AFRICAN DEVELOPMENT BANK GROUP
GROUPE DE LA BANQUE AFRICAINE DE DÉVELOPPEMENT

Country Focus Report 2025

South Sudan

Making South Sudan's Capital Work Better for its Development

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ABBREVIATIONS AND ACRONYMS

AEO	African Economic Outlook
AfDB	African Development Bank
AML/CFT	Anti-Money Laundering and Counter Terrorism Financing
AU	African Union
CFR	Country Focus Report
CPI	Corruption Perceptions Index
DFIs	Development Finance Institutions
DPs	Development Partners
DRM	Domestic Revenue Mobilization
DSA	Debt Sustainability Analyses
EAC	East African Community
EMA	Environmental Management Authority
FATF	Financial Action Task Force
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GNI	Gross National Income
GoSS	Government of South Sudan
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
ICT	Information and Communications Technology
IIAG	Ibrahim Index of African Governance
ILO	International Labour Organization
IMF	International Monetary Fund
NBS	National Bureau of Statistics
NDS	National Development Strategy
NGOs	Non-Governmental Organizations
NRA	National Revenue Authority
ODA	Overseas Development Assistance
PFM	Public Financial Management
PIT	Personal Income Tax
PPDAA	Public Procurement and Disposal of Assets Authority
R-NDS	Revised National Development Strategy
R-ARCSS	Revitalized Agreement on the Resolution of Conflict in South Sudan
RDC	Research and Development Centers

R-TGoNU	Revitalized Transitional Government of National Unity
SDGs	Sustainable Development Goals
SEEA	System of Environmental and Economic Accounting
SMEs	Small and Medium Enterprises
SNA	System of National Accounts
SNRA	South Sudan Revenue Authority
SSA	Sub Saharan Africa
SRC	Salaries and Remuneration Commission
SSP	South Sudan Pound
TI	Transparency International
TVET	Technical and Vocational Education, and Training
UK	United Kingdom
UNHCR	United Nations High Commissioner for Refugees
UNMISS	United Nations Mission in South Sudan
US$	United States Dollar
WB	World Bank

EXECUTIVE SUMMARY

South Sudan's real GDP contracted by 27.6% in 2023/24 from a growth of 2.5 % in 2022/23, reflecting difficult economic environment owing to the conflict in Sudan that led to pipeline damage and oil production shutdown. However, real GDP is projected to grow by 4.0% in 2024/25 and 12.1% in 2025/26 as oil production and exports recover to pre-shutdown levels. South Sudan economy is among the most natural resource dependent economies in the continent, with oil representing over 50% of GDP, about 80% of exports and over 90% of revenues. This economic structure has undermined efforts to diversify the economy and broaden the tax base. Despite progress made over the recent years, South Sudan must address daunting challenges, including political instability, and expand and sustain the reform agenda to enhance effectiveness of public institutions, enforce the rule of law, and address transparency and accountability and good governance for efficient capital mobilization and utilization. Investing in skills development to enhance institutional framework and promote the rule of law will be crucial for resource management, investment promotion and transformation of natural capital into productive economic assets. Data limitations in South Sudan present significant challenges to both government and partners. Effective planning, programing and delivery of services hinges on reliable, detailed and up-to-date data and information. However, due to prolonged conflict, weak institutional capacity, poor infrastructure, and limited resources, the National Bureau of Statistics (NBS), does not regularly produce standard and up-to-date statistics. To address these data gaps, the government and development partners must provide financial resources to the NBS. In return the NBS should enhance its institutional capacity by strengthening personnel capacity through training, improving physical and Information and Communication Technologies (ICT) infrastructures, enhance coordination, collaboration and cooperation with other government agencies to promote data gathering and sharing, and apply digital technologies to easy data collection and dissemination.

GENERAL INTRODUCTION

South Sudan is landlocked country located in East-Central Africa bordering six countries: Sudan to the north, Ethiopia to the east, Kenya to the southeast, Uganda to the south, Democratic Republic of the Congo to the southwest, and Central African Republic to the west.

South Sudan achieved independence in 2011 and looked to the future with optimism but had inherited a legacy of severe socio-economic fragility. Two years later, in 2013, a civil war erupted, forcing 2.3 million people to seek refuge in neighboring countries, while another 2 million people were internally displaced. The World Bank's Fiscal Year 2025 income status classification categorizes South Sudan as low-income country with per capita income of US$1,040 in 2024. Food insecurity became rife in a country heavily dependent on humanitarian assistance. Moreover, the establishment of a revitalized government of national unity in 2020 did not trigger the desired dividend of growth because of the combined effects of weather shocks, the COVID-19 pandemic, and multiple shocks on the economy. More recently, the ongoing fighting in Sudan, through which South Sudan's oil (the main driver of economic growth) is piped for export, poses serious risks of increased instability and the spread of violence in the region.

This 2025 Country Focus Report titled "Making South Sudan's Capital Work for South Sudan's Development" examines the effectiveness of domestic capital mobilization in South Sudan in the context of structural change financing gap identified in the 2024 CFR. Furthermore, the report investigates the role of institutions, governance and rule of law in harnessing and utilization of natural capital potential in South Sudan. In this respect, chapter 1 reviews South Sudan's recent macroeconomic performance and outlook, while chapter 2 discusses boosting domestic capital mobilization and efficient utilization. Chapter 3 discusses institutional arrangements, governance challenges, and the role of law for management and utilization of various forms of capital.

MACROECONOMIC PERFORMANCE AND OUTLOOK

1

KEY MESSAGES

- South Sudan's real growth domestic product (GDP) contracted by 27.6% in 2023/24 from a growth of 2.5 % in 2022/23, reflecting difficult economic environment owing to the conflict in Sudan that led to pipeline damage and oil production shutdown.

- The real GDP is projected to grow by 4.0% in 2024/25 and 12.1% in 2025/26 on account of oil production recovery to pre-conflict level. However, these projections are contingent to stability in Sudan, de-escalation of internal political tensions, and continuation of PFM and other structural reforms.

- Money supply grew by about 200.7% as of October 2024, down from 71.3% in October 2023, driven by local currency depreciation.

- Inflation grew by 65.6% in 2023/24 from 22% in 2022/23.

1.1 Introduction

This chapter aims to present updated analysis of South Sudan's economic performance for 2023/2024 fiscal year, including 2024/25 growth estimates and medium-term projections for 2025/2026. It will assess trends in key macroeconomic indicators, including fiscal and monetary developments, inflation, public debt financial flows, including foreign direct investment (FDI), remittances, and official development assistance (ODA). The chapter also discusses downside and upside risks to the outlook and recommends policy options that can foster high and resilient growth, address recurrent macroeconomic shocks, support macroeconomic stability, and promote economic transformation.

1.2 Growth Performance

Real GDP is estimated to have contracted by 27.6% in 2023/2024 from a 2.5% growth in 2022/2023 due to oil export disruption by the conflict in Sudan. On the demand side, GDP contraction was driven by decline in household income, government expenditures cuts, and drop in investment. Agriculture output improved, with an increase in harvested area and crop yield by 6.2% and 8.3%, respectively, in 2024 (WB, 2024). However, these gains were offset by the significant decline in oil production. The war has increased cost of imports, disrupted trade, and slowed economic activity. Inflation grew by 65.6% in 2023/24 driven by monetary financing, currency depreciation, and disruption of trade with Sudan.

1.3 Other Recent Macroeconomic and Social Developments

1.3.1 Monetary policy, inflation and exchange rate

Recent macroeconomic shocks including oil production disruption, persistent floods and recurring droughts, sub-national violence which affected agriculture production, and spiralling exchange rate, have influenced monetary policy outcomes and inflation target, resulting in policy slippages. Money supply grew by about 200.7% as at October 2024, down from 71.3% in October 2023. The growth in the money supply was driven by local currency depreciation and decline in foreign exchange reserves owing to oil export disruptions. Inflation which grew by 65.6% in 2023/24 is projected to remain moderate at 65.0% in 2024/25. Exchange rate markedly deteriorated, depreciating by 340% in the parallel market as of December 2024.

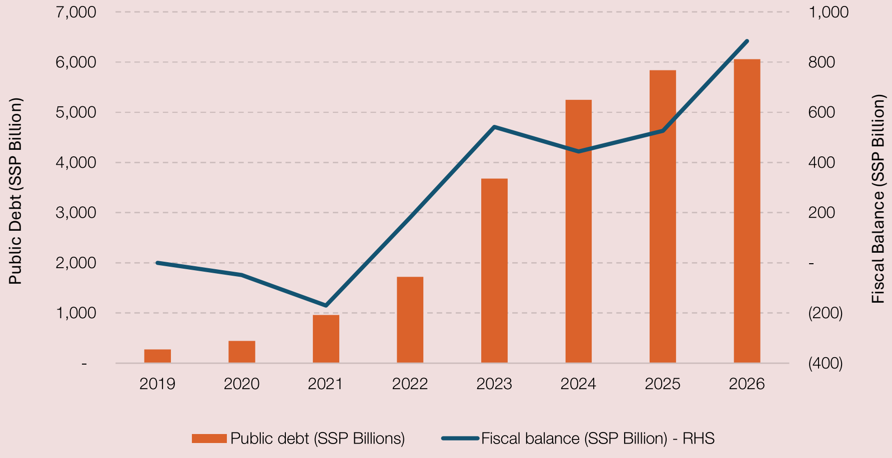
1.3.2 Financial sector

South Sudan's financial sector continues to face multiple challenges including hyperinflation and exchange rate volatility, affecting the banks' operations and performance. Several domestic commercial banks remain undercapitalized, despite attempts by the Central Bank to enforce the laws and regulations. With limited lending activity, commercial banks have relied on foreign exchange transactions as the main income-generating activity constituting 70% of their income. The banks increased the ratio of foreign currency denominated assets to total assets from 77% in September 2022 to 82.3% in September 2024 to protect against exchange rate losses. Domestic savings and credit to the private sector have varied in tandem with macroeconomic performance. Between 2014 and 2024, nominal gross national savings grew on average by 28.84% of GDP. Non-performing loans ratio has improved from 1.6% in September 2023 to 0.8% in September 2024, indicating improved loans performance during the 12-month period.

1.3.3 Fiscal Policy and Public Debt

Overall fiscal surplus reduced to 5.8% of GDP in 2023/24, down from 7.0% of GDP in 2022/23, owing financial difficulty due to loss of two-third of oil revenue as a result of pipeline damage in early 2024. The 2024/25 budget projects oil revenue at 55% of the total budget resources. However, these prospects are subject to the security and political situation in the neighbouring Sudan. South Sudan's overall and external debt was assessed sustainable, according to the WB/IMF 2024 debt sustainability analysis. However, the country remains at high risk of debt distress, with the stock of external debt estimated at 38.3% of GDP as at end-June 2024 and total public debt estimated at 73.2% of GDP in 2023/24 due to increased monetary financing from the central bank. 2024/25 budget projects total revenue of SSP2.26 trillion, of which 50% is to be generated from non-oil revenue. The non-oil revenue collections have increased by ten-fold to SSP552 billion, representing 24.5% of total revenue.

Figure 1: Trends in fiscal balance and public debt in South Sudan



Source: AfDB statistics projections, IMF/WB fiscal and public debt Analysis.

Box 1: Domestic resource mobilization efforts and development finance gap

South Sudan faces significant challenges in mobilizing domestic resources needed to bridge the development finance gap. Oil production disruptions have increased financing gaps, despite improvement in domestic tax collections. However, tax to GDP ratio remains at 4%, highlighting the need to ramp up domestic resource mobilization. To improve domestic resource mobilization, South Sudan must expand the tax base through economic diversification and investment in natural resources sectors. To unlock natural capital potential, South Sudan must address internal political wrangle, sub-national conflict, poor infrastructure, and institutional capacity gaps.

1.3.4 External Position and External Financial Flows

The current account balance is estimated to have improved to a surplus of 3.3% of GDP in 2023/24 from 2.9% in 2022/23, reflecting difficult macroeconomic conditions. However, South Sudan's external buffers, in the context of structurally high external financing needs, are low, reflecting huge external imbalances. Development spending needs and fairly large external debt-service obligations due to large stock of non-concessional external debts, including oil-backed loans have affected external position. These external financial needs are estimated at 6.8% of GDP in 2023/24 and are projected to reach 9.7% of GDP in 2024/25 (WB, 2024). International reserves declined to an estimated 0.3 month of imports cover in 2023/2024, owing to declined foreign exchange earnings from oil exports. Imports have been largely financed through remittances and humanitarian assistance. South Sudan's export base remains narrow, as the country exports mainly crude oil.

1.3.5 Social developments

South Sudan's social indicators have deteriorated in recent years. Unemployment is estimated to have increased from 12.5% in 2022/2023 to 13% in 2023/2024. Income inequality is high with Gini coefficient of 44.1 as of 2016. The World Bank's 2022 poverty and equity assessment study suggested that poverty is endemic, with the national poverty line (food and non-food requirements) estimated to be SSP358,724, corresponding to $1.5 per adult per day. The share of the population living below the poverty line increased from 51% in 2011 to 82% in 2022. These trends have exacerbated human development indicators, particularly education and health indicators. However, life expectancy, expressed in the number of years at birth, has marginally improved from 55.5 years in 2020/21 to 58.7 years in 2023/24. With limited government interventions, households and individuals resort to social coping strategies such as seeking support from extended family members, remittances from relatives living abroad, solidarity, customary redistribution and clan or community-based safety net programs. Social protection programs, mostly run by Non-Governmental Organizations (NGOs), have limited scope and are subject to funding availability.

Table 1: Key Macroeconomic and Social Indicators

Macroeconomic Indicators	2019/20	2020/21	2021/22	2022/23	2023/24(e)	2024/25 (p)	2025/26 (p)
Real GDP Growth (%)	-6.5	5.3	-5.2	2.5	-27.6	4.0	12.1
Real GDP Growth per Capita	-9.5	2.7	-6.7	1.0	-31.8	0.0	10.0
CPI Inflation (%)	72.2	25.5	-2.2	22.0	65.6	65.0	8.3
Overall Fiscal Balance, Including Grants (% GDP)	-5.5	-9.3	4.2	7.0	5.8	2.0	1.9
Primary balance (%GDP)	-0.5	-7.8	-6.2	8.4	4.4	4.8	4.5
Current Account (% GDP)	-18.9	-9.4	9.2	2.9	3.3	-6.5	-2.6
Population (Million)	12.7	13.2	13.7	14.2	14.7	15.3	16.4
Life Expectancy at birth (years)	55.9	55.5	58.2	58.5	58.7	59.0	61.1

*Source: Data from Domestic authorities; estimates (e) and prediction (p) based on authors' calculations. AfDB Statistics Department, May 2025. Note: *Data in fiscal year 1 July (n-1)/ 30 June (n); **: Data in calendar year*

1.4 Internal Conflicts and their Socioeconomic costs

The war in Sudan and the internal political and security crises in South Sudan have severely impacted economic growth and exacerbated humanitarian crisis. The conflicts in the two countries are intertwined, with the war in Sudan disrupting oil exports and trade and precipitate massive influx of refugees and returnees to South Sudan, while political instability in South Sudan allegedly enables illicit arms flow and feed the war in Sudan.

Oil export disruption. South Sudan's economy heavily relies on oil exports, with oil revenue accounting for 90% of total budget resources. The ongoing conflict in Sudan has severely disrupted oil exports due to the damage of oil pipeline which carries South Sudan's crude oil to an export terminal in Port Sudan. Exports plummeted from about 150,000 barrels per day before the war in 2023 to 60,000 barrels per day. Consequently, the oil sharply declined by two-third, creating a shortfall in public finances, leading to a buildup in salary arrears and reduction in spending on essential services such as health and education.

Currency depreciation and inflation. Oil exports disruption led to a decrease in the foreign exchange reserves (below $100 million a month) required to cover import needs. This gap in reserves created a high demand for the US dollars resulting in a significant depreciation of local currency against US dollar. The South Sudan Pound depreciated by 259% in the official market and 343% in the parallel market between January and December 2024, consequently fueling inflation from -0.6% in 2023 to 65.6% in 2024.

Humanitarian Crisis, Food Insecurity and Poverty. By May 2025, over 1 million individual crossed into South Sudan from Sudan since the onset of the conflict in April 2023. Nearly 700, 000 (about 68%) are South Sudanese nationals, while the remaining (32%) are Sudanese and other nationalities. Both the returnees and refugee face numerous challenges, including limited access to food, shelter, clean water, and healthcare services. Humanitarian organizations continue to provide aid; however, the available resources are far below the needs. Between April and July 2025 (lean season), approximately 7.7 million people (57% of the total population) are projected to be food insecure. Poverty has worsened and is widespread, rising from 84% in 2023 to 92% in 2024. The World Bank Economic Monitor report 2025 projects that poverty in South Sudan will be universal by the end of 2025, unless current macroeconomic and insecurity trends are addressed and reversed.

Impact of conflict on Natural Capital exploration, exploitation and Utilization. Insecurity and persistent political uncertainty have had a significant negative impact on investors' confidence to invest in exploration and exploitation of oil and gas and mining sectors. Fighting between government and rebel and militia groups, and intercommunal and resources related violence in oil producing areas have swayed potential investors and discouraged scaling up of already existing investments. International firms which expressed interest in investing in Blocks B1 and B2 in Jonglei State have either delayed, suspended or withdrew citing risks to personnel and investment returns. The mining, which largely remain artisanal and informal, has been affected by the conflict and insecurity. Licensed mining blocks have remained undeveloped or underdeveloped and new geological surveys and exploration activities have been discouraged due to security-related challenges.

Regional Spillover. South Sudan's conflict has widespread regional implications across East and Central African regions. Massive refugee influxes into the neighboring countries (Uganda, Kenya, Ethiopia, Sudan, and DRC) have caused humanitarian crisis, pressure on social services (education and healthcare), and cross-border insecurity concerns. The conflict has increased proliferation of small arms and armed militias and rebel groups operating along the borders with Sudan, RDC and Uganda. Organized cross-border crimes, including cattle raiding and smuggling of illicit goods across the borders have increased due to breakdown of public order and border security. Prolonged and recurrent security challenges have also disrupted trade and trade routes affecting the movement of goods and of people. Regional infrastructural project like LAPSSET Corridor project launched in 2012 has been delayed largely on account of insecurity and political instability in South Sudan.

1.5 Macroeconomic Outlook and Risks

1.5.1 Outlook

Economic growth, Inflation and Fiscal and External positions: Real GDP is projected to grow by 4.0% in 2024/25 and 12.1% in 2025/26 supported by improved economic activity on the account of increased crude oil production and exports. However, persistent political instability, ongoing war in Sudan, and uncertain global economic environment can derail the outlook. Agriculture is projected to grow by 8.0% in 2024/25, from -1.7% contraction in 2023/24. Inflation is projected to reach 65.0% in 2024/25 and decelerate to 8.3% in 2025/26. Fiscal balance is projected at 1.9% in 2025/26, from 2.0% of GDP in 2024/25. Due to anticipated growth, the current account deficit is projected to reach 6.5% of GDP in 2024/25 and decline to 2.6% of GDP in 2025/26.

1.5.2 Risks

South Sudan's economic growth outlook is highly vulnerable to both internal and external shocks. Downside risks include prolonged conflict in Sudan, intercommunal violence, and climate related vulnerabilities, which affect oil production and export and agricultural output. The peace process, upon which stability hinges, remains fragile as key provisions including unification of forces, permanent constitution making, census and elections remain unimplemented. Climate and environmental factors such as flooding and droughts have recently become more frequent, causing crops and livestock damage, and displacing communities. Authorities' commitment to peace and political stability, economic and Public Financial Management (PFM) reforms, and building climate resilience strategies could help mitigate the risks.

Box 2: The economic impact of U.S. tariffs and Official Development Assistance (ODA) cut on South Sudan

The United States imposed 10% tariffs on South Sudan imports as part of the broader reciprocal tariff policy announced by Trump administration in April 2025. While trade between South Sudan and the U.S. still minimal (exports to the US from South Sudan were $0.8 million in 2024) and have little or no immediate financial implications currently, the policy signals a shift in the U.S. trade policy towards South Sudan, which may have severe indirect consequences. The policy may deter investors and trading partners, discourage future trade growth and investment, and potentially hamper South Sudan's efforts to diversify its economy beyond oil dependence. On the ODA side, recent reduction in U.S. aid have had and will continue to have severe repercussions in the near and medium terms. The U.S. has been providing substantial ODA to South Sudan, especially in education and healthcare sectors. In 2023, the U.S. ODA to South Sudan amounted to US$405 million (45% of the total ODA received). The cuts have strained provision of much needed food aid, healthcare, and education services, which receive very little resources from the government. Other donors such as the UK, Norway, and other may continue

1.6 Policy Options to accelerate South Sudan's economic development

To accelerate South Sudan's economic recovery and promote economic diversification and transformation, the following policy actions are recommended.

Political Stability: The government should maintain peace and promote political dialogue to address state fragility and prepare the country for peaceful political transition through fair, transparent and credible elections.

Fiscal Policy: The macroeconomic policy must support domestic resource mobilization and deepen fiscal consolidation by broadening the tax base and reducing tax revenue leakages, promoting budget transparency and accountability, and enhancing public investment efficiency and public debt management.

Financial sector stability: The central bank should address issues relating to commercial banks undercapitalization to ensure banks comply with the law and regulations, build foreign exchange buffers to mitigate exchange rate and external pressures, and curb the inflation volatility.

Structural reforms: To transform the economy and promote growth, South Sudan must diversify its economy away from oil and invest in agriculture, value addition by building manufacturing plants, services and tourism, and increase public investments in physical infrastructure and power connectivity.

BOOSTING DOMESTIC CAPITAL MOBILIZATION AND EFFICIENT UTILIZATION IN SOUTH SUDAN

2

KEY MESSAGES

- Domestic resource mobilization (DRM) in South Sudan faces several challenges including conflict and insecurity, weak governance, limited economic diversification and heavy reliance on oil. These factors limit the country's ability to generate adequate resources and reduce heavy reliance on external humanitarian assistance and crude oil exports.

- South Sudan heavily relies on oil revenues to finance its economic growth and development. The oil sector constitutes 80% of exports and 90% of fiscal revenues. This has exposed the country to external and climate change related shocks.

- South Sudan's financing needs calculated for both the 2030 Agenda for Sustainable Development and the African Union's (AU) Agenda 2063 are huge, currently estimated at US$6.3 billion (about 85% of GDP) per annum.

- To mobilize more domestic resources and address this deficit, South Sudan requires, among other: (i) build institutional capacities to address gaps in governance, legal and policy frameworks, (ii) diversify the economy beyond oil to expand the tax-base and increase tax-to-GDP ratio from the current 4% to Sub-Saharan African (SSA) average of 21.4%, (iii) promote private savings and investment by promoting financial sector reforms and addressing challenges of doing business.

2.1 Introduction

This chapter evaluates the effectiveness of domestic capital mobilization in South Sudan. Based on the structural change financing gap identified in the 2024 CFR. The chapter will illustrate the potential of domestic resource mobilization to address the financing gap, explore innovative strategies to harness key sources of capital, including the domestic capital market, natural, human, and business capitals. It will also assess historical trends and identify key challenges and inefficiencies for each source of capital. Finally, the chapter will outline the necessary actions, including policies and reforms needed.

2.2 Fiscal Resource Mobilization

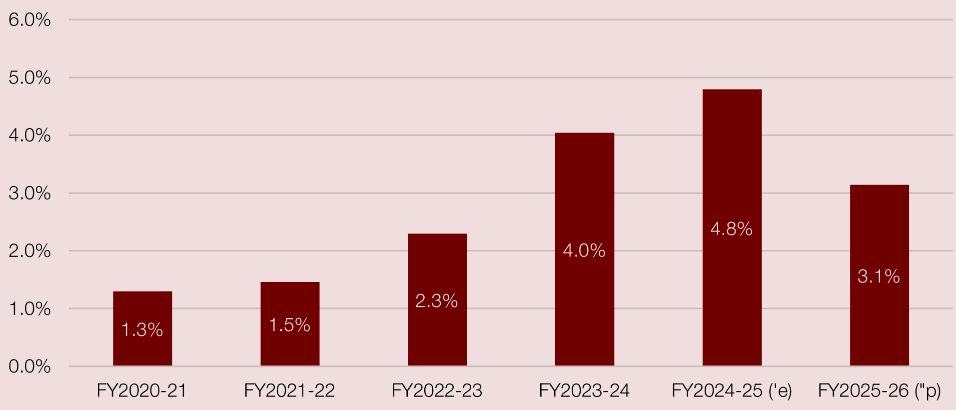
2.2.1 South Sudan's Financing Needs

South Sudan faces significant financing needs to address its developmental aspirations. 2024 CFR estimated annual financing needs of US$6.3 billion for the period 2024 - 2030. These gaps are calculated in the context of the 2030 Agenda for Sustainable Development, the African Union's Agenda 2063, and South Sudan's 2040 Vision and R-NDS 2021-2024, recently extended to 2026. These financing needs are largely driven by the infrastructure sector (73.5% of the total financial requirements), followed by education and productivity. This underscores the need for increasing investment in infrastructure to boost productivity and growth. However, current capital mobilization efforts are insufficient to address these enormous needs. Concessional loans from multilateral financial institutions, which provide budget support infrastructural development and institutional, and remittances from diaspora, are sufficient to cover the financing gaps.

2.2.2 Tax Revenue

Revenue Structure: The current tax revenue structure in South Sudan is composed of Personal Income Tax (52.6%), Business Profit Tax (4.5%), Advance Income Tax (16.7%), Sales Tax (2.6%), Excise Tax (2.6%), and Customs Duties (21.1%). The PIT contributes more than half of the tax revenues owing to its simplicity to enforce, and its huge component received in foreign currency (US$). South Sudan's Tax Revenue Performance and Trends indicate an increase in tax revenue from 1.5% of GDP in 2021/22 to an estimated 4.8% of GDP in 2024/25.

Figure 2: Tax revenues as share of GDP (2020/21 – 2025/26)



Source: Ministry of Finance and Planning (MoFP) and Author's calculations ('E = estimate, "P=Projected)

2.2.3 Non-tax revenues

The tax-to-GDP ratio is an important indicator for a country's fiscal resources mobilization capacity. South Sudan's non-tax revenues category is comprised of oil revenues, fees and charges, fines and penalties, dividends and profits, property income, and donor funds and grants. The dominant non-tax revenue category is oil revenue, making on average 15% of GDP. Grants/donor funds and other non-tax (non-oil revenues) are significantly lower, representing less than 1% of GDP. Unlike South Sudan, East African Community (EAC) member countries have developed systems and capacities of mobilizing non-tax revenues.

2.2.4 Mobilizing Domestic Fiscal Resources and Expenditure Efficiency

Domestic fiscal resource mobilization is the key priority of the government of South. It aims to expand tax base, enhance revenue collection, mitigate impacts of volatile oil revenues, and promote sustainable economic growth and stability. While there have been notable achievements in scaling up non-oil revenue collection following the establishment of South Sudan Revenue Authority in 2016, more needs to be done to diversify tax revenue base to promote fiscal sustainability. Transparency and accountability in budget execution in South Sudan remain critical concerns, highlighting expenditure efficiency challenge.

2.3. South Sudan's Natural Capital

2.3.1 Overview of South Sudan's Natural Capital

South Sudan possesses a diverse array of natural capital with potential to drive economic growth and improve livelihoods. These include crude oil, minerals, a vast arable agricultural land, water, forests, livestock, and fisheries. While South Sudan is ranked third in proven oil reserve in Sub-Saharan Africa, with estimated 3.5 billion barrels, potential mineral wealth from gold, copper, lead, zinc, nickel, marble, and various rare earth metals is yet to be quantified. Furthermore, South Sudan has high potential for renewable energy including hydropower, solar, wind, and geothermal energy.

2.3.2 Economic Contribution of South Sudan's Natural Capital

Despite its huge potential, South Sudan is yet to develop its natural resources to promote growth. Leveraging these resources to transform the economy remains a challenge due to conflict, institutional weaknesses, absence of legal and policy frameworks, and environmental and climate change impacts. The agricultural sector remains largely subsistence, with little commercial activity. Despite this potential, only 4% of the arable land is under cultivation. The sector (including livestock and fisheries) is contributing less than 5% of GDP (2021), while industry (mainly oil) and service sectors contribute 50%.

Table 2: Decomposition of Natural Capital in South Sudan: 2011-2018

	Total 2018 $ Mn			Per Capita $ 2018		
South Sudan	**2011**	**2018**	**% Increase**	**2011**	**2018**	**% Increase**
Renewable natural resources	16,960	52,389	209%	1,726	4,773	177%
Forests, timber	7,252	7,098	2%	738	647	-12%
Forests, ecosystem services	9,709	16,897	40%	988	1,539	56%
Mangroves	0	0	n.a	0	0	n.a
Fisheries	0	0	n.a	0	0	n.a
Protected areas	n.a	n.a	n.a	n.a	n.a	n.a
Cropland	n.a	5,147	n.a	n.a	469	n.a
Pastureland	n.a	23,247	n.a	n.a	2,118	n.a
Sub-soil assets	0	44,064	n.a	n.a	4,015	n.a
Oil	0	44,046	n.a	n.a	4,013	n.a
Natural gas	n.a	n.a	n.a	n.a	n.a	n.a
Coal	n.a	0	n.a	n.a	0	n.a
Metals and minerals	0	18	n.a	0	1.7	n.a
Total	16,960	96,453		1,726	8,788	409%

Source: World Bank 2021

2.3.3 Estimates and Dynamics of Natural Capital in South Sudan

Lack of high frequency data and irregular comprehensive reporting on natural resources, due to limited institutional capacities, hampers efforts to streamline natural capital valuation and reporting. The South Sudan's 2023 African Economic Outlook (AEO) report estimated that South Sudan's renewable natural capital component grew by 209% between 2011 and 2018, increasing from US$16.96 billion to US$52.389 billion. The growth is attributed to increase in the value of forests and ecosystem services. However, data from the World Bank suggested that the agricultural land (cropland and pastureland) declined to 282,510 km^2 in 2018 from 284,979 km^2 in 2011, representing only a 0.9% decline. The focus will therefore need to be on the value of the land. Data on the valuation of non-renewable resources, particularly the oil, are not available, underestimating full valuation and estimated contribution of the total natural capital to the South Sudan's economy.

2.3.4 Challenges and Opportunities of Leveraging Natural Capital in South Sudan

South Sudan's statistical system: The statistical system in South Sudan remains underdeveloped. The National Bureau of Statistics (NBS) has a framework of System of National Accounts (SNA) but is yet to develop a framework for System of Environmental and Economic Accounting (SEEA) to integrate environmental and natural resources data into the system of national accounts. While there is evidence of illicit financial flows, data to quantify the magnitude is not available. Between 2005 and 2015, South Sudan lost an estimated $US6.8 billion to illicit financial flows.

2.3.5 Carbon Sequestration-adjusted GDP of South Sudan

Capturing CO2 and establishing data to account for its economic impacts is a more recent attempt to quantify and address the climate change impacts of fossil fuels on economic growth. The approach has gained international traction as it aims to integrate environmental factors into economic accounting. South Sudan has not yet developed framework to address and incorporate carbon sequestration adjustments into its national accounts systems, especially its GDP calculations, due to limited technical capacity and lack of data. There is a growing recognition of the importance of natural capital valuation and accounting across the African continent with countries developing and adopting policies to promote the CO2 capture and its economic valuation.

2.4 Business Capital Resources in South Sudan

2.4.1 Setting the Stage

Business capital, referred to as financial, physical and human assets that enterprises leverage on to promote economic activity, plays a crucial role in driving economic growth by enabling investments, increasing productivity. South Sudan has a huge business potential due to its vast natural resources, strategic geographical location, and a growing population that creates demand for goods and services. However, business capital remains significantly low due to the combined effect of political and infrastructure challenges, as well as limited financial access. Key sectors with promising business opportunities include manufacturing, construction, agriculture, Information and Communication Technology (ICT), banking, and Telecommunications. South Sudan should develop policies that encourage private sector development, support entrepreneurship, and investment.

2.4.2 Indicators of Business Capital in South Sudan

Business landscape in South Sudan is faced with several challenges including political and economic shocks, underdeveloped financial sector, and policy and regulatory bottlenecks. Financial intermediation in the banking system is weak, affecting banking sector development. Domestic credit to the private sector remains among the lowest in Sub-Saharan Africa (SSA), standing at an estimated 3.4% of GDP as of June 2024. This is due to both deteriorating macroeconomic conditions and huge credit extended to the government by the central bank. As of June 2024, the Bank of South Sudan's claims on central government (credit extended to the government) stood at 49.5% of GDP, crowding out private sector from credit access.

2.4.3 Challenges and Opportunities for Enhancing Business Capital in South Sudan

Creating conducive business environment in South Sudan remains challenging. According to the World Bank's 2020 Ease of Doing report, South Sudan ranked 185th out of 190 economies. The challenges affecting the business environment ranges from: (i) legal, policy and regulatory gaps such as overlap between statutory and customary land rights, and weak law enforcement mechanisms; (ii) access to financial services remains limited as large part of the population do not have bank accounts due limited financial literacy, access to formal financial systems, underdeveloped financial infrastructure and limited digital financial services; (iii) high interest rates is another barrier for Small and Medium Entreprises (SMEs), with banks charging 15% or more due to high risk of default and lack of proper collaterals and weak legal enforcement mechanisms; (iv) low deposit rates that do not attract savings, making it unattractive for customers to deposit cashes in banks.

2.5 South Sudan's Human Capital

2.5.1 Definition and importance of Human Capital

Human capital is defined as the stock of knowledge, skills, expertise and health of the country's workforce, which promotes economic productivity, growth and national development. It is a critical driver for innovation, economic and social transformation, growth and development. Human capital is critical for quality governance and institutional effectiveness and efficiency. In essence, human capital is the foundation on which sustainable nation building is laid. Investing in education, healthcare and workforce development is key to enhancing productivity and quality of human resources of the country.

2.5.2 Current State of Human Capital in South Sudan

South Sudan faces significant challenges in its education, health and workforce sectors, impacting its social and human capital outcomes. The literacy rate was 34.52% in 2018, the lowest in the region, with a considerable gender disparity of 40.26% and 28.86% for male and female, respectively. The Country's health and education sectors budget allocations are below international benchmarks, with donors being the primary sources of funding for the two sectors. Maternal mortality (per 100,000 live births) is one of the highest in the world at 1150; use of skilled birth attendants stands at 40%, with the remaining 60% still using traditional birth attendants. Only 7% of the women between the age of 15-49 use modern family planning methods. Child stunting is at

15.1%, with only 4% of the children getting the minimum acceptable diet. However, there has been some improvement in child and maternal mortalities (WB SSEM, 2023). Under-5 mortality (per 1000 live births) declined from 109.1 in 2010 to 63.8 in 2021, while stunting has declined from 31% 2010 to 15.6% in 2019 (Still high).

Table 3: **Key Indicators of Education, Health, and Workforce in South Sudan**

S/No.	Sector	Indicator	Level
1	Education	Adult Literacy	0.345
		Youth literacy	0.75
		Primary School completion rate	0.25
		Out of school children	2.8 million
2	Health	Life expectancy at birth	57.3 years
		Maternal mortality	1,150 out of 100,000
		Under 5 mortality rate	98.8 deaths per 1000 live birth
		Neonatal mortality	39.3 deaths per 1000 live birth
3	Workforce	Unemployment rate	0.125
		Labor force participation rate	data not available

Source: World Bank 2021

2.5.3 Major Barriers to Human Capital Development in South Sudan

South Sudan is a young country emerging out decades of civil wars, which have destroyed infrastructures, consequently hindering progress towards sustainable growth and development. Major barriers to human capital development include: (i) limited access to quality education; (ii) poor healthcare systems, which impedes access to critical health services, inadequate budgetary allocation, with both sectors receiving roughly 13% of 2024/25 national annual public spendings, with actual execution usually below the allocations, (iii) low skilled workforces. Addressing these shortcomings is crucial for long-term human capital development and economic growth.

Box 3: **Reforms and investments in education that have worked well**

The government of South Sudan initiated reforms to address education access and quality for primary and secondary education. Notable reform initiatives include:

- **Free and compulsory education policies:** The 2011 Constitution (Bill of Rights), mandates free and compulsory primary education without discrimination. In 2023, this commitment was expanded to secondary education with aim to increase enrolment and reduce dropout rates.
- **National Teacher Education Policy (2023-2030):** This policy establishes standards to ensure professionalism through improved teacher training, renumerations, and working conditions to attract and retain qualified and professional teachers.

2.5.4 Investing in Education and Skills Development in South Sudan

South Sudan is ranked third (34.5%) of the least literate countries in the world, ahead of Chad 22.3%) and Guinea (32%). Investing in education and skills development is crucial for building innovative capacity, necessary for laying strong foundations for economic growth and social developments. The government has established professional technical and vocational education training (TVET) centers across the country. To promote access and improve quality of education, South Sudan must: (i) increase budgetary allocation, (ii) expand educational infrastructures and facilities to improve learning conditions.

2.5.5 Health as a Pillar of Human Capital Development in South Sudan

South Sudan's health system is highly underdeveloped, with inadequate infrastructures and human resources. The sector heavily relies on donor funding. Access to healthcare services in South Sudan is about 30%. The country experiences the burden of diseases such as malaria, diarrhea, tuberculosis, and HIV/AIDS. Medical and pharmaceutical density are the lowest in the world, with 0.4 physician per 1000 people. This impacts more on human capital in the country, including healthcare costs, education outcomes, and economic productivity. South Sudan must strengthen its health policy reduce these challenges.

2.6 Financial Capital Landscape in South Sudan

2.6.1 Domestic Capital and Financial Markets in South Sudan

Domestic capital and financial markets are critical in promoting economic growth and development, serving as backbone/ vehicles for investment mobilization, innovation, and efficient allocation of financial resources. Domestic capital markets mobilize and transform individual's or firm's savings and allocate them to productive investment activities. Well-functioning financial markets create an environment that supports individual entrepreneurs and firms and allows them access to investment capital for start-ups or for business expansion. A more developed financial system expands coverage and promotes financial inclusion and attracts investments. South Sudan's domestic and capital and financial markets extremely underdeveloped, with shallow banking activities. More than two-thirds of the commercial banks' income comes from foreign exchange sales and transaction fees charged, rather than traditional interest income. Domestic capital is predominantly commercial banks-led, reflecting its nascent and undeveloped nature attributed to a host of economic, institutional and political challenges. For South Sudan to build strong foundation for economic diversification and industrialization, it must establish, regulate, and support domestic capital and financial markets. This will ensure sustainable economic growth in the long-run and reduce dependence on foreign aid.

2.6.2 The State of Financial Development in South Sudan

South Sudan's financial sector remains underdeveloped, with key indicators falling behind the Sub-Saharan Africa's averages. The sector's development is affected by several challenges including regulatory, infrastructure, political and economic environments. Most conventional financial systems and products which help promote development and inclusion are not developed in South Sudan. For instance, South Sudan does not have Stock Exchange and Capital Markets where different financial products and services are offered. As a result, South Sudan is not included in various publications of international financial institutions due to lack of data. For example, the Finance and Development Magazine periodically published by the International Monetary Fund that ranks countries on the basis of depth, access, and efficiency of financial institutions and financial markets does not include South Sudan, owing to lack of data as a result of underdeveloped financial markets in the country. The tax-to-GDP ratio is among the lowest in region standing at 4% in 2023/24, while domestic saving rates have been volatile reflecting economic and financial difficulties South Sudan faces.

2.6.3 Mobilizing Financial Resources for South Sudan's Development

Financial sector in South Sudan remains shallow and limed, with the commercial banks being the primary sources of financing of private sector economic activities. Other financing sources such as equity, bonds, pension funds, money market funds, and capital markets are not developed yet. Furthermore, political, regulatory and economic challenges have hindered the development of alternative finance such as private equity, export finance, venture capital, crowdfunding, and diaspora bonds. However, While the legal and policy frameworks required to support the development of this sector is yet to be established, efforts to address these challenges are ongoing. The Ministry of Trade and Industry, with support from the African Development Bank, is currently developing private sector strategy. The insurance sector in South Sudan is underdeveloped but it has however evolved and undergone significant transformations over the past decade, necessitating a robust regulatory framework to address various challenges that arise in this developing market. Regulation is crucial for ensuring that insurance providers operate within established standards that promote fair practices and protect consumers.

2.6.4 Off-shore-linked Financial Resources for South Sudan's Development

South Sudan has limited access to formal debt markets, with recent oil production shocks increasing debt distress levels for both external and overall public debts. As a result, South Sudan has increasingly turned to offshore financial resources to the government operations and development programs. The main offshore-linked financial resources are primarily oil-backed short-term loans and foreign direct investment (FDI), particularly investments in the oil sector. FDI inflows are mainly from International Corporations which have invested in oil sector, mainly China and Malaysia. Recently, Savannah Energy from the United Kingdom (UK) have indicated interest to invest in South Sudan's oil sector, following the departure of Petronas. While offshore-linked financial resources are critical for South Sudan's development financing, they also come with more economic and governance challenges, including transparency and accountability issues. Notable example is a US$13 billion loan, reportedly secured from United Arab Emirates. The agreement securing such a huge loan amount was not vetted and approved by the National Assembly. Debt sustainability in the long term is another challenge posed by reliance on offshore financial sources.

2.6.5 Innovative Finance in South Sudan

Innovative finance is a relatively new area; however, the country is exploring this financing mechanism, especially in the areas of mobile banking. The financial sector is currently undergoing a transformative shift from traditional financial services delivery to more innovative solutions to promote financial inclusion for sustainable economic development. The Telecommunications companies, with oversight from the Bank of South Sudan, have launched mobile money services, including M-Guruch and MTN Mobile Money (MoMo). These initiatives aim at expanding financial service coverage and providing alternative, secure and efficient financial services to the most excluded population due to limited bank coverage owing to poor infrastructure and security concerns. The African

Development Bank's Climate Action Window has provided US$9.4 million for climate resilience Agri-Food systems transformation programme, with the aim to expand climate adaptive capabilities, improve infrastructure for rural population and promote skills development to harness agricultural productivity and enhance food security. Despite these initiatives, several challenges remain. Limited infrastructure, regulatory environment, and financial literacy continue to hinder progress. The Government and the stakeholders must address these challenges through supportive policies.

2.7 Policy Recommendations

South Sudan has made strides to improve domestic resource mobilization and enhance fiscal sustainability to mitigate impacts of oil revenue volatility. However, more needs to be done to strengthen efficient utilization of natural capital. Based on the issues discussed in this chapter, the following policy actions are recommended:

- As an oil-dependent country (for fiscal revenues, forex earnings, etc) developing and implementing structural transformation strategies in South Sudan is critical not just for diversification of economy away from the oil dependency, but for achieving stability and sustainable development. This could be achieved by developing policies that promote value addition to natural resources and transform the natural resources, including mining and agriculture, through responsible and sustainable exploitation. This can include eco-friendly investments in agriculture and sustainable forestry that benefit both the environment and the economy.

- South Sudan should continue to strengthen and deepen public financial management (PFM) by enhancing tax/non-oil revenue collection and administration and improving transparency and accountability in budget implementation. These can be achieved by implementing the current tax laws and strategies and the Public Financial Management and Accountability Act.

- To leverage the business capital potential, South Sudan should strengthen its legal and regulatory environment to promote investment climate, enhance financial sector infrastructure by establishing financial markets and promote innovative finance.

- To increase FDI, the South Sudan should learn from regional members countries on how to mobilize and attract diaspora savings through structured remittance and bond policies.

- South Sudan must invest in education and health to enhance human capital and improve productivity. Increased investment in this critical areas is crucial for enhancing productivity and improved labor force participation. This will require substantial increase in education and healthcare spending, modernizing curricula, and expanding vocational training to bridge skill gaps. This will entail investing in education, health and skills development.

- To enhance skills for employability among youth and women, South Sudan should expand and strengthen TVET programs, especially in agriculture, mining, energy, and ICT.

3

HARNESSING SOUTH SUDAN'S CAPITAL POTENTIAL AND RESOURCES FOR DEVELOPMENT: THE ROLE OF INSTITUTIONS, ECONOMIC GOVERNANCE AND RULE OF LAW

KEY MESSAGE

To harness South Sudan's huge natural capital potential, strong and effective institutions are core to ensure good governance and accelerate development. To realize this, South Sudan must address the following:

- **Political instability:** South Sudan must address the deep rated political and security challenges by ensuring inclusive political dialogue, implementation of the peace agreement and transition the country to stability through peaceful, fair, and transparent elections.

- **Rule of Law:** South Sudan's legal systems are weak due limited institutional capacity and political interference. Therefore, South Sudan should enhance its judicial systems through capacity development, judicial independence and enforcement of anti-corruption laws and regulations.

- **Resource governance:** South Sudan has enacted various laws to ensure public resources are managed and used in accordance with the laws and regulations. These laws include the public financial management and accountability act, petroleum revenue management act and public procurement and disposal of assets act, and anti-corruption commission act, among others. However, reinforcement of these laws remains a huge challenge due to limited capacity, lack of resources and political will.

South Sudan should therefore strengthen the institutions tasked to implement these laws by providing with the resources and capacity building.

3.1 Introduction

South Sudan is abundantly endowed with natural capital that is yet to be fully explored and utilized to promote the country's economic growth and human development. The natural resources base of the country is rich and unexploited. However, the human and financial capital bases are underdeveloped. Weak institutions and governance issues are hampering efforts to harness the untapped huge natural capital potentials. This chapter will assess the current state of public institutions, economic governance and the rule of law, and recommend policy actions necessary for harnessing South Sudan's capital potential and promoting economic growth and transformation.

3.2 Institutional Arrangements for Management and Utilization of Capital

South Sudan economy is predominantly driven by mining sector (chiefly oil), with the sector representing over 50% of economic activity and 98% of total exports. The private sector remains relatively small, with most SMEs operating in the informal sector. The private sector operates under pre-and post-independence legal frameworks, with some of these laws relatively outdated and need review to suit the current economic and business environments. Keys among these legislations are:

Investment Promotion Act 2009: this Act, which establishes the legal foundation for investment in the country, aims at fostering economic growth by providing a business regulatory environment that attracts both domestic and foreign investors. It provides incentives such as tax exemptions and guarantees against expropriation and ensures that investors are not compelled to surrender any part of their investment capital, while emphasizing protection of intellectual property rights.

Companies Act 2012. This law provides a road map on how to establish business entities and how they are regulated. The law mandates that the medium and large-scale businesses have at least 31% shares owned by South Sudanese nationals, while reserving the ownership right of small enterprises to South Sudanese nationals only.

Taxation Act 2009 (amended 2012): This legislation defines business tax obligations and governs the tax system, with provisions of exemption and concessions incorporated to incentivize investors and promote investments across a spectrum of sectors.

Banking Act 2012 (amended 2023): this Act establishes guidelines for establishment, regulation, operation, and supervision of financial institutions, with the aim of ensuring stable and transparent banking sector, crucial for private sector development necessary for economic growth and stability.

South Sudan has enacted several laws and regulations to combat illicit financial transactions and flows and enhance financial transparency to mitigate risks of Money Laundering and Terrorist Financing. Important among the legislations include:
The Anti-Corruption Act (amended 2023): the amended Act, signed into law by the President in December 2023, amended key features of the law including: Investigation and Prosecution powers, Leadership tenure, Asset Declaration requirements, and Establishment of Special Courts to investigate and prosecute corruption offenses.

Public Procurement and Disposal of Assets Act 2018 provides for legal framework establishing and governing an open, transparent, accountable, and efficient system of public procurement and disposal of assets.

Anti-Money Laundering and Counter-Terrorist Financing Act 2012 establishes measures for preventing money laundering and the financing of terrorism, outlining offenses related to money laundering, prescribes penalties, and mandates the verification of customer identities by financial institutions.

Mining Act 2012 provides for, encourage, promote and facilitate reconnaissance, exploration, development and production of Minerals and Mineral Products in South Sudan, consistent with the principles of sustainable development.

South Sudan has recently established Financial Intelligence Unit to strengthen the effectiveness of its Anti-Money Laundering and Counter Terrorism Financing (AML/CFT) regime, South Sudan has taken steps towards improving its AML/CFT regime, including by finalizing its comprehensive review of the AML/CFT Act (2012) to comply with the Financial Action Task Force (FATF) Standards. While these laws are active and under implementation, more legal instruments and regulations to accompany them are required to sufficiently address constraints and bottlenecks affecting the private sector, and the economy in general. While efforts to strengthen the implementation of these statutory laws by the government are ongoing, many challenges remain and continue to slow down the drive to address them. Political interference and corruption in the judicial service, limited legal capacity owing to poor legal infrastructure and lack of adequately trained legal personnel, and insufficient integration of customary laws into statutory legal frameworks and legal practice continue to hinder implementation and effectiveness of the laws. Another critical aspect is the delay in implementation of Revitalized Agreement on the Resolution of Conflict in South Sudan (R-ARCSS), particularly the permanent constitution-making process. Absence of a permanent constitution weakens judicial independence, creates legal ambiguity, and undermines delivery of impartial judgments and legal protection. Lack of permanent constitution also creates legal uncertainty which can affect investors' confidence, as contract enforcement may be compromised due to unpredictable legal and policy environments.

3.3 Governance Challenges in the Management and Utilization of various forms of Capital in South Sudan.

South Sudan is endowed with abundant natural resources, including oil and minerals, which can significantly contribute to economic growth and development. However, several governance challenges hinder the country's efforts to manage and utilize these resources more effectively. The country ranks at the bottom in most of the international governance and transparency indices. The 2024 Ibrahim Inex of African Governance (IIAG) ranks South Sudan at the bottom among African countries in overall governance. Furthermore, Transparency International's Corruption Perception Index (CPI) places South Sudan at the bottom, with a score of 8 out of 100, indicating a serious perception of public sector corruption.

Security and Rule of Law: South Sudan has experienced significant violence as a result of protracted and ongoing conflict, negatively affecting assessment outcomes.

Participation, Rights and Inclusion: South Sudan faces difficulties in ensuring broad-based civic and political participation and safeguarding rights, affecting the country's performance under this category.

Foundation for Economic Opportunity: South Sudan has enormous economic potentials, with vast natural capital including oil, minerals, and agricultural resources. Despite this abundance, only oil is being exploited. Opportunities to exploit the rest of the resources are being hindered by lack of adequate infrastructure, weak institutions and public sector mismanagement, and insufficient policy and regulatory environment.

Human Development: South Sudan continues to face significant challenges in its health and education sectors, despite efforts by the government and development partners to enhance health and education performance to improve human development outcomes, emphasizing the need to double the efforts in investing in these key sectors to ensure development aspirations of the country.

These assessments reflect the significant challenges the country faces in governance, public administration and corruption, highlighting the critical need for substantial reform programs across all the sectors to improve South Sudan's governance and the rule of law performances.

3.4 The Rule of Law, the Management and Utilization of various forms of Capital in South Sudan

South Sudan promulgated a fairly progressive transitional Constitution in 2011, following independence declaration on July 9th. After independence, a permanent Constitution was expected to be developed and define the type of governance and enshrine fully pledged democratic aspirations of the people of South Sudan that reflects universal human and people's rights. However, due to the conflict and political fragility, South Sudan is yet to proclaim a new constitution. South Sudan faces significant challenges in rule of law and public administration sectors, making it more difficult to reinforce governance and corruption legal frameworks in the country. The 2011 Transitional Constitution established a decentralized federal political governance structure with three levels of government: National, State and Local (County) governments, each of which has its executive and legislative functions, with Judicial function being the prerogative of the central government. The Constitution guides these levels of government in the management and utilization of natural resources, with each level performing specific functions. The constitution provides states with both executive and legislative responsibilities to manage, develop and utilize specific resources and collect revenues to perform their constitutional fiduciary functions.

South Sudan is undergoing significant judicial reforms. In late 2014, the Ministry of Justice and Constitutional Affairs with support from the United Nations Mission in South Sudan (UNMISS), convened a high-level workshop to validate comprehensive Judicial reform report. The report outlined strategies to establish fair, transparent, and robust. To achieve effective economic governance system, South Sudan needs to improve the judicial effectiveness by ensuring independence of Judiciary to conduct fair, transparent, timely and impartial adjudication of legal cases. An effective judicial system is also required for strengthening contract enforcement and protection of property rights. Investing in both infrastructure and human resources is critical for the delivery of judicial services.
The 2018 Revitalized Peace Agreement on the Resolution of the Conflict in the Republic of South Sudan (R-ARCSS) identified some the legal and policy gaps. The agreement stipulated that "The Revitalized Transitional Government of National Unity (RTGoNU) shall initiate and oversee a Permanent Constitution-making process, during the

Transitional period, based on the principles of Supremacy of the People of South Sudan, and initiate a federal and democratic system of government that reflects the character of South Sudan in its various institutions taken together, guarantees good governance, constitutionalism, rule of law, human rights, gender equity and affirmative action". Chapter four of the agreement, which discusses the resource, economic, and financial management, outlined the principles and mechanisms of ensuring transparent, accountable, and equitable utilization of financial resources, emphasizing economic, public financial management, and natural resources management reforms, and measures to strengthen anti-corruption institutions and legal frameworks. The agreement stipulated that legislation, including the Banking Act 2010, Public Financial Management and Accountability Act, Petroleum Revenue Management Act 2012, and Petroleum Act 2012 should be reviewed. The agreement also identified areas where new legislations should be established, including the National Revenue Authority (NRA), Public Procurement and Disposal of Assets Authority (PPDAA), Salaries and Remuneration Commission (SRC), Environmental Management Authority (EMA), and Research and Development Centers (RDC).

3.5 A Pan-African Approach to Strengthening the Rule of Law, Institutions and Governance for Harnessing South Sudan's Capital

South Sudan has progressively improved its legal, regional and international partnership mechanisms. The 2011 Transitional Constitution has enshrined fundamental human and peoples' rights and aspirations, and democratic values, as stipulated in the African Union's (AU) legal instruments, including in the 2063 Agenda. South Sudan has engaged with both the AU and East African Community (EAC) and has ratified a number of protocols including the Maputo Protocol on the Human and Peoples' Rights and EAC protocols aligning its national laws with these protocols in the spirit of Pan-Africanism.

3.6. Conclusion and Policy Recommendations

- The Government of South Sudan should implement reforms to enhance governance, strengthen rule of law, and improve institutional capacity to support economic growth to achieve sustainable development. In light of this assessment, the following policy options are recommended.

- To enhance investors' confidence, South Sudan should establish legal clarity for investment and strengthen judiciary and ensure its independence.

- South Sudan should build transparent and accountable institutions by strengthening institutional capacities to enhance natural resources management and utilization. South Sudan should continue investing in institutional capacity and skills development to enhance institutional framework and promote rule of law.

- South Sudan should develop its mining sector by developing policies and institutional capacities in order to exploit mineral resources and transform the economy.

- South Sudan should create business enabling environment in order to attract investment and leverage private sector financing for economic industrialization.

- To benefit from these vast resource potentials, South Sudan must add value to its raw mineral resources by building local refineries, which will create jobs and income for the local population.

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