of the country's future woes. A federal system of government, however, would have provided the new government of South Sudan with the wherewithal to effectively manage ethnic diversity and ensure peaceful coexistence of its population, as well as enhance the government's ability to promote efficient and equitable allocation of resources. A competitive political system is critical to the prevention of destructive, sectarian mobilization. The ability of South Sudan to maintain an effective and fully functioning federal system of government will also be determined by the extent to which the country is able to create institutions that ensure

public accountability—such as an independent media, a vibrant and robust civil society, and a well-constrained civil service, among others.

Additionally, past experience has shown a new government and independence do not necessarily result in the creation of a developmental state. The developmental state must be constitutionally limited so political elites and bureaucrats are not able to engage in corruption, rent seeking and other forms of opportunism to benefit themselves at the expense of their fellow citizens. As South Sudan decides on the type of government and institutions it will adopt, it must focus on those that best ensure equality, transparency and efficiency.

#### Natural Resources: Water and Oil

The government of South Sudan has recently outlined a development strategy that is highly reliant on the modernization of its agricultural sector. However, modernization requires large-scale production that cannot be achieved with rain-fed agriculture alone. South Sudan is a riparian state to the Nile, along with Egypt, the Republic of Sudan, Ethiopia, Uganda, Kenya, Tanzania, Burundi and Rwanda. Yet, only the Republic of Sudan and Egypt have full access to Nile waters based on legislation established by the British colonial government and the 1959 bilateral agreement between Egypt and Sudan. The other Nile stakeholders have since rejected the 1959 agreement and have allied under the Nile Basin Initiative (NBI) to open a new dialogue regarding water rights and a more equitable allocation of the Nile River's resources. South Sudan should reject the 1959 agreement and align itself with the NBI to demand the development and adoption of a regionally-based cooperative framework for governing the allocation of the waters of the Nile.

Oil is as critical to the development of South Sudan and oil earnings account for 98 percent of public revenue for the government of South Sudan. In the Republic of Sudan, however, royalties from oil account for 50 percent of government revenue. Currently, South Sudan's abundant oil reserves can only be managed effectively and efficiently with cooperation from the Republic of Sudan. This is partly because South Sudan does not have the capacity to fully process its oil and must rely on a pipeline system and ports located in the Republic of Sudan for export. Although the

2005 Comprehensive Peace Agreement requires that oil revenues be shared between South Sudan and the Republic of Sudan, disputes occur over the fee that South Sudan must pay to transmit its oil through the Republic of Sudan's territory—demonstrated most recently when the Republic of Sudan blocked oil transmission through its land entirely. Such unilateral action on the part of the Republic of Sudan betrays the fact that economic development in South Sudan depends, at least in the immediate future, on cooperation between the two former civil war foes.

#### The North-South Relationship

Although South Sudan separated from the Republic of Sudan with relatively little conflict, past issues remain that must be resolved—particularly regarding their shared border. The Comprehensive Peace Agreement, which ended the Second Sudanese Civil War, granted the Abyei Area “special administrative status” and gave residents citizenship in the states of South Kordofan (the Republic of Sudan) and Northern Bahr el Ghazal (South Sudan) until a referendum could determine the area's permanent status. The referendum intended Abyei to choose between becoming part of a new autonomous South Sudan or remaining part of the Republic of Sudan but unfortunately the January 2011 referendum was never held. In December 2010, there still was no agreement by the Permanent Court of Arbitration on the Abyei area's boundaries and consequently there still was no concurrence on who constituted a resident of Abyei for purposes of participating in the referendum. As the stalemate dragged on, both sides sent troops to occupy the area and a series of bloody confrontations ensued. The violence eventually subdued due to a temporary agreement between the parties. The U.N. has deployed a contingent of Ethiopian troops in the region to keep the peace until the issue of border demarcation can be resolved.

Border conflicts also effect access rights to common pool resources, which include water, fertile land, grazing lands and oil. Thus, in 2012 and beyond, both South Sudan and the Republic of Sudan, working with the help of the East African Community, must first effectively resolve their boundary problems and second create an effective system of well-defined and enforced property rights in their respective jurisdictions. Until and unless this is accomplished, conflict over access to critical grazing lands

will continue and nomadic livestock owners are likely to maintain their violent mobilization in an effort to secure food and water for their cattle.

### **What Needs to Happen in 2012?**

In sum, the main challenges facing South Sudan include: creating a capable government free of corruption, ensuring a more equitable distribution of the Nile's resources, addressing its dispute with the Republic of Sudan over oil royalties, and better securing its boundary. Policy actions are needed in the following ways:

To achieve stability, the government must first provide an institutional environment that ensures the country's ethnic, religious and nationality groups are capable of living together peacefully. These institutional arrangements must not allow some groups to dominate or exploit others or place some groups at a competitive disadvantage. Peaceful coexistence is critical for stability, economic growth and development.

Second, in addition to equitable allocation of political power, the country's laws and institutions must adequately constrain civil servants and politicians from engaging in corruption, rent seeking and other forms of political opportunism. The government must make certain that it provides its public sector with the types of laws and institutions that enhance efficient financial management and minimize opportunistic behaviors.

Third, the government must negotiate a peaceful settlement to its conflict with the Republic of Sudan over their border and the sharing of resources. More productive relations between Juba and Khartoum are critical for sustainable development in South Sudan. Escalating conflict between the two Sudans could prevent improved trade and cultural exchanges within the East African Community, as well as between the region and the rest of the world.

Fourth, South Sudan must put in place laws and institutions that enhance the efficient and equitable management of the country's resources, particularly its water and oil. The government must efficiently manage these enormous natural resource endowments to secure the capital needed to address mass poverty, provide employment opportunities for restless youth, and ensure the proceeds of economic growth are distributed fairly and equitably. This involves not only making certain that its oil and other re-

sources are sustainably exploited, but also that the country's enormous human resources, including human capital residing in the Diaspora, are provided the means to contribute to national development.

Finally, in addressing each of these issues and in attending to their country's social and economic development, the people of South Sudan must recognize the critical role that partnerships with their neighbors can play. The countries of the East African Community and the international community have long recognized the extent of mass poverty in South Sudan and are making efforts to help the country deal with it. However, the South Sudanese government must make certain that it creates an institutional environment within which these donors can function as effective contributors to national development—such institutions must guard against waste, corruption, and the import of technologies that are not relevant to local development needs.