# MASTER THESIS

Titel der Master Thesis / Title of the Master's Thesis

„The Curse of the Upper Nile:
Oil Wealth and the Downfall of Institutions in South Sudan"

verfasst von / submitted by

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angestrebter akademischer Grad / in partial fulfilment of the requirements for the degree of

Master of Advanced International Studies (M.A.I.S.)

Wien 2021 / Vienna 2021

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| Studienkennzahl lt. Studienblatt<br>Postgraduate programme code as it appears on the student record sheet: | A 992 940 |
| Universitätslehrgang lt. Studienblatt<br>Postgraduate programme as it appears on the student record sheet: | Internationale Studien / International Studies |
| Betreut von / Supervisor: | Professor Werner Neudeck |

diplomatische akademie wien
Vienna School of International Studies
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Vienna, 11.06.2021

Content

# THE CURSE OF THE UPPER NILE

*Oil Wealth and the Downfall of Institutions in South Sudan*


## Abstract

*The youngest and fastest growing African economy is haunted by famine, poverty, and internal conflict. While the peace agreement of 2020 that has concluded a five year long civil war in South Sudan has been received with enthusiasm, a more invested analysis of the past decade herein sounds a note of caution. With employing political resource curse theory this paper establishes an argument, that the recent conflict, the government's severe corruption, and the poor development in the country must, to a significant extent, be attributed to its oil riches. For illustration, the paper relies on an extensive selection of journalistic contributions, reports by NGOs, and data of development organisations. With little impetus from transnational shareholders like China and failures of hitherto ill-informed international engagement, the hope for the prosperity of the South Sudanese people springs with a more comprehensive development strategy in the future. Potential remedies are recommended with the support of relevant scientific literature.*

*Die jüngste und am schnellsten wachsende Volkswirtschaft in Afrika wird von Hunger, Armut und internen Konflikten heimgesucht. Während das Friedensabkommen von 2020, das einen fünfjährigen Bürgerkrieg im Südsudan beendet, mit Begeisterung vernommen wurde, mahnt eine genauere Analyse der vergangenen zehn Jahre zur Vorsicht. Mit einer Theorie zum politischen Ressourcenfluch argumentiert diese Arbeit, dass der jüngste Konflikt, die ausartende Korruption der Regierung und die elende Unterentwicklung im Land in erheblichem Maß seinem Ölreichtum zugeschrieben werden müssen. Zur Illustration stützt sich die Arbeit auf eine umfangreiche Auswahl an journalistischen Beiträgen, NGO-Berichten und Daten von Entwicklungsorganisationen. Ohne großen Einsatz von transnationalen Anteilseignern wie China und bislang fehlgeleitetes internationales Engagement stirbt die Hoffnung für die Bevölkerung Südsudans mit der Aussicht auf umfassendere Entwicklungsstrategien. Unter Zuhilfenahme einschlägiger Literatur werden potenzielle Abhilfen diskutiert.*


## 1 Introduction and Research Interest

Despite the Covid-19 crisis and a global economic recession, only one African country had a positive and in fact considerably high growth rate on the continent in 2020 – South Sudan.[1] As it is the most oil dependent country on earth[2] but also among the poorest in the world, it provides a puzzle. With a large portion of the population in famine or highly endangered food security, no running water, electricity, basic infrastructure, or effective schooling and education[3] the country is

[1] IMF 2021a
[2] Shankleman 2011: 1
[3] BBC 2020

consistently classified as one of the least developed countries (LDC) worldwide[4], with a rank of 185 of 189 on the Human Development Index in 2020.[5] Akobo, a county in the East of South Sudan, where a lot of refugees from the Nuer ethnicity fled during the recent civil war, had recently been labeled the "Hungriest Place on Earth".[6] This paper is out to solve the puzzle by drawing on theoretical assets of the resource curse literature, demonstrating the severe turmoil South Sudan's society, politics and economy are still must be understood as a result of its oil wealth.

The jury is still out on what predicts high performance and wealth in development economics overall. The case for institutionalist arguments seems to be the strongest and prevails over categories like culture or geography. Abundance in natural resources has taken an exceptional position in the field. While the potential negative impact of wealth in extractive resources on an economy is well explained, its relation to political institutions and societal development as a whole is more controversial. Emerging approaches suggest a political resource curse, as there seems to be evidence that plenty in natural resources has a deadening effect on democratic development.

Many explanations in social sciences why certain countries have thus far failed to democratise draw on cultural considerations. Against that background, it is important to revisit arguments that show why progress in political culture might not even be possible without a certain material or industrial context in the first place. Other accounts superficially refer to resource rich countries that score high in democracy indices, like Norway or Botswana, also as countries that are larger obviously hold more resources in total and are often richer, like the US or Canada, the point is missed, that the relative share of the extractive sector in a country's income is crucial for its polit-economical character.

It is therefore important to reemphasise the validity of the mechanisms presented in the resource curse in economics to add to issues of political science.

[4] UNCTAD 2021
[5] UNDP 2021
[6] NBC News 2015, cited in Clark et al. 2016: 22

Going further, the implications of the economic resource curse for not only political systems but several other institutions that are indispensable for functioning markets should be readdressed. These are often variables that coincide with democracy, like the security of private property, the rule of law and contractual accountability, etc.

This paper will investigate the question, how the categories of the political resource curse apply to South Sudan up to the present and what the policy implications of the findings are. It is argued, that setting up the oil sector properly, fencing it off against corrupt transactions, and facilitating sound investment is crucial to long-term political stability and the prospect of economic development. This can however only be achieved with a renewed commitment of the international community to development assistance. The relevance of the issue is also related to the effectiveness of development aid and democratisation efforts of highly developed countries vis-à-vis developing and autocratic ones and therefore holds implications for strategic policy questions.

After a review of the literature on the political resource curse, a priming in its theory will establish the foundation for the relevance of all qualitative bits referred to subsequently. This work will give a brief historical backdrop and reference main indicators of development. Hereafter the specific theoretical items of the resource curse will be related to the features of the case on an economic and an institutional level. The role of China as the biggest shareholder in oil concessions and the United Nations will be illuminated before advancing to discuss potential remedies for the country. The core argument remains that the outbreak of the civil war and the wider downfall of institutions in the country must be regarded as a result of its resource wealth combined with a lack of institutional stability to begin with.

As far as possible this thesis draws on primary and secondary scientific literature on South Sudan to relate findings specifically to the political resource curse. Since quantitative data on the country is scarce and more sophisticated domestic economic indices are inexistent, a qualitative approach is apt to lay the groundwork of future quantitative research designs. Basic indices and aggregated data are provided by dedicated institutions like the World Bank and the IMF. The paper furthermore relies extensively on media sources, journalistic contributions, documentaries, and reports of NGOs, international organisations, and commercial consulting firms, where accessible. By looking at these sources this it is attempted to lay the groundwork for an operationalisation of institutional quality along dimensions of specific policy decisions and their impacts, challenges for the financial market and banking, strategies of foreign investment from China, legal deficits, like in property law, and the like. The work also pursues an implicit comparative approach with holding the case against the light of other authoritarian, but developed economies, like the Arab gulf countries, and highly industrialised countries with good institutions, like Norway.

It is intended to implicitly trace the quality of institutions along the dimensions that were presented in constructed indices in earlier literature for the rule of law, bureaucratic quality, corruption in government, the risk of expropriation, and government repudiation of contracts.[7]

## 2 Literature Review on the Political Resource Curse

The association between the riches in natural endowments and a country's democratic institutions has been illustrated most prominently by the political scientist Michael Ross in an article of 2001 Does *Oil Hinder Democracy?* His work kicked off the debate about the political resource curse. He partially repeated his presented theses in a monograph in 2012 *The Oil Curse: How Petroleum Wealth Shapes the Development of Nations*. He argues the development of democratic institutions is tightly bound to the stages in economic development. Where these stages are not completed political institutions remain underdeveloped.

[7] Mehlum et al 2006, cited in Kolstad and Wiig 2009

In reaction to the high reception and approval[8] of Ross's theses in quantitative research Haber and Menaldo relativise the model, pointing out that authoritarianism is not clearly justifiable with the surge in resource dependency:

> The researchers who find evidence that ostensibly supports the resource curse have not yet provided compelling tests of the hypothesis that natural resources cause authoritarianism. Neither, however, have the sceptics produced compelling results to the contrary.[9]

They use a statistical longitudinal study of 168 countries from 1800 to 2006 that examines the long-term effect of resource dependency in association with specific regime types.[10] The method allowed for a comparison of a constructed index for democracy before and after a dominant amount of a country's GDP is generated by natural resource exploitation.[11] As they even discover resource blessing for some cases,[12] they warn to draw conclusions from statistical results in a deterministic fashion. They claim that statistical methods hitherto only take advantage of the variance between different countries, postulating causality would thus be highly problematic.[13] Respectively the direction in which the political resource curse takes effect is still unsolved and requires more refined theoretical attention.

Counterarguments for the political resource curse[14] are met with the consideration that there are no negative short-term effects on political institutions for countries that discover natural resources, while the political resource curse is especially severe in societies that did not experience political advances before their discovery of minerals.[15] The control of resources has to be at a regime's avail for a longer period to effectively render it resistant to democratic pressure and to establish

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[8] See literature cited in Haber and Menaldo 2011: 1: Aslaksen 2010; Goldberg, Wibbels, and Myukiyehe 2008; Jensen and Wantchekon 2004; Papaioannou and Siourounis 2008; Ramsay n.d.; Ross 2009; Smith 2007; Wantchekon 2002
[9] Haber and Menaldo 2011: 1f
[10] Ib.: 2
[11] Ib.: 4
[12] Ib.: 6f
[13] Ib.: 2
[14] See literature cited in Haber and Menaldo 2011: 1: Herb 2005
[15] Andersen and Ross 2014, Wright et al 2015, Ross 2015: 247

specific forms of corruption and resource allocation inside the political system.[16] Mineral riches increase the endurance of authoritarian structures through a rentier effect,[17] which will be described hereafter.

The empirical analysis has been extended convincingly from Latin American, African and Arab countries to the mostly corrupt and despite public upheaval still politically stale post-soviet states, whose economies have not taken advantage of the systemic change after 1990 and rather consolidated as authoritarian regimes.[18]

Alleged puzzles of the resource curse model offered by literature that observes historical phases in which resource dependent countries have improved in certain dimensions might have given evidence that states can 'muddle through' the economic curse, nonetheless have they not shown to make the concept of the political resource curse less credible.[19] Some developing countries after the 1973 oil shock, for instance, as one author found surprising, have experienced improvements in political and social indices. It is however easily explicable, conceiving of the pressure for political adaptation that a decrease in mineral prices exerts on such regimes.

Further literature challenging the classical political resource curse point to democracy and extractive revenues as endogenous to the industrialisation process.[20] As endogeneity of the explanatory variable in econometrics refers to its correlation with the error term, it isn't possibly so simple to define how 'democratic institutions' and 'industrialisation' are distinctly operationalised – the common problem, that eventually everything is related to everything. Qualitative amendments that emphasise intraregional regime diffusion especially with regards to Latin America, where democratic development does coexist with natural resource abundance.[21] Nonetheless, these cases can be explained precisely with the historical sequence in which democratic institutions dispersed and in which technological exploit of

[16] Ross 2015: 247
[17] Ib.: 248
[18] Gawrich et al 2011
[19] Menaldo 2016: 349
[20] Brook and Kurtz 2016: 279
[21] Ib.

resources set it, so the case of Latin America does not make the political resource curse inconclusive.

Similarly, literature on the MENA region has presented the institutional curse as a more precise term to capture why many of these political economies are locked in deficient institutions, as their riches in oil have not necessarily originally produced them but perpetuate them.[22]

Findings that claim cases like the UAE managed to make up for the negative impacts of the resource curse with positive results in certain economic and social branches[23] are to be more soberly conceptualised through a focus on actual political progress. Dubai's economic policy at least might be promising to overcome the sectorial struggles of its industry with a strategy of market deregulation, higher external trade and the provision of infrastructure and institutions to stimulation private business.[24]

The most recent empirical case illustration strong evidence for the resource curse model is Sudan, whose recent considerable economic growth is entirely credited to its oil. The country suffers all typical consequences of the Dutch Disease and the political resource curse –both will be explained hereafter–, excessive currency appreciation, premature de-industrialisation, weakened state institutions, and corrupt elites.[25]

Refined statistical analysis confirming the resource curse is adding that correlations between mineral exploitation and regime type are only significant "since the widespread nationalization of petroleum industries in the 1970s".[26] That falls in line with earlier studies which demonstrated that extensive data over the course of 200 years could not support the claim that democracies in their institutions are not negatively affected by the impact of resource discovery, while autocracies are less like

22 Selim and Zaki 2021: 322
23 Soto and Haouas 2021: 373
24 Ib.
25 Suliman 2021: 421
26 Lall 2017: 1291

to become democratic in both short and long-term.[27] Following the trace, one contribution indeed statistically finds the importance of state ownership in statistical correlation with the quality of institutions.[28] Interestingly private ownership is associated with higher growth rates in cases of institutions with poor quality, while growth rates are higher for government ownership in the case of good institutions, and vice versa respectively.[29]

This work seeks to add to the political resource curse through a more detailed investigation into the connections between specific dimensions of the economic mechanisms of the resources curse and institutional shortcomings, as in 'ownership' attempting to determine their dependency or independency from natural resources. As 'ownership' has only been measured quantitatively, theoretical advances on the questions are promising.

## 3 Theoretical Assets – The Resource Curse

Arguments for the political resource curse remain conceptually strong. The emerging of parliamentary deliberation and political participation in the first place in early modern history seem to be connected to a process of economic development and entrepreneurial agency. It was no coincidence that the Netherlands and England give rise to both first since the 16th century, to capitalist intensification and to a parliamentary political constitution.

To understand the interlinkages of certain economic impositions of the resource curse they are reiterated herein. A second step precises their relation to the pure political or institutional resource curse.

[27] Wiens et al 2014: 783
[28] Khanna 2017: 214
[29] Ib.

### 3. 1 Economic Consequences of the Resource Curse

In general, the resource curse unfolds its effect in the long term, while sudden access to resources initially entails windfall gains through an increase in available capital endowments that are part of the factors of production – they create more output in the short run. In the long-term productivity in manufacturing and more sophisticated professions is diminishing when the redirected current of the labour force to the resource export sector takes effect. The productivity incursion or hindrance, in the long run, outweighs any initial windfall gains.

Moreover, in flexible exchange rate systems, the predominance of exports in the resource sector induces an appreciation of the real exchange rate of a currency.[30] That in turn makes tradable goods from manufacturing less competitive when their relative prices on the world market increase.[31]

The most prominent economic category of the resource curse is its form of the Dutch Disease. It mainly comprises a crowding out of manufacturing, which is referring to a reallocation of labour force away from industries with high growth potentials, usually in the tertiary sector, to the extractive industries in the primary sector.[32] Additionally, government and non-traded good sectors can inflate volume and add to the effect.[33] This is the case in countries like Saudi-Arabia for instance, where a large portion of the labour force is employed by the state.[34] This fact is noteworthy in the conceptualisation of causality: a regime does not necessarily employ citizens in the administration as a strategy to satisfy the population, but rather it is forced to furnish their public employment as alternative sectors remain underdeveloped.

This expandatory tendency of the government shapes the landscape of the labour market to a large extent. Resource dependent countries often face comparably

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[30] Magud and Sosa 2010: 3
[31] Ib.
[32] Frankel 2012: 2
[33] Ib.
[34] Selim and Zaki 2021: 322

high unemployment rates, that are again particularly severe for the young, educated, and female.[35] Sectorial specialisation entails the lacking development in branches that are critical for economic spill over effects, like infrastructure and public transportation.[36]

A sectorial empirical analysis of India and China between 1978 and 2004 revealed that total factor productivity is to be gained primarily in the manufacturing and the service sector, while manufacturing holds higher growth potential than services still.[37] The primary sector in agriculture, and accordingly extractive industry, is strongly limited in its growth since technological potentials to increase yield and logistical improvements are reached fast. Other quantitative examinations indicate that the service sector has higher growth potentials; in any event, the share of the primary sector to GNI declines with a growing economy, while services and industry are the driving forces of performance.[38]

The Prebisch-Singer-Thesis suggests that products from the primary sector suffer a decline in prices relative to manufacturing products on the world market. It has been empirically supported in younger quantitative research.[39] When an economy specialises in the exploitation of natural resources, the long-term prices of this resource decline relative to imported (manufactured) goods. A country's terms of trade thus deteriorate with a dominant primary sector. Similarly, such an economy is highly susceptible to external shocks through the price volatility of the exported primary good. Most recently oil and gas reliant economies faced a severe recession when oil prices fell after 2014 due to an increase of supply on the world market with fracking in the US.

Several other economic channels are vulnerable to external shocks that smother an economy. As was in the case with Brazil and Russia the weakened real exchange rate in a floating currency regime and the affection of exports by world

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[35] Evidence for Policy Design 2019: 8
[36] Ib.
[37] Bosworth and Collins 2008: 53ff
[38] Miles et al 2012: 18
[39] Harvey et al 2010: 367

market prices in iron-ore have cause a regression of its domestic stock market. The setback in the financial sector and the free fall of the currency has vastly increased unemployment and public debt, as well the default on international loans.

### 3. 2 Political or Institutional Consequences of the Resource Curse

With a regression analysis and a combination of longitudinal and a cross-sectional study in a pooled analysis, Ross interpreted data of 113 countries between 1971 and 1997. He examined whether the thesis of the political resource curse can generally be backed by quantitative data with including countries outside the MENA region, for which other reasons for their authoritarian regimes could be found.[40] As he controlled for the geographical dispersion of oil-dependent countries, as well as for other extractive industrial export sectors, his findings seem to have confirmed the strongly anti-democratic effect of oil and mineral resources in a country's political economy.[41] Additionally, they inflict more 'democratic damage' in poorer countries with often producing violent conflict,[42] that had no preceding history of institutional and industrial development, which explains the absent impact on highly developed countries that are resource rich, like Norway or the US. Poorer rentier states not rarely turn to violent, often inter-ethnic, conflict, while richer countries manage to channel their means to public appeasement, like generous social welfare programmes and low taxes.[43] Three dimensions are generally addressed in which the political resource curse takes effect:

Firstly, in what is called a *rentier-effect*, the government that controls higher revenues from resource extraction will try to avert public pressure from the political system by keeping taxes low and engaging in targeted client politics.[44] The economic constitution of such states is captured by the model of the *rentier state*:[45] A political

[40] Ross 2001: 325f
[41] Ib.: 341
[42] Ib.: 344
[43] Selim and Zaki 2021: 322
[44] Ib.: 331f
[45] Beblawi and Luciani 1990

economy with high income (rents) from the export of natural resources, through export taxes, corporate taxes, or simply state-owned enterprise, hampers the upgrowth of a production or service industry. Those branches that are related to the oil or mineral recovery only require small capacities of labour. An economy depending on an agrarian sector could not produce this effect. The *Dutch Disease* captures the trend when the resource sector is crowding out manufacturing[46] – many resource dependent nations however were already 'blessed' with the discovery of their mineral riches before they experienced industrial development. Even such countries that do not profit directly from resource occurrences can become rentier economies with the operating of pipelines and transit fees, like Egypt and its Suez Canal.[47] When a government's earnings in resource trade are high it will only impose little to no taxation on its citizens as evidence from most resource dependant systems suggest. Conversely, a population that isn't demanded to financially contribute to governance presumably has lower incentives to press for accountability, public responsiveness, or political participation vis-à-vis the political system, as long as their basic needs are fulfilled.[48] The modern course of parliamentary representation evolved with the will of economically ambitious subjects to have a say in their taxation.[49] Moreover, the budgetary means and appointments in office of the state in internal policies are allocated in such a way as to divert as much pressure on the political leaders and to prevent the formation of independent social or public spheres that would allow for politically emancipatory projects – a *spending effect* and *group-formation-effect*.[50]

Secondly, there is a *repression-effect*, in which the resource wealth of a country prevents democratisation through the build-up of a strong internal security apparatus and state surveillance.[51] The government tries to prevent public discourse not only by restrictive legal provisions that prohibit public protests and armament of internal

[46] Corden 1984
[47] Ross 2001: 329
[48] Ib.: 332
[49] Dvořák 2015: 29f
[50] Ross 2001: 334f
[51] Ib.: 335f

security forces but as well by direct control of the media channels and prosecution of citizens' online activities. The freedom of the press in such countries is conclusively significantly lower. Ross' study furthermore discovers a positive correlation between the volume of oil exports of a country and its military spending[52] – Saudi Arabia has one of the highest military expenditures as a share of its GDP worldwide, Algeria and Russia likewise.[53]

And thirdly, the political resource curse hinders industrial development in a *modernisation-effect*: growth in the extraction sector impedes all progress in dimensions of the social and political culture that are prerequisites for democratisation.[54] Professional specialisation and advanced industrial training are holding off, just like any entrepreneurial endeavour. In prominent contributions of political science labour specialisation, participation in the media, urbanisation, and most importantly the transition of an economy from the secondary to the tertiary sector are indispensable factors for the formation of a society that can effectively articulate their interests vis-à-vis the ruling class.[55]

Strong empirical support is provided by the fact that during the Arab Spring citizens in MENA countries with lower oil sectors, like Egypt, Jordan, Lebanon, Morocco, and Tunisia in general had more impactful pushes for political change and higher state responsiveness. Their governments were either overthrown or they found themselves forced to agree to concessions and reforms. Oil rich countries on the contrary were able to curb public disturbances effectively.[56]

Another aspect in the indication of progressive democratic values is the lacking equality of women in oil rich countries. While literature partially traces the discrimination of women back to religious tradition, examples like Malaysia and Morocco refute that idea, with both having a relatively high share of women in the labour force and political representation. Historically the beginning of women's

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[52] Ib.: 350
[53] Tian et al 2020: 10
[54] Ross 2001: 336
[55] Lipset 1959, and Inglehart 1998: 230ff, cited in Ross 2001: 36
[56] Ross 2011: 17

rights movements and the achievement of women's suffrage was emerged from their increased possibilities to organise as integrated with centralised and urbanised manufacturing.[57] Oil dependency is reinforcing gender discrimination, higher wages, and pensions for men in management positions, and low incentives or pressure for women to pursue higher education or careers outside the household.[58] The degree of female integration in the labour force is not in any sense an economic consideration, but an indicator in purely political terms of equality.

In contrast to the Middle East and North Africa countries in South America that have intensified the exploitation of natural resources in the last two decades, democratic development there has made major steps long before the emergence of the oil and mineral sector. While bad political institutions and oil dependency perpetuate a vicious cycle, the positive trajectory of a case like Botswana is also traced back to its history in strong political participation before it discovered diamonds.[59]

As the further investigation into why resource dependent countries struggle to diversify should be pursued in this work, the reasons for why sectorial lock in effects lame them have already become apparent. Deducted hypotheses in this work will be derived from the categories examined in this theoretical corpus.

## 4 South Sudan – Historical Setting

South Sudan's political identity is strongly defined by its rivalry with its northern neighbour Sudan. The secessionist struggle against the North can be traced back to the final colonial chapter of the British Empire in the 1950ies when Sudan's independence initiated a series of unstable military and partially Islamist regimes. When oil was discovered in the South in the 1970ies the political decision not to process the oil there but transfer it to the North as well as a persistent political exclusion in parliamentary representation intensified tensions. The second

[57] Bauer 1927
[58] Ross 2012: 189
[59] Acemoglu et al 2003: 84ff

secessionist war lasted until 2005. Following international pressure to resolve the conflict, a peace agreement was reached that assured the Sudan People's Liberation Movement (SPLM),[60] the political faction of the South, 28% of ministries in the national cabinet of Sudan, and an equal share of seats in parliament. The Naivasha Agreement envisaged a transitional period of six years until 2011, after which a referendum should let the Southern population decide between the continuation of an autonomous status with shared tax and oil revenues or full independence.

The course towards independence received impetus when Salva Kiir, the head of the SPLA rebellion, became president of autonomous South Sudan in 2005 and Sudan's vice president. He was re-elected as president of South Sudan in 2010 with 93 percent of the votes and hence became the first president of South Sudan when the people opted for independence a year after. Kiir's rhetoric against the Islamic "Arab" North broke with the spirit of the Navaisha agreement that had tried to facilitate unity with Sudan. Repeated skirmishes between forces of the South and the North and Kiir's decision to suspend paying shares from the oil revenues to the North culminated in an armed clash in the Abyei province in 2008, where the official border is not yet settled, over control of the Heglig oil field. The agreement's terms for shared control have to date not been implemented.

In 2011 following a resolution by the Security Council the United Nations Mission on the Republic of South Sudan (UNMISS) was established, to "consolidate peace and security and help establish conditions for development".[61] Currently, the mission has deployed over 2,000 civilians and over 200 experts, with 400 staff officers, as well as over 1,500 police and 14,000 troops. The redesigned resolution of 2014 "reinforced UNMISS and reprioritized its mandate towards the protection of civilians, human rights monitoring, and support for the delivery of humanitarian assistance".[62]

[60] Its armed division is the SPLA.
[61] United Nations Peacekeeping 2021
[62] Ib.

The dismissal of vice president Riek Machar, also among the old guard of SPLA officers, who had historically been part of internal opposition within the SPLM, and his attempted coup against Kiir in 2013 resulted in the outbreak of a civil war with hundreds of thousands of deaths and millions of refugees until 2018. Machar himself a member of the Nuer ethnicity, idolising himself as a spiritual leader, had managed to mobilise and arm several thousands of Nuer to engage in an open war against Kiir's Dinka people, which represents the strongest ethnicity of the country with 3 million members. The Nuer, who live mostly in the North-eastern part of South Sudan, count more than 2 million members today. The UN High Commissioner for Human Rights, Said Raad al-Hussein, and other human rights organisations have repeatedly indicted the opposing parties for war crimes in thousands of cases and crimes against humanity.[63] In 2017 the UN declared a famine with more than 100,000 people at immediate threat of death from starvation and 4.9 million relying on foreign humanitarian aid.[64]

In 2018 the conflicting parties agreed to a truce in Khartum. While violence did not come to a halt, negotiations on a political level signaled a commitment to opt for an understanding up to now. The final peace agreement from February 2020 and the formation of a national unity government reserve 9 of 35 seats for Machar's opposition faction and establishes an enlarged parliament with 128 MPs for Machar of 550 members overall.[65] According to one former minister "the agreement does not fully address the conflict elements of ethnic nationalism, power struggles, and weak institutions",[66] and it is yet to be seen what decision the government will take to tackle the severe development crisis of the country.

The armed conflict between the government and a rebel faction that on the surface has been portrayed as a mainly ethnic conflict in the media in recent years.[67] A closer look reveals ethnic differences, as in many conflicts throughout history, is

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63 ORF 2016
64 FAO 2017
65 The East African 2020
66 BBC 2020
67 Vox 2017

rather a category that dictates ties of mobilisation and is used to justify aggression by elites with economic desires. "The key catalyst of South Sudan's civil war has been competition for the grand prize – control over state assets and the country's abundant natural resources.".[68] While the cited report well recognises that natural resources do play a role in South Sudan's desolate state, it does not accentuate that the country's prospect for stability and development is fully at the mercy of its policy decisions concerning the oil sector. The extension of the civil war had certainly been fuelled by the decline in oil prices around 2015.[69] A country in a historical phase with little to no institutional stability, political legitimacy, and high diversity in ethnic identity with the discovery of oil as government procurement is programmed to conflict. Just as much as weapons are the first investment for a cattle drover to protect his source of income, the employment of armed militias is the primary rationale of a corrupt rentier government. There is empirical evidence that oil discoveries are associated with a higher risk of internal armed conflict.[70] Despite the UN's largest peacekeeping mission in the world, the conflict had displaced almost 3 million people – a quarter of the country's population.[71]

Since the independence of the largely Christian South Sudan from Sudan in 2011, South Sudan has discovered more oil fields in the North-East of the country, along the Melut Basin in the Upper Nile region, such as Adar and Paloich.[72] Most of the oil in the region occurs in fields that extend along the border between Sudan and South Sudan and far into the centre of the country. Before the civil war in 2013 crude oil output was at 350,000 b/d. As the output lies at 185,000 b/d in 2019, the increasing tendency in 2020 is still in the phase of catching up with pre-war levels of production.[73] Since the government had announced to target 350,000 to 400,000 b/d by mid-2020[74] the efforts have clearly underachieved.

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[68] The Sentry 2016: 5
[69] Davison 2016
[70] Lei and Michaels 2014: 139
[71] Conflict Tracker 2021
[72] Takpiny 2019
[73] Namala 2020
[74] Dumo 2019

Observing that crude oil is produced via concessions to transnational corporations raises the question of development contributions of these companies. Chinese national oil companies have been major investors in the exploration and exploitation of Sudanese and South Sudanese oil deposits.[75] The transformative impact the risky investment had on Chinese foreign resource trade strategy hypothesised that Chinese oil industrialists had a credible interest in engaging with local communities and NGOs when incidents had caused environmental damages.[76] It is not clear however if Chinese efforts in social development beyond associated security provisions in the extraction sector hold any credibility. According to one source interestingly, South Sudan apparently has been receiving advice on developing its oil policy from the Norwegian Petroleum Directorate already.[77]

The mechanism of the political resource curse has damned the country to be one of the most corrupt kleptocracies in the world. Unlike the gulf countries, the South Soudanese government provides almost no public services to its citizens. Medical assistance and food distribution are mostly facilitated by humanitarian aid, via the ICRC or the UN. It is telling that that The Economist's democracy index has no recent data available for South Sudan's nominal constitutional republic.[78] Freedom House ranks it with the third lowest status after Tibet and Syria as "not free".[79] South Sudan is a "failed state",[80] with widespread corruption, highly unequal economic development, and a deterioration of state functions and public services. One earlier review has argued that oil dependency and the bad management of the countries revenues have not only impeded infrastructural development, exacerbated poverty, and inflation, but also led to the deterioration of institutional quality and governance.[81] Oil exports and concessions account for over 90% of government

75 Patey 2017: 756
76 Ib.: 767
77 The Oil Daily 2011
78 The Economist Intelligence Unit 2021
79 Freedom House 2021
80 Fund for Peace 2021
81 Yugusuk 2018: 19

revenues, meaning the government is fully dependent on the oil sector. Whoever controls government institutions controls their oil revenues.

Poor institutional quality has left South Sudan's domestic market structure desolate. While over three quarters of the population lived in the informal sector in subsistence agriculture,[82] the devastation of the war has only aggravated economic security for the vast majority of the people. Agricultural activities are associated with armed ventures – owning cattle means defending it with arms or seizing pasture from rival groups or tribes to maintain one's own herd. As there is no maintained transport infrastructure, the 3 million displaced people rely on transits by paying human traffickers for a ride on overcrowded cargo trucks.[83] The degree of underdevelopment is probably best captured in the image of women that collect firewood to sell it for food. The high number of child soldiers is directly related to their economic insecurity. The UN reports more than 17,000 child soldiers in the country.[84] Receiving pay by leaders of warrior groups is often the only alternative to starving. Military patronage has thus become a means to self-preservation and a micro-economic strategy, which has kept internal armed conflict alive as in other internally troubled countries.

The resource curse manifestly causes specific market failures that are based on institutional deficiencies. Without the legal security of property, neither foreign investors nor citizens have an incentive to industrialise. Houses and land are left behind due to incidents of ethnic dispossessions or taken over by refugees.[85] Owing to the lack of diversification and one of the highest urban poverty rates, the economy has not reached a state in which numbers on unemployment could be interpreted in a meaningful way.[86] Even though the civil war is over, there is still a high crime rate with gun violence and tribal conflict.

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[82] Shankleman 2011: 2
[83] Arte 2013
[84] Ib.
[85] Ib.
[86] Akashraj and Atem 2020: 57

Due to extensive deficit spending of the government, previous money printing, and increased aggregate demand during severe supply shortages throughout the civil war, South Sudan has one of the highest inflation rates after Venezuela in the last years, with sources contradicting on the exact level.[87] Many consumer products have become unattainable for many South Sudanese.

## 5. Economic Resource Curse

### 5. 1 Crowding out of Manufacturing

Fitting the theory requires precaution with South Sudan's specifications; there is no pre-existing manufacturing sector that could be crowded out at this stage of underdevelopment. Nonetheless, an understanding of such theoretical assets of the economic resource curse is necessary to assess under what circumstances economic development can advance.

Naturally, the Dutch Disease can only be observed in an economy that has already developed some sort of manufacturing sector. In South Sudan there is no manufacturing to be crowded out and operating the rigs and pipelines in the oil industry does not require nameworthy amounts of workers there; where those are needed, they can be expected to be employed by foreign firms themselves. Even though there was no considerable secondary sector in South Sudan, driving up the oil industry indeed crowded out other branches of the economy. The secession of South Sudan stripped the North of a crucial source of its income, which however had not accounted for most of its GDP in 2011. The discovery of oil in Sudan in the late 1980s wiped out cotton as the primary export product, as non-fuel export sectors almost completely disappeared.[88] The oil surge additionally caused a prolonged exchange rate appreciation under which the cotton industry could not be sustained any longer.[89]

[87] Pape and Dihel 2017
[88] Selim and Zaki 2021: 348
[89] Suliman 2021, cited in Selim and Zaki 2021: 348

The supersession of cotton must not per se be considered a negative aspect of the increased mineral branch, as cases of other cotton-dependent communities reveal: Besides the intense use in land and labour, there are hardly positive economic and technological externalities. The cotton industry today often requires employees to work overtime,[90] while production steps in cropping and processing in spinning mills are repetitive and do not add to an industrial professionalisation of the labour force, unlike in more sophisticated areas of manufacturing. In the last two decades, cotton farmers in India, for instance, had severe difficulties earning a living income, because a lack of agroeconomic knowledge in farming, irrigation, and fertilisation practices set a high benchmark for the competitiveness of cotton on the world market.[91] Additionally underdeveloped branches in which physical labour can be conducted by minors, child labour becomes a problem, curbing out school education and the professional potential of future generations.[92] As both deepened knowledge and market access to insecticide would require functioning financial institutions and credit worthiness to enable farmers to scale up their agricultural output, South Sudanese farmers are caught in a deadlock without subsidies from the state.

As the North allegedly branched off South Sudanese oil from the pipelines, Salva Kiir decided to shut down oil production in 2012.[93] There were ongoing disagreements on the fees for the usage of the Northern pipelines for oil transmission, with the North demanding $32.20 per barrel, while the common price of transit fees would lie between $0.25 and $0.45 per barrel.[94] The shutting down of the oil sector had an interesting impact on the domestic economy, as it spurred microentrepreneurs with transnational connections to Sudan to intensify or establish new trade.[95] The short interim marked evidence that a decrease of oil influence on the economy can have immediate positive influence on different economic sectors, out of economic pressure or due to price or exchange rate changes that make dealing

[90] IDH and True Price 2016: 11
[91] Ib.: 6
[92] Ib.: 7
[93] Arte 2013: 58:30
[94] Ib.
[95] Twijnstra 2015: 685

in other goods profitable again. The UN states, that there was no industry that suffered from the shutdown of the country's oil production in 2012.[96] But according to Lise Grande, in 2011 deputy representative of the Secretary-General and Humanitarian Coordinator within the UN mission, that would cause interest for foreign credit to skyrocket and devastate any hope for the South Sudanese economy in the long term.[97] As more of the disadvantages of the oil dependency will become evident, the short stimulation of microentrepreneurs that dealt in the import and distribution of food and consumer products confirms the theoretical argument that sectorial diversification is inevitably related to broader economic activities and vice versa.

### 5. 2 Missing Growth Potential in the Primary Sector

Despite being "one of the richest agricultural areas in Africa, with fertile soils and abundant water supplies"[98], sustaining 10 to 20 million head of cattle at this point, the agricultural sector is not a stabilising industry in the country. As the oil production has brought agricultural products that are traded substantial volumes beyond self-sustenance to a naught, 90% of consumed goods, capital and services are imported from the neighbouring countries Uganda, Kenya, and Sudan.[99]

A classical recommendation would be that diversification efforts should take advantage of this setting and include mechanisation plans to account for local food security. Privatisation should be considered, issuing land titles to citizens, while maintaining sensitive respect to existing cultivation practices. In any case, such approaches must end disputes and reliably enforce the admission of such titles to encourage individual agricultural business.

[96] Arte 2013: 1:00:00
[97] Ib.: 1:00:40
[98] CIA 2021
[99] Ib.

### 5. 3 Vulnerability to External Shocks, Exchange Rate, and Currency

The implementation of a managed floating exchange rate system in December 2015[100] has had a devastating effect on the domestic market, as a devaluation of the currency means an increase in the price of imported goods, which generated a deepening black market.[101] It is commonly assumed that the transition to a floating exchange rate in fact does not extend a black market, as it usually forms where prices are regulated or pegged. In the short term however, the adaption period made products unaffordable. This policy by the central bank was a reaction to the plunging oil prices on the world market, trying to absorb the shock with a depreciation of the South Sudanese Pound (SSP). The sharp decline of the oil price from 2014 to 2016 was initiated by increases in supply to the ramping up of US oil production with its advancement of fracking and a change in OPEC policies.[102] Before 2015 the SSP was pegged to the US dollar, while parallel market rates severely deviated.[103] South Sudan's reduced oil output during the civil war made it impossible to sustain levels of foreign exchange reserves and fiscal discipline to account for a fixed exchange rate. The reduced oil outputs and the fall in oil prices (below $40 per barrel in 2015) have depleted foreign exchange reserves at the Bank of South Sudan.[104] Export competitiveness, not only in the oil export but also in agriculture was unthinkable under such circumstances. Moreover, the (parallel) domestic money market had produced outgrowths of buying US dollars by corrupt "well-connected" people at the official peg rate and sell them on the black market for the parallel price[105] Despite the implications of the transition to a floating exchange rate system for the domestic market, the step was probably inevitable. A cheaper local currency should support potential exports from the agricultural sector and incentivise foreign direct investment.[106] Despite its negative short-term impact on the domestic economy, the

[100] Ib.
[101] Ib.
[102] World Bank 2018
[103] Sy 2015
[104] Ib.
[105] Ib.
[106] Ib.

change to a floating exchange rate system was the correct step. Empirical research has repeatedly demonstrated that external shocks are better absorbed by floating exchange rate systems.[107] Still, the high share of imported goods and the inflation of fuel prices remains a problem the central bank will have to deal with for longer. More recent prices for domestic consumer products are still dependent on the unofficial exchange rate of the SSP on the parallel market, which is highly volatile and unreliable – between mid-2018 and the beginning of 2021 it changed constantly between 100 and 0 percent.[108] Paradoxically in one of the oil richest countries in Africa fuel for citizens is only available on the black market, since there is a domestic shortage, as crude oil is more lucratively exported, with 1 litre of refined gas costing as much as an average monthly salary. It is sold in plastic bottles, while gas stations are out of order in most places.[109]

### 5. 4 Inflation

Not a direct cause of the economic resource curse, but a mediated result of the economy's oil dependency, inflation was still over 800% per year in October 2016, it dropped back to 118% by 2017. A combined increase in the demand for agricultural food and imported food in 2011[110] and a rise in government expenditure were the main causes for hyperinflation. Border restrictions during the referendum and after the issuance of South Sudan's own currency had led to an immediate shortage in food supply.[111] As is classically the case, the government in South Sudan during the civil war financed its high expenditures for the pay of soldiers and arms by extensive borrowing from the central bank and foreign aid, with forward sales of oil as collateral.[112] So, similarly as in Venezuela, the outages in oil income during the conflict were politically met with money-printing and deficit spending. Despite the

[107] Hoffmann 2007: 446
[108] IMF 2021c: 10
[109] Vice News 2020: 02:18
[110] World Bank 2012: 3
[111] Ib.: 4
[112] CIA 2021

slowly recovering oil production, South Sudan is still highly indebted, due to increased military spending and corruption.

## 6 Political Resource Curse – Institutional Decay and Corruption

It had become evident early on that the delivery of public goods was not the main concern of the new government after its independence. The argument of this paper is that the riches in resources prevented the government from engaging in serious economic planning that would stabilise the political system in the long term.

> Several channels help to link good institutions to [liberal democracy, prosperity, and social flourishing]. They include the rule of law and checks and balances; honest and professional bureaucracies; economic policies that reduce transaction costs and foster competition; and the widespread provision of public goods. If these things are present, citizens tend to feel good about their personal safety and the safety of their investments, and enjoy greater economic opportunities.[113]

### 6. 1 Government Spending

As for the period before and throughout the civil war there does not seem to be a systematic engagement by the government in the provision of public goods and services for the citizens, whereas it planned to increase the national budget to $1.6 billion for 2020/21 to account for an expanded government since the peace deal.[114] According to an estimate by the IMF the annual GDP in 2018 was about $3.2 billion.[115] The IMF's later retrospective estimated the GDP in 2018 to have been about $3.98 billion.[116] Calculating the revenues from 170,000 b/d in oil production

[113] Menaldo 2016: 77
[114] Bloomberg 2020
[115] IMF 2018
[116] IMF 2021b

in 2020,[117] with a crude oil price of an estimated average of $60 per barrel in the same year, the annual budget indeed is about $3.6 billion last year, which is almost the entire GDP of the country. The IMF source had estimated the amount for 2020 lower in 2018, but that projection probably did not account for a peace agreement yet. The most recent IMF report still indicates a negative cash balance of almost SSP 80 billion for 2019/20 with a positive tendency however.[118] Of a budget with SSP 232.8 billion total revenue it lists salaries, operating expenses, interest payments and transfers to states with over SSP 280 billion and transfers and fees to Sudan of over SSP 100 billion as the main expenditures. After the authorities have recently mobilised other domestic revenues, with phasing out tax exemptions, increasing excise and profit tax rates and digitalising the National Revenue Authority, non-oil tax revenues will amount to 1.1 percent of GDP in the fiscal year 2020 to 2021, being only around SSP 40 billion of government income. [119] Oil revenues currently represent about 90 percent of total government revenue.[120] "[T]he value of such revenue in SSP is constrained by its conversion at an appreciated official exchange rate relative to the one prevailing in the parallel market[,]"[121] in other words, the potential gains from oil exports are hampered by the high official exchange rate at which the oil is sold internationally. Agriculture, hunting, forestry, and fishing make up a share of merely 3.3 percent of GDP in 2017.[122] The construction sector contributes 6.8 percent in the same year to GDP; exports comprised 27.2 percent, while they had been at 35.2 percent in 2014, prior to the oil price shock.[123]

While the numbers from the IMF are helpful to indicate overall tendencies of the economy's standing, they do not reveal how efficient and reasonable fiscal means are spent and how well such spending is supervised and verified. Since 2005, as one source alleges, more than $4 billion in government funds have been

[117] Xinhuanet 2021
[118] IMF 2021c: 18
[119] SSP 1 billion per month. IMF 2021c: 8
[120] Ib.: 7
[121] Ib.
[122] DBnomics 2021
[123] Ib.

misappropriated.[124] For the reason that government officials, Salva Kiir among them, had relocated their private residence to Nairobi during the civil war to avoid threats, we can assume that lines of embezzlement are transnational, and corruption will be impossible for the IMF to trace without organic investigative journalism.

The state has received over $11 billion in foreign aid since 2005, mainly from the US, the UK, and the EU.[125] After its independence aid has been granted directly for humanitarian means in crises, mostly in the form of nutrition supplies, not for dedicated development programmes.[126] Accordingly foreign financial assistance does not contribute to government revenue.

Then there is the issue of prestige spending and the question of reasonable infrastructure: World Bank and African Development Bank documents reveal that strategies of international investment have changed over the last decades in African countries concerning the sectors in which investment is recommended. Before the 1980ies advice in development focussed on agricultural development while investment in infrastructure and transport was deemed too expensive.[127] With growing importance of the extractive sector in the last 40 years international development organisations have switched to support investment in transport and energy as alleged drivers of economic advancement.[128] This revealing does not indicate that investment in transport infrastructure is not indeed a key component to economic improvement, but it insinuates that foreign investment calculations are not independent from the donor country's interests, as well as the particular needs of the domestic extractive sector.

Leaders in South Sudan are likely to reproduce the findings on poor fiscal management related to their oil wealth, allowing excessive spending during upturns. These "white elephant" prestige projects, like the "largest airport in Saudi Arabia, a man-made river in Libya, a mountaintop resort in Venezuela, and a new capital city

[124] Sudan Tribune 2012
[125] CIA 2021
[126] US Aid 2021
[127] Nugent 2018: 22 and 24
[128] Ib.

in Nigeria"[129] are also envisaged in South Sudan: vice-president Riek Machar as well already proudly presented an architectural model for a new capital of South Sudan in 2012,[130] that should allegedly be located in Ramciel in the middle of nowhere, located 250 km north of Juba. Additionally, overspending is usually connected with borrowing against oil revenues,[131] which is also the case in South Sudan. Inefficient state spending is a major factor adding to the lower economic performance of the country. The explanation that state leaders face pressure from their social base to deliver benefits for the public and, despite being well-informed about economic consequences of their bad spending manners, are forced to engage in such projects[132] might not necessarily hold true for South Sudan. Gaining public support via projects in public development would certainly promise more success than decadent prestige projects.

### 6. 2 The State of the Military and the Security Apparatus

The security apparatus in South Sudan is highly defunct. Loyalty and salary links are still strongly coined by structures that had been established before and during the civil war. One of the UNs primary concerns after the country's independence was to reform the military and demilitarise a large portion of men and minors bearing arms. Point 4 of 19 goals the UN had agreed upon with the South Sudanese government envisaged a UN lead support programme for relatives and dependents of disarmed veterans.[133] This rehabilitation programme for soldiers should have been bigger than for Afghanistan, with an eight-year plan and a budget of $1.2 billion. The demilitarisation of more than 150,000 soldiers that gave up arms in 2012 still was not met with adequate material and logistical resources to account for the economic subsistence of the men and their families, however. This paper argues that the project was short-handed, as the UN could not provide sufficient

[129] Gary and Karl 2003, cited in Khanna 2017: 216
[130] Arte 2013: 6:20
[131] Khanna 2017: 216
[132] Ross 2012, cited in Khanna 2017: 216
[133] Arte 2013: 34:20

means to offer those families sustainable economic perspectives which would have been an alternative to revenues men generated in armed marauding. Agricultural tools and one-time payments that were issued in the project did not establish long-term economic security, as fast depreciation, and the spending of the payments for food would render these inputs a drop in the ocean and not kick off economic activity. Moreover, the government did not manage to seize a substantial part of the arms in circulation. With approximately one million automatic rifles borne by citizens it only collected a few hundred Kalashnikovs. During the disarming campaign, the soldiers transgressed their authority in several incidences, with mistreatment and killings.[134] The fact that violent appropriation of goods from farmers and false tolls soldiers collect from trucks and passenger transports has been one of their main income is exacerbated by the fact that police and military, as well as civil servants, are not paid on time.[135] Soldiers and police officers were not a factor establishing security in the country in 2012 when the UN issued programmes that schooled security personnel in human rights and rule of law standards.[136] Since these efforts seem to have been undone by the civil war it is yet to be seen how the South Sudanese People's Defence Force (SSPDF) will be deployed or behave in the near future. The repeated announcement of disarmament efforts by the government in 2020 has not been put into practice yet.[137] In 2015 South Sudan still had the third-highest military spending of 10.6% of its GDP, behind Oman and Saudi Arabia, however, decreasing to 3.4 in 2019.[138]

Even after the independence armed forces still posed a major security threat to public safety. In one major incidence, Nuer militias in Jonglei state in the east of the country ignited rivalries between different tribes, and massacres were committed at the end of 2011. The Norwegian government assured humanitarian support by airway to the locked parts of the population around Pibor, as roads were blocked by

[134] Ib.: 55:47
[135] CIA 2021
[136] Arte 2013: 24:20
[137] Ib.
[138] World Bank 2021

the militias.[139] The single battalion of UN blue helmets was not retreating, it was nonetheless unable to prevent the raid by approximately 10 000 armed Nuer approaching from the North, kidnapping hundreds of women, and children.[140]

In terms of policing, the UN had a unique resolution issued by the Security Council to allow to oversee the establishment of the imprisonment system to account for international standards for human rights.[141] While the approach to transfer some responsibilities to international actors is conductive, it is ineffectual when questions of authority cannot materially be enforced or seem to have conflicting principles with contemporaneous strategies. The UN cannot credibly present itself as a neutral and benevolent advisor for the government while trying to fight corruption or administrative defects in the judiciary or police system at the same time. Mandates for an effective building of capacities and institutions need to contain robust authorisation for enforcement. It is impossible to build up a transparent judicial system as long as ill-directed economic currents undermine the accountability of personnel.

### 6. 3 State Suppression

A series of journalists have been killed in South Sudan since 2012. Since the country experienced a surge in the assassination of journalists during the war in 2015[142] and after the threatening announcements President Salva Kiir made in the same year[143], we can assert that the targeting of the freedom of the press had become a state rationale similar to other resource dependent autocracies. The President had declared that reporters would be killed should they "work against the country".[144]

[139] Arte 2013: 43:32
[140] Ib.
[141] Ib.: 23:40
[142] VOA News 2015
[143] BBC 2015, Reporters Without Borders 2015, Daily Nation 2015
[144] Ib.

Already when the civil war began online media outlets of public opinion were the primary target of government interception:

> The South Sudanese government has blocked access to the websites of Dutch-backed Radio Tamazuj, as well as […] popular news blogs […]. Internet users said that the website of the Paris-based Sudan Tribune was also affected on some mobile phone and Wi-Fi networks. Radio Tamazuj and the Sudan Tribune are reputable sites which have been critical in their coverage of South Sudan's government, which has grown increasingly hostile towards the media since civil war broke out in 2013. The government is justified in blocking the websites to protect citizens from outlets that "disseminate subversive material," South Sudan's Minister of Authorities Michael Makuei Lueth told the US-based Committee to Protect Journalists (CPJ). The bans would not be lifted until "those institutions behave well," he told CPJ.[145]

Both the security apparatus of the military and the effort the state put in the suppression of critical voices are not as sophisticated as in high tech autocracies like Saudi Arabia or Iran, but the behaviour of the rulers reveal the same strategic interests in Ross' securitisation effect as is typical for resource curse setting.

### 6. 4 Democratic Demand and Political Culture

Interestingly the referendum for separation in January 2011 showed a considerable public motivation of the South Sudanese people to cast their vote with thousands of refugees in the North returning home during the voter registration.[146] After the regional result in the general elections of Sudan in 2010, where Salva Kiir's SPLM received 92.99% of the votes[147] making him President of the Autonomous Government of South Sudan in Sudan, independent South Sudan never had elections

[145] Deutsche Welle 2017
[146] Al Jazeera 2011
[147] Sudan Tribute 2010

for its legislative body, the National Legislative Assembly, so far. The very high turnout with almost 3.8 million voters raises hopes that participatory conscience among the population is more pronounced than in countries with constitutionally autocratic political systems. Since several observer deployments, from the UN, the EU, the League of Arab States, the African Union, and the IGAD[148], declared that the 2011 referendum had not given any reason to doubt it had met international standards,[149] the administrative structure of the South Sudan Referendum Bureau (SSRB) had proven effective in channeling public demand in this specific instance, working "generally efficient, organised and well-prepared".[150] Nonetheless, the referendum had indicated several institutional shortcomings. The administration suffered complications since the actual voter turnout exceeded 100% - an issue the SSRB did not investigate upon.[151] Additionally, the lack of an accessible appeals mechanism demonstrated the state's deficiency in its rule of law structures.[152] The SSRB for the conduct of the referendum was largely reliant on the assistance provided by the UN in terms of technical and communications equipment, and logistical planning.[153]

The balance of power laid out in the Transitional Constitution of the Republic of South Sudan from 2011 falls short of reality, as the president in some instances governs by presidential decrees without parliamentary approval.[154]

Ethnic diversity can fuel violent conflict as it is easier to mobilise a rebellion along the fault lines of different peoples' identity and language. Without lines of communication that citizens can participate in, there can be no political mobilisation of oppositional forces for parliament. The lack of central effort to advance those technological ties within the population could be deciphered as a strategic instrument to keep any opposition in check. But without a certain level in ties of communication

[148] Intergovernmental Authority on Development
[149] EU EOM 2011: 5
[150] Ib.: 7
[151] Ib.: 5
[152] Ib.: 6
[153] Ib.: 7
[154] Radio Tamazuj 2015

and sophistication in political formation and agenda setting that tax paying citizens in a stratified economy would engage in, we can easily understand such democratic shortcomings within the formation effect of the political resource curse.

### 6. 5 Modernisation

More evident than any other of the theoretical categories is the modernisation effect's retardation of the country's overall technological and demographical progress. The South Sudanese society remains underdeveloped in most dimensions of relevant indices. Only 7% of the population have primary school education, with a severely lower rate among women.[155] While there had been railway lines before the discovery of oil, the turmoil during the war with Sudan and the lack of commitment in the government's development policy had deteriorated its public and economic transport facilities. Only 2% of the country's 10,000 km of roads are paved, meaning only 200km.[156] Even within Juba, the capital city, only the main traffic axes are paved, while none of the roads in residence areas are. Juba's international airport was ranked the worst airport in the world in 2017, while still the fourth worst in 2019.[157]

There is no well-directed modernisation effort in the agricultural sector if there is one at all. Other African low developed countries undergo substantial stages of modernisation even without significant economic sovereignty. Online resources like satellite images, geocoded imagery and documentaries provide a vivid illustration that most of the inhabited parts of the country show hardly any degree of urbanisation or infrastructural coverage beyond mud roads.

155 Arte 2013: 14:90
156 CIA 2021
157 Sleepingairports 2019

### 6. 6 National Oil Sector

The central argument of this paper is tying South Sudan's oil income to its institutional infirmity. Well over 90% of the governments annual operating budget is income from its oil production, while the sector accounts for at least 80% of all GDP. Significantly, the state's oil sector is possibly the centre of corruption in the system. South Sudan's national oil company Nilepet based on revealed secret documents is suspected to have "paid $80m to war related officials and activities over a 15-month period beginning March 2014".[158] Despite the peace deal, it is unlikely that these currents of transfer between state officials and Nilepet would run dry. These linkages between national oil companies and the government and no functioning monitoring are typical of the rentier effect.[159] Such state-owned companies are the nodes of patronage currents and inefficient expenditure, with chairs and board members usually selected by political leaders with no public accountability.[160] According to one source, Nilepet is not an operator itself but holds stakes in each company active in South Sudanese oil production.[161] DPOC[162], a consortium of Chinese CNPC and Sinopec with 47% and Malaysian Petronas with 40% makes up for the largest share in exploration and production, with Nilepet only accounting for an 8% share at this point.[163] The same source mentions Nilepet's role in the service sector related to the oil branch, as well as the up- and downstream section, meaning production, transport, and refinery. This year a new refinery in Bentiu has started to operate as a joint venture by Russian Sfinat and Nilepet, with an output of 10,000 b/d.[164] The countries five refineries are expected to have a refining capacity of 127,000 b/d.[165] Investment in domestic refineries is certainly benefiting the internal market that still groans with exorbitantly fuel prices for citizens. Currently, DPOC is the only corporation with a nameworthy output of crude oil from block 3 and 7 in the Melut

158 Business & Human Rights 2019
159 Khanna 2017: 216
160 Ib.
161 Africa Oil & Power 2020
162 Dar Petroleum Operating Company
163 Ib.
164 Radio Tamazuj 2021
165 Ib.

basin, exploring capacities in the newly discovered Adar oil field. The second consortium, GPOC[166], administering investment in block 1A and 1B with the unity field in the north, consists of 40% Chinese, 30% Malaysian, and 25% Indian share, besides Nilepet's 5%. SPOC[167] operating block 5A in Thar Jath was expected to resume production with the conclusion of the peace agreement last year and has announced corporate social responsibility activities, in the provision of water and medical supplies to the local community.[168] It is owned in 67.8% Malaysian, 24.2% Indian, and 8% Nilepet share.[169]

## 7 China as Foreign Actor

The big shares of concessions that foreign ventures hold suggest that they should hold considerable influence in South Sudan's trajectory for development. Before independence, some western firms like Austrian OMV also had concessions to oil fields in Southern Sudan. An Austrian parliamentary inquiry from 2001[170] demanding responses from OMV concerning the human rights situation in the country has pressured the country to cut ties with South Sudan. The case shows that it is possible for third party states to force their companies to refrain from trading in resources that fuel violent conflict in their country of origin. In 2011 there was an oil embargo by the United States still in effect against Sudan, which also affected South Sudan, which up to now uses Sudan's infrastructure and its harbour for the sale of oil.[171] The sanctions have not been lifted at this point.[172] The US additionally employed targeted sanctions in the past to pressure officials in the country to form a unity government.[173]

[166] Greater Pionier Operating Company
[167] Sudd Petroleum Operating Company
[168] Africa Oil & Power 2020
[169] Ib.
[170] Austrian Parliament 2001
[171] Arte 2013: 9:12
[172] OFAC 2015
[173] Reuters 2020

With Asian superpowers like China, the issue is more delicate, as they pursue their own strategies of development aid. The Chinese investment in infrastructure and energy plays a growing role in South Sudan.[174] According to Lisa Grande, China offered a considerable care package for the demilitarising army in 2012,[175] however, they would not take an active part in the rehabilitation of soldiers, as in negotiations they were initially envisaging to be responsible for the financing of infrastructural development, also hospitals for each region.[176] Little of that has been completed so far.

Over the recent decade, China has reconfigured its foreign diplomacy stance slowly desisting from its former principles of co-existence and non-interference to a more assertive posture of pursuing its strategic interests globally, actively engaging in conflict management, development policies, and institutionalised diplomacy in Africa.[177] The increasing number of Chinese soldiers in peacekeeping missions, as the biggest contributor of the P5, and its opening of a military base in Djibouti, as well as its active engagement in the African peace and Security Architecture (APSA), reveal China's vital concern for African affairs. China today is the biggest trading partner for Africa as a whole, with $148 billion in 2017.[178]

The Chinese National Petroleum Company (CNPC) gained a strategic advantage in Sudan's oil business as it secured concessions already in the late 1990ies when there were no American or European competitors in the country.[179] While the late coming European and Canadian firms backed out early when pressure from their home countries increased in the early 2000s due to the ongoing civil war and human rights concerns, the CNPC played the major role in setting up the infrastructure of pipelines between the oil fields of the South and Khartoum in Sudan.[180] With 40% Sudanese oil had been the biggest part of CNPC's portfolio overseas by 2007,

174 CIA 2021
175 Arte 2013: 39:10
176 Ib.
177 Brosig 2020: 871
178 Ib.
179 Patey 2017: 760
180 Ib.

contributing an average of 5,5% of China's total oil imports, third after Nigeria and Angola in sub-Saharan Africa.[181] With a clear interest to diversify its dependence on overseas resources, China will undoubtedly restore and deepen its role as a shareholder in South Sudan's oil.

The country however does not seem to represent one of the core targets of a Chinese development engagement on the continent following the numbers of its investment. A geocoded dataset of China's global development efforts visualises its development projects worldwide until 2018. Except for South Africa, the Central African Republic and Eritrea South Sudan had the lowest amount of Chinese development projects in sub-Saharan development countries, counting only 4 at that point.[182] Three completed projects, of which two were grants for the establishment of hospitals, \$2.9 million in 2008 in Rumbek and \$760,000 in 2011 in Bentiu, and a \$150 million loan in 2013 for modernising the Juba airport. A \$100 million funding that was cleared in 2009 for the construction of the Renk-Malakal road along the Upper Nile in the north is still being implemented.[183] Since two of those projects were agreed on only after South Sudan's independence, Sudan was the recipient of the other two initially. After the civil war, Chinese development effort has returned but remains meagre. Due to its importance for access to the oil fields and South Sudan's only refinery in Bentiu, in 2020 a Chinese construction firm has resumed the work on the Juba-Rumbek highway with "11 modern standard bridges, 35 box culverts, 300 pipeline culverts, and 21 viaducts along the highway".[184] The project that had been suspended due to quality concerns in mid-2020[185] is part of a wider framework with China to take up the construction of major roads that was agreed upon in 2019.[186]

[181] Ib.
[182] AidData 2018
[183] Ib.
[184] Xinhuanet 2020
[185] The China-Africa Project 2020
[186] Xinhuanet 2020

While being one of the earliest fields of mineral resource exploration abroad, the Sudan venture was crucial for CNPC to secure a competitive setup and improve their technological, logistical, and organisational capabilities, that they could employ in their later projects in Nigeria and Chad.[187] "The comprehensive offering of oil and construction services to Sudan followed a long history in China of establishing quasi-societies around domestic oilfields to meet all the needs of the industry."[188] Nonetheless, Chinese commitment was limited insofar, as misalignments between the CNPC investment in South Sudan and the lack of political will or capacities of China's government became apparent with the surge of political instability after 2011.[189]

> As the largest foreign investor in Sudan and South Sudan, CNPC's own efforts to manage political events also fell short. Together, the inability of the Chinese government and company to avoid political instability pushed CNPC to pursue a more risk adverse approach in its global strategy by diversifying its international portfolio.[190]

Even though a diplomatic envoy to Juba and Khartoum tried to negotiate an agreement in the conflict concerning the transition fees between Sudan and South Sudan in 2011, China was unsuccessful, as the South shut down their production in 2012 for 15 months – CNPC's most profitable assets overseas.[191] China's government substituted its supplies with resorting to other producers, while CNPC's balance sheets went uneven for the first time. Again, when the civil war broke out in 2013 several oil fields stopped production, and outputs for CNPC dropped by half within a year.[192] "On account of political instability, Sudan and South Sudan were no longer significant oil suppliers for China."[193]

[187] Patey 2017: 761
[188] Ib.
[189] Ib.: 762
[190] Ib.
[191] Ib.: 763
[192] Ib.: 766
[193] Ib.

Analysing CNPC's history in Sudan and South Sudan suggests that the company has learned to hedge security risks in countries with unstable political situations with a diversification of their portfolio. We can assert that in the face of such experiences China's commitment to development projects will render much more tentative and cautious, as it has learned how limited diplomatic capabilities to secure economic assets and the security of its personnel must be rendered in Africa. Nonetheless, the lesson also broadened the spectrum of CNPC's capabilities and strategy to build relations on a sub-national level, not solely relying on the host government, but engaging more with local communities and NGOs exploring multi-level ties to security.

## 8 United Nations in South Sudan

One of the main problems holding development back is the ongoing resistance of the South Sudanese government to establish a sustainable culture of cooperation with the UN missions in the country, which are bundling international support for development and facilitating negotiations with neighbouring countries.[194] In one instance in 2011 UN officials had worked out a thorough 144 points concept of things that needed to be implemented to avert the failure of the new state and secure its survival. The government reduced that list to 19 core positions, like financial administration, a clear oversight of budget within the ministry of finance, as before people were only paid in cash in "brown paper bags".[195] Another of these points agreed upon was the establishment of a tax system for which the UN campaigned by talking to citizens directly to explain to them why a government relies on taxes to provide public services. As the leaders of the rentier state rely on revenues from their extractive industry, they have little interest in engaging in a comprehensive and serious tax programme.

[194] Ib.: 27:30
[195] Ib.: 17:53

UNMISS has a mandate for a contingent of 17,000 soldiers and civil servants. It has established 23 agencies and cooperates with several donator countries, development organisations, and the World Bank. According to UNMISS officials, the main driving force of the internal conflict in South Sudan was the lack of rule of law and a deficient judiciary system, the missing sense of a community, and other ideological reasons in civil and political culture.[196] This paper on the contrary argues, that the UN did not recognise that the material setting of South Sudan's oil dependency was the main problem that hindered prospects of stability and security beyond the economic scope. One of the donator parties put a high emphasis on cultural reconciliation programmes conducted by UNESCO, to create a conscience in which the citizens of South Sudan perceive their cultural diversity as enriching and empowering, based on the united effort to become independent from the "Arab" North, rechannelling civil forces to the "artistic side" instead of conflict.[197] This work at hand does not state that development projects do not profit from a multidimensional and comprehensive approach, however, as should be heeded, certain components of such projects can blur an understanding of the main issues in underdeveloped countries. Employing an argument in development economics would render certain efforts meaningless if they are not integrated into a wider framework of a sustainable and effective approach of stable polit-economical structures. With regards to this example, references to history illustrate that authentic art scenes can only thrive where people's basic needs for security are fulfilled.

Overall UNMISS could not prevent arms transports to the fighting factions during the civil war.[198] Samantha Power, the US ambassador to the United Nations, also criticised that the contingent of peacekeeping troops in 2014 was unable to carry out even its main duty.[199] The missions mandate in terms of the security of South Sudanese people, and the prevention of human rights violations are ill-informed as

[196] Ib.: 48:00
[197] Ib.: 57:00
[198] Der Standard 2016
[199] Tagesschau 2016

long as it is not settled in a more robust programme for development that targets economic incentive structures first, rather than violent symptoms of economic decay.

## 9 Discussions of Remedies – Recommendations

Literature on the resource curse frequently suggest that all it takes to escape the trap is enforcement of better law and the application of policy, but if the curse leads to bad institutions, and only an improvement of institutions can break the resource curse, how can that vicious cycle of the political resource curse actually be escaped in the case at hand? This paper argues that only an understanding of South Sudan's connectedness to the international economic sphere in the extraction sector and an end of the international community's idleness can provide the context and pressure for institutional change in the country. Incentivising international shareholders and investors to contribute to development is key to change. Negotiations and effective litigation facilitated by the international community are key strategies to resolve ongoing conflicts and territorial disputes.[200]

### 9. 1 Institutions and Bureaucracy

Two Norwegian scholars introduced the concept of impartiality enhancing institutions,[201] which are institutions that function for the benefit of the public rather than being extensions of the political elite's will. The scholars remark as well that contemporary international development measures potentially "build capacity in natural resource bureaucracies [that] have the opposite effect, increasing the power of political elites relative to the population".[202] Conceptualising institutions as an "equilibrium outcome of repeated interactions of agents"[203] reveals why minor adjustments in reform efforts of development programmes will have no effect, or

[200] Mayik and Ochi 2020: 12
[201] Kolstad and Wiig 2009: 5317
[202] Ib.
[203] Ostrom 2005, cited in Kolstad and Wiig 2009: 5318

changes will be reverted by the involved agents when basic underlying incentives are not understood and addressed in the initiatives.[204]

Classifying South Sudan as a *centralised political economy* an increase in rents from natural resources has two specific effects. Firstly, it boosts the incentive to stay in control of the rents, which in a rentier state is congruent with staying in political power. Secondly, and this is highly revealing of South Sudan's case, high rents increase the danger of challengers for political power.[205] As we observed in the prompt civil war after the country's independence the theoretical implications extracted from previous studies were a fit predictor for the internal conflict. They will continue to forecast instability if institutional deficiencies are not addressed. Government responses that we observe in our case have also been anticipated by the model: increased incentives to stay in power logically foster to channel resources to means that consolidate and advance the position of the government, both materially by shielding off the government via the military and politically by directing benefits to supporters, in granting offices, jobs or public funds that hold political importance but yield no economic gain in productivity or growth.[206]

Taxation policy is an interesting instrument in that regard since low taxation can be a way to secure government popularity or disconnect accountability if citizens do not contribute to government income, as is the case in Saudi Arabia, where there is no personal income tax.[207] A new financial act from 2019 aims at introducing a progressive income tax according to which incomes below $15[208] are not taxed and incomes of $115[209] and higher pay 20%.[210] Business profit tax would range from 10% for small business enterprise with a gross profit below $7,677[211], to mostly between 20 and 30% for medium and large business enterprise. The country's National

204 Kolstad and Wiig 2009: 5318
205 Ib.
206 Ib.
207 PWC 2021
208 SSP 2,000.
209 SSP 15,001.
210 Orbitax 2021, Financial Act 2019
211 SSP 1,000,000.

Revenue Authority has not yet initiated the act's implementation, however.[212] Data on the median income of a South Sudanese citizen is not available, since authorities have only released aggregated numbers of the state's revenue, but there is no registry of enterprises yet; GDP per capita with over $1,000 is not reflecting most citizens' real situatedness.

With an increased chance of being challenged in government, the government's incentive to advance sustainable economic planning is be reduced, since with a shorter potential tenure it will expect a smaller planning horizon.[213] Following that logic, one could assume that well-functioning democratic elections with a frequent transition of power, which evidently reduce the planning horizon for a government, would have a negative impact on economic growth in underdeveloped countries, and that, as in the case of China or South Korea, high economic performance relies on assertive policies that are backed by a static political system. This would pose a paradox when we associate economic performance in resource rich countries with institutional quality. One explanation that resolves the paradox is presented in governments that will not cater to a minority clientele and ignore the majority when democratic elections work.[214] Research suggests that both democracy itself matters in averting the resource curse and parliamentary democracies specifically fare better where policy measures generally represent a majority of the constituency.[215] High institutional quality in democratic accountability "curb[s] the extent to which a government can secure its power through patronage, and hence reduce the negative impacts of resources on economic development".[216] Well defined and respected democratic and parliamentary procedures represent one form of impartiality enhancing institutions.

In general, such institutions have the feature of creating *deontic* powers, with a transparent set of rights and obligations. Resource rich countries will diminish hopes

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212 Ib.
213 Kolstad and Wiig 2009: 5319
214 Ib.
215 Damania and Bulte 2003, cited in Kolstad and Wiig 2009: 5319
216 Robinson et al. 2006, cited in Kolstad and Wiig 2009: 5321

for prospects with policies that are particularistic and render power and representation more uneven.[217] International donor organisations, like the Norwegian Oil for Development programme or the World Bank, have repeatedly failed to recognise this crucial requirement in their development efforts.[218] Instead of limiting measures to lower order institutions, better designing the extraction bureaucracy, strengthening democratic inclusion, accountability, and rule of law reflects strategies targeted at higher order institutions.[219]

It is impossible to not get involved in internal affairs and games of power relations when engaged development projects. As certain trails of international assistance demonstrably increase autocratic grip, a change of strategies with increasing support for civil society, like independent NGOs, that work to balance representation and power, cannot be rejected on the grounds of a stance of non-interference.[220]

With reference to prominent work in development economics, models in political economy understand institutional inertia as stable equilibria, in which small reform efforts are negated by the forces of attraction the underlying interests of agents constitute.[221] In "limited access orders" in resource dependent, underdeveloped countries elites resort to violence to fence off changes to the equilibrium. This explains why the attempts to reproduce advanced western institutions in such countries fail.[222] Strategies to resolve the resistance of local elites conclusively target their immanent payoff structures. One way to modify such structures is to mobilise a legal argument in international trade, that would regard the sale of oil by corrupt elites on the world market as theft of the country's citizens, which in turn would make transnational corporations that deal in that oil be vulnerable to jurisdiction in countries with sufficiently developed legal institutions.[223]

217 Kolstad and Wiig 2009: 5322
218 Ib.
219 Ib., i.e. fiscal authorities.
220 Ib.
221 North et al 2007, cited in Kolstad and Wiig 2009: 5323
222 Kolstad and Wiig 2009: 5323
223 Wenar 2008, cited in Kolstad and Wiig 2009: 5323

One article anticipated the problem that this strategy would only hold certain countries off an engagement in the South Sudanese oil market, while countries like China would take their place.[224] We observe this to be the case. A proposed circumvention could install an "anti-theft-tariff" on exports from countries that violate the provision: a tariff on goods sold by these countries would either deflect interest from trading in South Sudanese oil or yield money that could be pooled in a "clean hand trust" and returned to the citizens of South Sudan.[225] With reduced profitability for transnational enterprise to deal in oil from undemocratic countries and lowered rents for domestic elites, such approaches promise sustainable development. Mere capacity building initiatives have not demonstrated to have the same prospect.[226]

There is however a specific challenge in the case of South Sudan with one sided embargos or tariffs set in place by democratic states, when the main investors, like China, have competing interests. China would be delighted to see the West back out with a European or an American embargo, as it is acquiring large amounts of oil not to be sold on the world market, but purely for its massively growing domestic demand.[227] Without a more sophisticated diplomatic leverage against China, pressuring the country with classical protectionist measures will not be feasible, in the interest of South Sudan. Despite appearing farfetched western economies could resort to replacement tariffs in other goods and services vis-à-vis China to exert pressure if they are genuinely dedicated to a development mandate. Again, international innovation and commitment in trade legislation and regimes are found to be key ingredients to regional economic prosperity.

Empirical evidence from a study conducted recently in Uganda and Ghana suggested that bureaucrats play a decisive role in the government's handling of its oil riches and development effort should be targeted at them predominantly.[228] Such

[224] Kolstad and Wiig: 5323
[225] Ib.
[226] Ib.
[227] Petro Online 2020
[228] Harris et al 2019: 1

administrative officials that are treated with information about the ambiguous impact of oil revenues show higher disapproval of political spending. Additionally, bureaucrats with higher economic security and less involvement in patronage networks constrain spending that is directed to political supporters.[229] Consequentially institutional quality represented in the economic security of administrative personnel is a key factor in controlling the current of oil income. Those civil servants should make up the main addressees for schooling projects employed by the international community.

Against that background, countries like Saudi Arabia, or even countries that are not dependent on natural resources, like Germany, interestingly provide an indirect welfare network by having a large portion of the population employed as civil servants in the administration. In that regard bureaucratisation efforts and the training of an extensive administrative body in the public sector can add a second effect, issuing citizens pensions and equip them with training and education.

### 9. 2 Public Investment

Among many others, Infrastructural investment is crucial for South Sudan, as it is a landlocked country and relies on the security of its extractive products.[230] South Sudan might consider agreements with Kenya on the LAPSSET (Lamu Port-South Sudan-Ethiopia Transport Corridor) route, to gain a long-term bargaining token vis-à-vis Sudan's transit fees and render South Sudan's trade options more competitive. The corridor that is meant to connect the underdeveloped regions of Northern Kenya via rail, road, air, and fibre-optic cable would also serve South Sudan's economy with access to Kenya's port at Lamu and to the Pan African high traffic internet cable in Mombasa that should be operating by 2023.[231]

[229] Ib.
[230] Nugent 2018: 23
[231] Submarine Networks 2021

While it is critical to balance investment in infrastructure with immediate needs, like water supply, sanitation, and electrification, transport infrastructural projects should only be realised with thorough integration in calculated development plans. Investment efforts that are currently made with African governments bearing a share of 65% of infrastructural expenditure[232] run a risk of not delivering the expected economic development – the problem of white elephants, projects with too little economic use to be sustained.[233]

Examples of other developing (and resource cursed) African countries reveal there are lessons to be fruitfully applied for a post-war South Sudan. As "Big Push[…] is back in vogue"[234] in development economics, cases like Nigeria present evidence of how smartly directed investment can kick off a growing manufacturing sector.[235] Even the agricultural sector in itself can be optimised to a point where an economy can set free volumes for export, like in Uganda.[236] Regardless of the limited growth potential of the agricultural sector, South Sudan's farmers need the support of a comprehensive subsidisation programme that is laid out for long enough to erect and consolidate domestic agricultural capabilities and will to supply South Sudan with competitive groceries, to begin with. Smart investment by the government in general must be thought of as government expenditure that points at enabling citizens as market actors. Entrepreneurial capacity building should be the main target of a South Sudanese domestic economic policy. Conclusively subsidies in other branches are required to stimulate economic activity on a broader scale. The dilemma that a functioning credit market needs sufficient institutions to enforce contracts, but the bad economy holds back such legal institutions should be broken from within the rentier economy. After all the big advantage that resource cursed states have over normally underdeveloped countries is that they do at least generate high revenues. In the case at hand, government subsidies must substitute for a missing credit market.

232 Guttman et al 2015, cited in Nugent 2018: 37
233 Nugent 2018: 38
234 Ib.: 23
235 Ib.
236 Ib.

Its revenues only must be directed to the right ends. Related to that, an independent central bank that is not linked to political offices with a clear and closely overlooked mandate for price stability via the control of the currency volume is needed to secure a sustainable market culture. The mandate can potentially integrate a dimension for development loans.

Despite the critical state the South Sudanese society finds itself in, there is hope. Arguing that rentierism does not have to have a negative development impact necessarily, one study finds that when oil production was shut down between 2012 and 2013 in South Sudan it "precipitated certain development features" among domestic entrepreneurship.[237] Enabling its citizens via investment in roads, public transport, medical security, and the like are crucial to evoke entrepreneurial endeavour again. There have been made extensive economic policy recommendations to South Sudan and other oil cursed countries in the past. The United States Institute for Peace in 2011 had suggested that foreign development funding should be securitised with oil as collateral,[238] as to make it less vulnerable to foreign shocks. It was also advised to join the Extractive Industries Transparency Initiative.[239]

### 9. 3 Ownership

Addressing the question of ownership, systematic quantitative research could not produce evidence that state-ownership of the extractive sector is the direct cause of the resource curse, however there are noteworthy implications when ownership is associated with institutional quality.

A high vulnerability to oil price shocks should stipulate a somewhat counter-cyclical spending strategy – saving surpluses during booms and employ adjustments during downturns.[240] Unfortunately, as we saw elites in the country engage in

[237] Twijnstra 2015: 685
[238] Shankleman 2011: 2
[239] Ib.
[240] Khanna 2017: 216

wasteful "white elephant" projects for prestige, like the new capital, while hazarding countercyclical borrowing. The relationship between prestige projects and public perception is not easy to entangle in general terms and depends on the specifications of a political and economic context in which such projects are envisaged and conducted. An important contribution is made by research that finds citizens change their expectations based on the ownership structure of the oil production. When its production is controlled by the state then expectations to claims to a share are high, as the perception that politicians themselves receive the rents is pronounced. Conversely, expectations and demands are low when the production chains are controlled by private enterprise, since citizens will no longer associate revenues from oil directly to their politicians.[241] Following this argument, we could anticipate that covetousness of political rivals could be extenuated in a private ownership setting and thus reduce the violent potential between factions in South Sudan.

As the government is relying on foreign joint ventures to provide technical guidance with Nilepet only retaining a relatively small share, the contract structure should potentially be overhauled in general and fully privatised concessions to oil extraction should be envisaged. Dissolving Nilepet and receiving revenues from royalties and taxes on privatised oil production as a direct budget with parliamentary oversight would drain the swamp of potential embezzlement in a national oil company. As national oil companies in which the state is a major or full shareholder are not listed in stock exchanges due to missing or unreliable information,[242] full privatisation would only be congruent with South Sudan's goal to attract more foreign investment.[243] Without direct access to oil rents in Nilepet, the inclination for inefficient and wasteful spending by government officials would be reduced.[244] Bureaucratic institutions that facilitate effective taxation and regulation of private companies will not be involved in the physical production and transmission of oil

[241] Luong and Weinthal 2010, cited in Khanna 2017: 216
[242] Khanna 2017: 216
[243] Africa Oil & Power 2021: 1:27, A message from South Sudan's Minister of Petroleum Puot Kang Chol
[244] Khanna 2017: 216

and therefore unable to peculate means from its sale.[245] Internationally operating private companies in general offer higher transparency than government owned companies, as they rely on the disclosure of information to satisfy shareholders and trading partners. They also must adhere to international accounting standards, which makes it difficult for domestic political actors to interfere.[246] Almost all available information on details of South Sudan's oil industry used in this work is published by private companies, and hardly any by the government itself.

As before and throughout the civil war we observed the high social pressure for public benefits from the oil revenues, the recovering growth must encourage the government to refrain from unwise spending and engage in smart saving or investment.[247] It would also become apparent that the government's efforts in generating revenues from taxation on private enterprise would rely on its bureaucratic effectiveness and regulation. As especially in vertically integrated companies in the oil business concealing income and evading taxation through transfer pricing has become easy,[248] the government would be well advised to issue separated concessions to companies of different national origins for different sections of the production chain. It is argued that in institutionally weak settings, where property rights are not secure, incentives to engage in tax evasion are comparatively low, as private companies fear immediate expropriation of their assets.[249] Foreign oil companies would "buy" the security of their property rights via taxes. Paradoxically with increasing institutional quality and highly secure property rights, penalties for tax evasion are comparatively low and incentives for private companies for misconduct increase.[250] – The option of fully privatising Nilepet altogether should be considered.

[245] Ib.
[246] Ib.: 217
[247] Ib.
[248] Ib.
[249] Stiglitz 2007, cited in Khanna 2017: 217f
[250] Khanna 2017: 218

### 9. 4 Further Thoughts

As the demilitarisation project of the UN in 2011 and 2012 demonstrated, families that live below the breadline should receive recurring government payments or food stamps they can exchange for products from domestic producers. That would stimulate domestic demand and serve as subsidies for domestic producers to render them competitive vis-à-vis imported goods.

Security concerns remain in threats by armed groups for economic projects and legal uncertainty for ownership might mean, that an establishment of secure development cannot be kicked off with a vested stabilisation mission by the United Nations. Only agreement in the Security Council can pioneer respective resolutions.

Then, like Norway's state pension fund from its petroleum riches resource dependent countries are well advised to bundle the surpluses of their oil outputs in internationally diversified invested funds. That serves to detach the administration and dependent economic strains in South Sudan from external shocks to the oil price when budget is limited to dividends from investment assets.[251]

Furthermore, the field of development economics provides an argument for protectionist policies for certain sectors. In a country without any developed industry, it is unthinkable that branches could evolve without protective measures or state subsidies to equip South Sudanese enterprise for international competition. Shielding off infant industries will not only help the country establish its own manufacturing sector, but it will also serve to increase professional capacities of its citizens since logistics and knowledge spill-overs will stimulate growth in proximate areas. In general, a considerable amount of budget should be directed to education and training offerings for citizens. It is practice in some countries to afford higher education for professionals, obliging them to work for the state or within the domestic economy, in order to prevent brain drain.

[251] Onifade 2017: 138

## 10 Conclusion

This thesis traced the specific institutional ailments we observe South Sudan, of which the most striking one was the internal conflict, back to the negative economic impact of its oil wealth. The investigation demonstrated that the argument for the political resource curse connects to strong evidence in the case at hand and that international efforts for development must take its implications seriously. The key findings herein have shown that income from the oil sector is not yet directed to reasonable ends that benefit economic advancement. Despite the scientific soundness of the resource curse literature in development economics, we have not seen the necessary adaptions in strategies of international relations and development assistance by any actor.

In April 2021, the IMF released a staff report along with the announcement of a disbursement of over $ 176 million that will be employed towards the relief of the critical state of the country in terms of poverty and food insecurity. A staff-monitored programme will accompany the loan and assist the authorities to direct it responsibly within the budget and the replenishment of its depleted international reserves. Additionally, the IMF staff declares to engage to work out a reform strategy for fiscal discipline and concessional financing to restore credibility vis-à-vis donors. – Following the experience the United Nations made in the aftermath of South Sudan's independence, we should assume that the IMF is running a risk to face similar troubles of reluctance to cooperation by South Sudanese officials.

Answering the question of whether the country would be better off if it had no oil is ambiguous. It has been shown that the mechanisms of the resource curse are the main factor in the downfall of South Sudan's institutions and the bone of contention that ignited the civil war which caused between 50,000 and 400,000 deaths and at least 2.24 million displaced people.[252] To quantify this loss of life within the gains the country's economy has an outlook on appears cynical – the

[252] Conflict Tracker 2021

consequences of the resource curse are real and tragic. Young states are usually unlikely to fall prey to a new civil war directly after their independence, so it is justified to assume without oil there would have been no civil war, and the rhetoric of unity and self-confidence after the captured victory of the liberation movement would have channeled social and political will commit to real economic and institutional progress. The high corruption is certainly resulting from the specific features of nationally controlled mineral sources. Consumer prices would be more stable and supply more secure if the national agriculture had not been devastated. Government spending, even if its income would be much smaller, was more likely to be put to better use, when a tax-paying constituency would develop a more assertive stance towards their government. The massive institutional disturbances of the political resource curse cannot be ignored. Nonetheless, in purely economic terms resource wealth does not have to be a disadvantage. The cases of Norway or the Arab gulf countries illustrate that mineral riches can yield immense social welfare in stable political systems.

Lise Grande said it is going to take a generation of effort by the international community to support the new country on its political and economic start.[253] We are yet to see that international support. Without it, South Sudan will be forsaken.

[253] Arte 2013: 4:44

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