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Policy Brief

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South Sudan's Mining Policy and Resource Curse

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Summary

This¹ policy brief analyzes the newly proposed South Sudanese mining sector policy using Botswana's mining policies as standard reference and with examples drawn from a number of expert literature in extractive resources. Most resource-rich developing countries suffer poverty, political instability, civil wars, corruption, low life expectancy, high illiteracy, and high infant and maternal mortality rates, conditions experts consider as resource curse. Some of these problems are widespread in South Sudan. Therefore, this analysis suggests a mining policy that minimizes these conditions. Resource curse is a function of bad governance and unsound policies, with good governance and sound policies considered a solution.

South Sudan's proposed mining policy lacks best practices, such as resources funds, expenditure smoothing strategy, and investment in infrastructure, education, health and social welfare services. We argue in favor of the creation of a strong system of good governance, transparency & accountability (particularly EITI implementation), expenditure – smoothing strategy to control the negative impacts of volatility, establishment of mineral resource funds and development of infrastructure, education, health and social welfare programs using oil and development aid money during mining development initial stages and mineral resource funds after the mining sector has taken off to a full speed. Development of infrastructure, education, health and social welfare programs prevents the extractive resource wealth from being squandered by a few elites, gives everyone an opportunity to benefit, and creates a productive capacity for other economic sectors.



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Introduction

South Sudan is endowed with considerable extractive resources², including oil, gold, copper, lead, zinc, and nickel and marble (Deng et al, 2012). Oil is currently the lifeblood of South Sudan's economy. It accounts for 98% of the government budget and 80% of the country's GDP (World Bank, 2013). Oil reserves are expected to decline soon and will 'become negligible' around 2035³ (World Bank, 2013). Due to the challenges of having a single source of revenues, the Government of South Sudan has been making efforts in diversifying revenue sources. One of the sources for diversification is the mining sector, which the government has been making efforts to develop. These efforts have particularly resulted in the enactment of Mining Act, 2012 and the drafting of Policy Framework for the Minerals and Mining Sector, 2013, which is awaiting a parliamentary approval. Government officials have admitted that the right procedure was to enact the policy framework before the Act and Regulations. However, the Act preceded the policy framework due to reasons that are beyond the scope of this paper. Before this initiative, most of the government natural resources management policy agenda focussed on oil, water and land (Mbaku and Smith, 2012).

Informed by expert literature in extractive resources, this policy brief analyzes the proposed mining sector policy framework along with resource curse factors and infrastructure with a particular view to incorporating these important elements into the proposed policy. Although the overall country's security and several elements of infrastructure such as information and communication technology (ICT) are important to be analyzed and considered, this paper emphasizes road and energy infrastructure. We argue that a successful mining sector may not be attained if its policy is developed in isolation from solving resource curse, as well as without strategically linking it to productive infrastructure. Based on expert literature, extractive resources are not the curse. It is the lack of sound policies and good governance that brings the curse. Therefore, we argue for the creation of a strong system of good governance, transparency, accountability, expenditure-smoothing strategy to control the negative impacts of volatility, creation of mineral resource funds and investment in infrastructure, education, health, and social welfare services using oil and development aid money during mining development initial stages, and mineral resource funds after the mining sector has taken off to a full speed. The brief starts with the review and analysis of resource curse, road and energy infrastructure, and the newly proposed mining policy framework. It ends with some recommendations for consideration.

Resource Curse

Availability of extractive resources is considered a curse rather than a blessing (Frankel, 2011; Lewin, 2011). Such a label is placed because more often than not, resource-rich countries face high level of poverty, political instability, civil wars and corruption. In addition, extractive industry, particularly mining, oil and gas industries, are responsible for the majority of environmental and social impacts on communities (Dougherty, 2011). Extractive resource-rich

² Extractive resources in the context of this paper refer to natural resources such as oil, natural gas, gold, zinc, diamond, copper, nickel, and marble.

³ See World Bank's South Sudan Country overview last updated in April 2013, <http://www.worldbank.org/en/country/southsudan/overview>.

countries have some of the worst social indicators namely: high mortality and illiteracy rates, low life expectancy rates and high-income inequality rates (Dougherty, 2011). The reason behind these worst social indicators is that resource dependent countries tend to spend less on public goods such as education, health and social welfare services, among others. The list of resource-rich countries particularly in Africa, which are very poor and unstable, is long. The notion of associating extractive resources with problems is validated by the fact that resource-poor East Asian countries such as Japan, South Korea, Singapore and Taiwan, have been able to gain significant development feat (Lewin, 2011).

However, in some exceptional cases, some resource - rich countries such as Canada, Australia, USA and Norway have done extraordinarily well (Lewin, 2011). Some of these countries have used the resource wealth to develop other sectors of their economies. For example, early development of Canada, USA and Australia is attributed to extractive resources (Dougherty, 2011). Botswana, South Africa, Kuwait, Qatar, Tanzania and Chile, for example, have also done relatively well in managing extractive resources (Lewin, 2011, Dougherty, 2011). This raises the point that it is not having the extractive resources per se that leads to a curse. The sound policies that can curb the resource curse then matter. South Sudan should install these policies in order to rid itself of resource curse.

We use Botswana as our standard reference point for most of this analysis due to the fact that it is one of the few countries in Africa with a successful story. A sparsely populated, dry and land locked country, Botswana had only 12 kilometers of paved roads and per capita income of \$70 a year, with 60 percent of the government budget consisted of international aid when it gained independence in 1966 (Lewin, 2011). By 2007 Botswana's per capita income had risen to \$6100 per a year. In addition, Botswana has constructed 7000 kilometers of tarmacked roads and reduced development aid to less than 3 percent of its annual budget.

Botswana's success is attributed to a good leadership that has established respect for the rule of law, property rights, transparency, accountability and sound economic policies that focus on development of infrastructure, health and education (Lewin, 2011). Botswana's early focus on transparency and accountability right after independence allowed it to minimize resource curse (Dougherty, 2011). In the first years of independence, Botswana attracted considerable international aid money and used it to build productive infrastructure that provided an enabling environment for the mining sector. The country also established an effective policy of direct foreign investment achieved in part by establishing a fixed real exchange rate.

Botswana's practice of transparency and accountability was drawn from its indigenous institutions, which promote consultative working with government authorities (Lewin, 2011, Dougherty, 2011). Such notion of indigenous governance promotes the idea that 'the government exists to serve the people and to promote development and is not an instrument of one group or individuals for the purpose of getting hold of the wealth' (Lewin, 2011). Botswana's traditional institutions respect property rights and the rule of law, factors that have been cited as drivers of success in Botswana. Colonial legacy has also played a role. Botswana was not an extractive colony and hence was left to its own devices by the colonial authorities (Doughty, 2011; Lewin, 2011). This has allowed it to develop a strong spirit of self-reliance that has worked in its favor (Dougherty, 2011). However, Botswana also has its own challenges,

including a high level of inequality. However, inequality may not be satisfactorily explained by the resource curse theory as some developed countries still continue to grapple with serious income inequality issues, the United States being an example.

South Sudan and Botswana have some similar contexts, notably being resource - rich African countries with strong traditional norms. Both are similar in terms of being former British colonies and were not administered for extractive purposes. However, there are significant differences between the two contexts to note. Apart from devastation due to many years of civil war, South Sudan has more heterogeneous ethnic population than Botswana. The former has not yet managed to integrate its diverse ethnic communities and forge a cohesive strong national identity while the later managed right after independence to forge stronger national identity. It has been noted, in several contexts, that availability of mineral deposits combined with poorly socialized and integrated heterogeneous communities can cause instability and violence (Lewin, 2011). However, promotion of national unity, early establishment of good governance, fair system of wealth sharing, transparency and accountability can prevent the curse and strengthen national identity.

The resource curse phenomenon is characterized by commodity prices decline, proclivity for violence conflict, crowding out of manufacturing industry by natural resources industry, energy and mineral prices volatility, depletion of natural resources, readily available natural resources revenues that make governments reluctant to develop governance institutions conducive for broad based sustainable economic growth and commodity prices fluctuation (Frankel, 2011; Savage, 2013). Some of the above mentioned characteristics come as a result of Dutch disease⁴, which is ‘the deleterious effects that purportedly result from the real appreciation of the currency caused by a booming resource export sector’ (Lewin, 2011). This situation causes the inflows in foreign currency earned through an extractive resource like oil and gold to affect a country’s export sector by making anything else less price competitive in the international market. In other words, mineral exports prevent depreciation, which is required for development of other vital economic sectors such as manufacturing and agriculture (Lewin, 2011). Botswana overcame Dutch disease by investing in public goods – education, health and infrastructure and boosting productivity by ‘limiting parastatals and avoiding import substitution policies’ (Lewin, 2011).

In addition to Dutch Disease, prices of minerals are prone to volatility, which destabilizes the economy through appreciation during the boom and depreciation during the bust (Lewin, 2011). Volatility also affects the economy by causing low direct foreign investment, as investors tend to move to safer markets. Notably, when revenues increase due to mineral price upsurges, many governments tend to respond by raising expenditure assuming that the revenues will continue to grow. Failure for the continued increase in revenues forces governments to borrow against the future revenues, which causes debts. The best way in which volatility has been avoided so far by

⁴ The concept of Dutch Disease came to prominent after the Netherlands discovered natural gas in the North Sea in the 1960s. The new resource exports increased Netherlands’ foreign exchange earnings and this made exports from other sectors such as manufacturing less competitive in the international markets. As a result, these other sectors suffered and declined. Afterward, this phenomenon became known as Dutch disease. See <http://www.imf.org/external/pubs/ft/fandd/basics/dutch.htm>

well governed resource-rich countries is by applying ‘expenditure–smoothing’ mechanism whereby the government can save during good times and use the savings during bad times or base its spending on permanent income rather than on revenues (Lewin, 2011). In addition, mineral deposits are finite – they can be depleted easily. Some governments of resource - rich countries tend to rely on mineral wealth by assuming that the deposits will be there forever, which makes the government run into a host of economic problems when the mineral deposits get depleted. As a result, foresighted countries, like Botswana, have been able to invest in physical infrastructure, health, education, social services and financial assets to minimize the resource curse.

Another notable resource curse factor is that when governance institutions are weak, the elites can easily squander the resource wealth (Lewin, 2011). In addition, availability of high resource rent⁵ itself easily weakens the governance institution as the government deals directly with resource companies instead of it relying on the people for tax revenues. Countries with considerable extractive resources have high tendency to ignore state’s obligatory social contractual relationship with citizens (Dougherty, 2011). Dealing with extractive resource companies instead of the people, leads to negligence of transparency and accountability. In the event that cozy relationships between the government and companies emerge, predatory behaviors that worsen the situation easily develop.

Productive labor force plays a significant role in generating revenues through taxes. But when a country gets easy money from extractive resources, it ignores its obligation to develop human resources by spending less money on education and health (Dougherty, 2011). Getting revenues through taxes from productive activities requires the government to provide ‘efficiency incentives’ (Auty and Pontara, 2007). The resource rent in badly governed resource – rich countries get distributed through patronage networks. However, the efficiency incentives only “favour reliance on markets rather than patronage channels” (Auty and Pontara, 2007). High resource rent causes “contests for its capture that deflect government effort into rent distribution at the expense of long-term wealth creation” (Auty and Pontara, 2007). In addition, control of mineral wealth by the government creates ethnic rivalry over government control as this is seen as the sure way to have access to wealth (Lewin, 2011). Particularly, mineral wealth in a nation without a cohesive national identity and strong governance institutions is a recipe for instability and violent conflict, a factor that should not be ignored in South Sudan. Botswana has avoided the resource governance curse by building strong governance institutions that have promoted and ensured transparency and accountability in the extractive resource sector.

As a resource - rich country, South Sudan is expected to be doing well. However, it is unfortunately already exhibiting the usual symptoms of resource curse: violent conflict, political instability, abject poverty and corrupt public sector. The second Sudanese civil war of 1983 - 2005, which devastated South Sudan, was caused in part by poor resource management. Water and oil, particularly the Jonglei Canal Project and the building of Southern Sudan’s oil infrastructure in the northern part of Sudan, are the cases in point. Both projects were carried out

⁵ A resource rent is a ‘surplus value - the difference between the price at which a resource can be sold and its respective extraction or production costs, including normal returns.’ For more information, see http://www.agrifood.info/connections/2007/Sinner_Scherzer.html

without consultation and approval by the majority of South Sudanese. This lack of consultation created tensions and partly helped trigger the second Sudanese civil war. The legacy of building the infrastructure for the Southern oil in northern Sudan has continued to haunt the two countries. Although direct triggers of the ongoing conflict in South Sudan can be attributed to power struggle among the political elites, resource curse factors have indirectly contributed. In addition, South Sudan's economy has been experiencing some element of Dutch Disease with oil accounting for 80% of its GDP. This has, to a certain degree, impacted on the other sectors of the economy. The country has experienced high inflation, the severe one, up to 80%, came following independence from Sudan in 2011 (World Bank, 2013). There is little local production in other economic sectors, which has forced the country to import food and other essential goods.

How does South Sudan address resource curse in the oil and gas industry? Putting into context how South Sudan tackles resource curse in the oil and gas sector can help the country address the same in the mining sector. Since it gained independence in 2011, South Sudan has made some efforts in terms of legal and institutional framework to minimize the resource curse. The country has enacted the Petroleum Revenue Management Act, 2012, in part to establish Oil Revenue Stabilization Account and Future Generation Account (RSA/FGA). The stabilization account is intended to protect the country from volatility particularly when the revenues go down and the future generation account provides reserves for when the oil deposits are depleted. This approach of saving for the future has enabled other resource - rich countries, particularly Botswana, to reduce resource curse. The Petroleum Act, 2012 stipulates several important requirements to ensure transparency in the management of oil revenues. Particularly, the Act provides for public disclosure and publication of information about contracts, oil production data, revenues, and ownership of contractors or companies.

Recently, South Sudan received an overall failing score of 31 out of 100 points on the Revenue Watch Institute's resource governance index that assessed four resource governance indicators: institutional and legal setting, reporting practices, safeguards and quality controls and enabling environment⁶. South Sudan performed well on institutional and legal setting, scoring 80 points out of 100 but failed in all the other three indicators. Good performance in institutional and legal setting is attributed to the above-mentioned legal framework on the petroleum sector, particularly key pieces of legislation such as Petroleum Act, 2012 and Petroleum Revenue Management Act, 2012. However, the failures in the three indicators show that South Sudan needs to do more in terms of implementing the enacted legal and institutional frameworks on the petroleum sector. The country needs also to invest heavily in public goods namely: infrastructure, education and health.

Infrastructure

Road Infrastructure

Road infrastructure is very important in terms of facilitating access to mining areas, movement of mining equipment, workers and of mineral products to markets. However, most parts of South Sudan have little road transport infrastructure that can facilitate these important aspects of

⁶See <http://www.revenuewatch.org/countries/africa/south-sudan/overview> for more information

mining industry. For example, road quality in South Sudan is below ‘African low-income, middle-income and resource - rich countries benchmark’ (Ranganathan and Briceno – Garmendia, 2011). Poor roads make travel time longer which can increase the transportation and opportunity costs for businesses. Poor roads also force transportation trucks to carry small loads, which also increase transportation costs and inefficiency. Currently, only less than 2 percent of South Sudan’s roads are tarmacked. Most of the unpaved roads are impassable during the rainy seasons from April/May to October/November. Most minerals are located in the remote areas of the country, far away from few roads in good conditions.

The policymakers should consider aligning mining policy with road infrastructure policy so that road infrastructure can be built in a manner that provides access to vital mining areas. For example, Eastern Equatoria State has considerable gold deposits. Therefore, policymakers should make a strategic consideration to construct road infrastructure that can link the region with Kenyan road and port infrastructure, and with major population and market centers in South Sudan. Such strategic link is important because the Kenyan Port of Mombasa becomes more efficient compared to Port Sudan on the Red Sea (Ranganathan and Briceno–Garmendia, 2011).

South Sudan has so far established a Road Authority, Policy Framework and Strategic plan. These documents address transport infrastructure in all aspects including roads, air and water transport. However, it is important that transport policies are strategically aligned with this mining policy to make priority for transport infrastructure in vital mining areas of the country. South Sudan is in need of 7000 Km of roads with 1300 Km required for connection to vital economic zones and international frontiers for a cost of about \$711 million over the next decade (Ranganathan and Briceno–Garmendia, 2011).

Energy Infrastructure

Availability of energy plays a major role in enabling mining industry to operate efficiently and effectively. About 50% and 70% of large and small firms surveyed indicate that lack of electricity is a grave obstacle to doing business (Ranganathan and Briceno–Garmendia, 2011). Particularly, more than 75 percent of firms Ranganathan and Briceno–Garmendia surveyed in South Sudan complained that lack of energy hinders business operation compared to 56 percent firms in other resource - rich countries. It is anticipated that any potential mining investor will consider the quality of South Sudan’s energy infrastructure as one of the factors to decide whether to invest in the country’s mining industry.

South Sudan lags behind mineral producing countries as energy infrastructure is still at nascent stage due to many years of civil war (Ranganathan and Briceno – Garmendia, 2011). Currently, South Sudan’s main cities get their energy supplies through dirty and costly diesel electricity generators, which falls short of environmental protection level stipulated in the proposed policy framework. About 93% of electricity in Juba comes from diesel-powered generators (Ranganathan and Briceno – Garmendia, 2011). Electricity prices in South Sudan range from \$0.18 to \$0.29 per Kilowatt -hour, which is twice what an average consumer pays in Africa and five times the one in other developing countries (Ranganathan and Briceno – Garmendia, 2011). South Sudan’s rural areas, most of which contain the mining deposits, have zero access to electricity (Ranganathan and Briceno – Garmendia, 2011). Only one percent of South Sudanese

has access to electricity with most of them not connected 24 hours compared with 46 percent in other resource - rich countries that can compete for mining investment with South Sudan (Ranganathan and Briceno – Garmendia, 2011). In addition, South Sudan has only an installed power capacity of 25 MW while resource - rich countries have an installed capacity of 4,105 MW.

While there is an obvious lack of adequate installed power capacity to drive the mining sector, there is a huge energy potential that needs to be developed to fuel the economy. The country has a great potential for wind, solar and hydro energy sources. In the countryside where most of the mineral deposits are located, there is a need to focus on solar energy, wind and small-scale hydro power. However, developing these vital energy sources can be difficult due to cost and technical barriers. Capital and other related costs in new market frontiers such as South Sudan can make it hard for investors to earn a profit on their investments. In addition, South Sudan still has little technical capacity to develop wind, solar and hydropower technologies. But such technical barriers can be reduced through capacity building and research and development. Cost barriers can be removed through subsidies, financial and tax incentives. In addition, the ongoing effort in developing large-scale hydro energy from Fulla falls near Nimule south of Juba can strategically be tailored to serve vital mining areas. Programs that can boost off- grid electrification efforts should be encouraged. The country should consider using financial and tax incentives to promote the development of energy with strategic focus on mining areas, other vital economic zones and large population centers. In the short term, South Sudan should consider importing energy from Ethiopia and neighboring countries as part of driving mining and other vital economic sectors.

The Proposed Policy Framework for Minerals and Mining Sector

The proposed mining policy places the people, the economy and the environment at the center through overarching objective of maximizing ‘the economic and social benefits of realizing mineral wealth whilst anticipating and limiting the negative effects⁷.’ The policy commits South Sudan to managing mineral endowment in ‘a sustainable economic, social and environmental manner’ by ensuring social and environmental protection through equitable and fair sharing of financial and development benefits among the stakeholders and through deployment of environmental and social protection tools. The three aspects – economic, social and environmental - are considered by international standard as the pillars of sustainable development.

Sustainable development is defined in the Brundtland Commission Report (1987), Our Common Future, as a kind of development that can meet the needs of present generation without compromising the ability of future generations to meet their own needs. It is important to point out that scholars do not agree on the definition of sustainable development (Daly, 1996). Despite disagreement among scholars on the definition, sustainable development in the context of this mining policy puts emphasis on satisfying the needs of both the present and future generations, something that is vital when it comes to setting a non-renewable resource policy.

⁷ See the proposed Policy Framework for the Minerals and Mining Sector, 2013, red line draft for presentation to the Council of Ministers, drafted by the Ministry of Petroleum and Mining, Directorate of Mineral Development

The proposed mining policy has fourteen overarching objectives. Some of the notable ones include developing minerals for people's benefits, developing minerals as vehicle for economic growth and community development, applying modern principles of accountability and transparency to eliminate corruption in the mineral sector, developing fair regulatory framework that encourages investment, fair sharing of benefits among investors, government, states and local communities, developing minerals with due respect for environment, land owners, social structure and traditional rights, and efficient and optimal extraction using the best available technology and international best practices, among others.

The proposed mining policy also has several policy tools to achieve the above-mentioned objectives. Some of these policy tools include investment incentives, capital equipment depreciation allowances, depreciation of pre-production, feasibility and development costs, import duty exemption for mining equipment during development phase, export duty exemption for sale of mined minerals, tax concession for payments under a community development agreement and corporate social investment, among others. These policy tools can be considered as investment incentives in the case of South Sudan as they are proposed to attract investors to the mining sector. Investment incentives are defined as “measurable economic advantages that governments provide to specific enterprises or groups of enterprises, with the goal of steering investment into favored sectors or regions or of influencing the character of such investments” (James, 2009). Other important policy tools include legislation and regulations to promote accountability and transparency, environmental and social protection. The Mining Act, 2012 has already got a section on transparency and environmental and social protection. Other legislation that supports some of these policy tools includes Investment Promotion Act, 2009 and Taxation Act, 2009.

Whether the proposed policy tools can allow the proposed policy to be effective depends on a number of things. While investment incentives have significant influence on the success of investment, climate of the investment destination matters (James, 2009). In this case, issues of security and political stability are very critical for investment incentives to be effective in the case of South Sudan. It is also important to balance the costs of investment incentives with benefits. Tax incentives, for example, are considered beneficial if investors respond strongly by investing and if such investments result in social benefits that are greater than the costs of investment incentives (James, 2009). Therefore, any of the proposed policy tools can be effective if South Sudan is stable and if the costs of investment incentives are lower than the benefits.

Although the proposed policy has covered many important aspects, it still has several vital gaps that need to be bridged. First, the drafters ignored the importance of setting targets for the policy objectives. Therefore, the drafters need to consider setting specific policy targets to measure economic, social and environmental outcomes the policy aims to achieve. The policymakers can consider the following questions. What level of improvement do South Sudanese need to see in five years after the policy's implementation? We know that about 50 percent of South Sudanese live below the poverty line. What percentage of the poor people will the mining policy help lift out of poverty and how will the policy achieve this? As mentioned in the introduction, the oil sector currently accounts for 80% of the country's GDP and 98% of the government budget. As a policy framed on the basis of diversifying the sources of revenues, how much percentage of GDP and government budget will the mining sector contribute and how will the policy achieve this?

How much percentage of economic growth will the mining sector add to the overall economic growth of South Sudan? What level will the proposed mining policy, which is committed to transparency and accountability, help reduce corruption? What level will the proposed policy improve the resource governance in the country?

Second, the proposed policy has also ignored to incorporate infrastructure, particularly transport and energy as part of policy strategy to position the mining sector in a competitive position with the rest of the mineral - rich countries. Not only does improved infrastructure provide an enabling environment for the mining industry to thrive, focusing on enhanced infrastructure eliminates some of the usual resource curse factors. Third, while the policymakers have stipulated the need for environmental protection and have also made provisions in the Mining Act, 2012, they have also ignored to make provisions for remediation and reclamation standards for areas to be impacted by mining activities. Therefore, policymakers should consider including remediation and reclamation certification for mining companies as one of the measures to ensure environmental and social protection against negative mining activities. The table below compares South Sudan’s mining sector policy with Botswana’s mining policies with the view to identify what South Sudan lacks in its proposed policy.

South Sudan’s Proposed Mining Policy Versus Botswana’s policies in its mining sector

Country	Policy declares promotion of transparency and accountability	Policy declares creation of mineral resource funds	Policy declares investment incentives	Policy declares expenditure Smoothing Strategy	Policy declares investment in infrastructure, education and health
South Sudan	✓	X	✓	X	X
Botswana	✓	✓	✓	✓	✓

In the above table, a check mark (✓) means the country has such a policy position while an X means the country lacks such a policy position.

Conclusion and Policy Recommendations

- Based on expert literature, we understand that good governance, transparency, accountability, sound fiscal and economic policies and investment in public goods such as infrastructure, education and health, can reduce the impact of resource curse.
- The government should consider creating mineral resource funds and use the funds to provide road and energy infrastructure to 100 percent of the areas of vital economic sectors including population centers and strategic international market frontiers within five to ten years. As well, the government should create a law similar to Petroleum Revenue Management Act, 2012 to manage mining sector revenues. As part of the mineral revenue management law, the government should, in addition, establish public goods funds as a component of the mineral resource funds to finance infrastructure, education and health, in addition to stabilization saving account, which can be used to

bridge the budget gaps during bad times. Besides, the government should finance development of infrastructure, education and health sectors using oil and international aid money. Investment in infrastructure, education and health prevents the extractive resource wealth from being squandered and create a productive capacity for other economic sectors. Productive infrastructure can strategically place South Sudan at a competitive advantage in terms of attracting investments and providing enabling environment not only for mining industry but also for other vital economic sectors such as petroleum, agriculture, forestry, fishery, tourism and manufacturing. The policymakers from the Ministry of Petroleum and Mining should consult and work with counterparts from ministries responsible for road and energy with a particular view to incorporating strategic mining and other vital economic areas into their policy frameworks. The country should consider to provide financial and tax incentives to develop energy infrastructure development and also consider to buy power from Ethiopia and other East African countries as a short-term plan. Instead of building a new pipeline to transport oil to the international markets, it is important to consider building a railway line to Kenya so that it can also transport minerals and other products to the international markets⁸.

- Within five to ten years, a consideration should be made to fund and develop higher education institutions, build state of the art hospitals, secondary and technical schools each in every county, and emphasize gender and ethnic equity using aid, oil and mineral money.
- Although some transparency and accountability provisions have been made in the Mining Act, 2012, a consideration should be made to adopt and implement Extractive Industry Transparency Initiative⁹ (EITI) with the aim of achieving transparency 70% or higher within five to ten years based on international resource governance assessment standards. Such a move can help raise the country's transparency standards to international level, which will be good for getting responsible investors. The first step in implementing the EITI has already been taken by President Salva Kiir when in 2011 he expressed the country's interest to be part of this body.
- The government should base its budget on established permanent income rather than on resource revenues, which are volatile. One way to do this is by establishing a stabilization account as it has been made in the Petroleum Revenue Management Act by saving a

⁸Read Railway: A Better Option Than Pipeline for South Sudan
<http://www.suddinstitute.org/publications/show/railway-a-better-option-than-pipeline-for-south-sudan/>

⁹ The EITI is an international coalition that promotes transparency through public disclosure and publication of revenues extractive companies pay to governments and of revenues received by the governments from companies. Other requirements for public disclosure and publication based on the EITI standards include information about licenses, contracts, production, taxes, bonuses, agreements, revenue allocation and expenditure. The process and monitoring for disclosure of such information is coordinated and overseen by a multi-stakeholder group composed of government, companies and civil society organizations. For more information about the Extractive Industry Transparency Initiative (EITI), see <http://eiti.org/>

portion of revenue and use it to bridge the gap when the revenues fall. This can prevent the government from getting into debts due to borrowing to bridge the budget gaps.

- Security and political stability are obvious factors when investors decide on an investment destination. As South Sudan is very fragile and trapped in resource curse phenomenon, it is of paramount importance to incorporate security measures to protect people, investment and vital economic sectors. Insecurity and political instability are a function of bad governance and unsound economic policies. Therefore, this mining policy should be designed to contribute to national peace and stability through the development of strong and accountable executive, legislature and judiciary along with vibrant and viable civil society sector.
- Although the Mining Act and the proposed policy have some environmental protection provisions, a consideration should be made to also include certification of remediation and reclamation processes of abandoned mining sites by mining companies as one of the measures to ensure environmental and social protection against negative mining activities.

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About Sudd Institute

The Sudd Institute is an independent research organization that conducts and facilitates policy relevant research and training to inform public policy and practice, to create opportunities for discussion and debate, and to improve analytical capacity in South Sudan. The Sudd Institute's intention is to significantly improve the quality, impact, and accountability of local, national, and international policy- and decision-making in South Sudan in order to promote a more peaceful, just and prosperous society.

About the Author

Nhial Tiitmamer is Research and Training Officer at the Sudd Institute. He is also the Institute's lead person in environmental, energy and natural resources issues in South Sudan. Nhial received his undergraduate and graduate education in Environmental Studies and Sustainable Energy in Canada where he spent stints as an environmental consultant and research associate in environmental studies. Nhial is the co-founder of the NewSudanVision.com and has been an active member of the South Sudanese community in the Diaspora through which he has been involved in informed activism in issues about South Sudan.