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Policy brief

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South Sudan's Petroleum Revenue Mismanagement and the Emerging Debt Crisis

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Executive Summary

South Sudan, an oil-rich nation, is grappling with a profound and escalating debt crisis that threatens its long-term economic viability. This Brief investigates the root causes of this crisis, asserting that it is not merely an unfortunate consequence of external economic shocks but a direct result of a systemic failure to implement the nation's own legal frameworks for fiscal governance. Specifically, the government's failure to operationalize the sovereign wealth funds mandated by the Petroleum Revenue Management Act (PRMA) of 2013 has created a fiscal vacuum. This vacuum has been filled by a reliance on opaque, non-concessional, and high-interest oil-backed loans, leading to a cascade of defaults and high-stakes legal challenges from international creditors.

Through a detailed analysis of public debt data, court records, and institutional reports, this document demonstrates a clear link between a lack of fiscal transparency and the country's financial distress. The analysis integrates comparative case studies from Mozambique, which serves as a cautionary tale of the devastating consequences of hidden debt, and Uganda, which provides a successful blueprint for transparent and accountable petroleum revenue management.

Drawing upon these findings, the Brief presents a series of actionable recommendations designed to enhance public financial management, facilitate the effective operationalization of sovereign wealth funds, and reestablish the fiscal integrity necessary for sustainable development and poverty reduction in South Sudan.

1. Introduction

As South Sudan navigates its second decade of independence, the management of its considerable petroleum wealth stands at a crossroads. Despite the promise of oil revenues being used to drive national development, chronic mismanagement, lack of fiscal transparency, and the failure to implement essential legal frameworks have left the country facing mounting debt and economic uncertainty. This Policy Brief dissects the underlying causes of South Sudan's debt crisis, emphasizing the pivotal role of institutional weaknesses and the missed opportunities for sustainable fiscal governance. By examining comparative experiences in the region and drawing lessons from both cautionary and successful models, the brief aims to provide actionable recommendations that can help South Sudan restore fiscal integrity, strengthen public trust, and chart a path toward long-term prosperity.

2. *The Anatomy of South Sudan's Debt Crisis*

This section examines South Sudan's public debt, highlighting institutional weaknesses that have enabled opaque, high interest borrowing. The financial crisis stems from fiscal mismanagement, poor accountability, and a breakdown of state capacity (Sabna et al., 2023).

2.1. *Public Debt Scale, Structure, and Drivers*

South Sudan's public debt figures vary widely; the IMF estimated USD 3.7 billion in 2023, but some sources say oil-backed debt alone could be USD 2.3 billion—over half the nation's GDP. This gap highlights major transparency and reporting problems, with possible hidden liabilities.

South Sudan's financial health is tied almost entirely to oil, which provides over 90% of government income. This dependency exposes the country to volatile price shocks and production interruptions. The prevalence of non-concessional, oil-backed loans further demonstrates the state's weak fiscal position and its inability to attract concessional financing. Such practices run contrary to existing legal frameworks, signaling institutional weakness and governance failures (Akuei et al., 2025).

2.2. *Case Studies in Legal and Financial Failure*

The repercussions of South Sudan's debt crisis have spilled into the legal arena, with several high-profile international court cases brought by creditors. For example, in 2024, Qatari Bank QNB secured a USD 1 billion award against South Sudan after years of unpaid loans. The government failed to defend itself in arbitration proceedings, leaving uncontested evidence that led to a costly judgment (International Centre for Settlement of Investment Disputes [ICSID], 2024).

Similarly, Afreximbank obtained a judgment worth USD 657 million in a London court in 2024 after South Sudan defaulted on pandemic-era credit facilities. Once again, the government did not mount a defense, effectively conceding liability and leaving state assets vulnerable to seizure abroad. Such failures illustrate a broader pattern of legal unpreparedness and institutional weakness (Reuters, 2025).

Major energy traders, including BB Energy and Vitol, have also pursued claims in London's High Court over unpaid oil-backed obligations. These disputes illustrate the dangers of the "oil-for-loans" model, where future oil revenues are pre-sold, limiting fiscal flexibility and exposing the state to volatile commodity markets. This financing model has been criticized in the academic literature as a hallmark of the resource curse, locking countries like South Sudan in cycles of dependency and debt (Chol, 2022).

Table 1. South Sudan's Key External Debt Claims and Legal Status

Creditor	Original Loan Amount	Amount Claimed/Awarded	Nature of Debt	Legal Venue	Current Status
Qatar National Bank (QNB)	US631M restructured toUS700M)	US$1,021,282,210 arbitration award	Financing of essential imports, restructured as oil-backed	International Centre for Settlement of Investment Disputes (ICSID)	Awarded in January 2024
African Export-Import Bank (Afreximbank)	Two facilities (amounts not specified)	US$657 million court order	Oil-backed loans extended during the pandemic	London High Court	Court order granted in May 2025
BB Energy DMCC	Pre-payment loan (amount not specified)	Case filed in London	Oil deliveries under pre-payment deal	London High Court	Case filed, government has defaulted on delivery
Vitol	Case filed (amount not specified)	Issue resolved	Single cancelled oil cargo	London High Court	Resolved as of July 2025
Nasdec General Trading	Up to US$539M	US$421.4 million owed as of end of 2022	Facility to provide off-budget funding	Not specified	Outstanding debt, UN Panel of Experts reports ongoing

Source: radiotamazuj.org, 2025.

3. *The Failure of the Petroleum Revenue Management Act (PRMA) of 2013*

This section argues that South Sudan's current debt crisis is not just an unfortunate consequence of external factors, but also a direct and inevitable outcome of the government's failure to implement its own legal framework for managing petroleum revenues. The non-operationalization of key fiscal mechanisms outlined in the Petroleum Revenue Management Act (PRMA) of 2013 created a vacuum that was subsequently filled by opaque, high interest borrowing.

3.1. The Promise and Provisions of the PRMA

The PRMA, passed by the Legislative Assembly on July 17, 2013, has been hailed as a potential "game changer" for the newly independent nation (Johnson, 2022). Its stated purpose was to establish a transparent and accountable structure for the distribution of petroleum revenues, with the explicit goal of avoiding the "paradox of plenty" that has plagued many resource-rich countries (African Development Bank Group, 2023). The Act was designed to prevent capital flight and unstable public expenditures while ensuring that oil-producing communities received a direct benefit from the sector (Kuol & Deng, 2021). A central provision of the PRMA was the mandatory creation of two sovereign wealth funds, which were to represent the "only savings of the Government" (Natural Resource Governance Institute, 2022). The Act stipulates that 25 percent of net petroleum revenues must be directed into these funds (The World Bank, 2024).

The Oil Revenue Stabilization Account was to receive a guaranteed 15 percent of revenues. Its purpose was to protect the national budget from the volatile fluctuations of international crude oil prices by acting as a fiscal buffer (International Monetary Fund, 2023). Withdrawals were only permitted if actual quarterly revenues fell below a pre-determined benchmark rate, with the aim of ensuring a consistent and predictable revenue stream for budgetary needs (Thon, 2022).

The Future Generations Fund was to receive the remaining 10 percent of revenues. This fund was created with the long-term vision of ensuring intergenerational equity and facilitating a smooth transition to a post-petroleum economy (Johnson, 2022). To ensure its long-term viability, the PRMA prohibited any withdrawals for the first five years after its enactment. After that period, withdrawals were to be limited to a maximum of 10 percent of the fund's balance per year for capital investments that "benefit future generations and foster long-term growth" (African Development Bank Group, 2023). The existence of this legal framework demonstrated a clear initial intent for responsible fiscal management, one that would have provided a robust defense against the very debt crisis the country now faces.

3.2. Why the Sovereign Funds Never Materialized

Despite the clear and commendable provisions of the PRMA, the government failed to operationalize these sovereign wealth funds. The World Bank notes that South Sudan's legal frameworks for oil and gas management are "poorly implemented and partially absent," a finding corroborated by the country's lack of a permanent constitution (The World Bank, 2024). The reports from the UN Panel of Experts on South Sudan, which provide extensive details on the country's financial flows, offer no mention of balances, deposits, or withdrawals from these funds (UN Security Council, 2025). Instead, their reports point to a parallel and highly opaque system of financial management.

This non-operationalization of the sovereign wealth funds created a fiscal vacuum that the high-interest, oil-backed loans were used to fill. This is a clear cause-and-effect relationship between institutional failure and the debt crisis. The PRMA's Stabilization Fund was designed to handle precisely the kind of shocks that have recently impacted South Sudan, such as the damaged pipeline that halted exports (Kuol & Deng, 2021) and the Sudan war, which created external shocks affecting oil revenue (International Crisis Group, 2024). By failing to save revenues when they were available, the government had no fiscal buffer when these shocks occurred. This lack of a financial cushion forced the government to resort to emergency, non-concessional financing, which explicitly violates its own law (International Monetary Fund, 2023). This is the core paradox: the country had a legal tool to prevent a debt crisis, but by ignoring it, the crisis became an inevitability.

The government's preference for off-budget spending is a powerful indicator that the sovereign wealth funds were never intended to be functional. They appear to have been a legal facade to attract international legitimacy, while the real fiscal operations were conducted in an opaque, unaccountable manner to facilitate patronage and corruption. A UN report revealed a massive discrepancy in South Sudan's 2023/24 financial year expenditure, noting that the government spent SSP 2.43 trillion against a budget of only SSP 1.78 trillion (UN Security Council, 2025). This massive discrepancy, combined with the finding that budgeted items like salaries were underpaid (Oxfam International, 2021), proves that a parallel, off-budget system of spending exists. The "oil-for-roads" program, which received SSP 378 billion, an amount almost as much as the government's salaries and operating expenses (UN Security Council, 2025), and the practice of instructing oil traders to pay third parties directly (Kuol & Deng, 2021) are the operational mechanisms of this shadow system. This type of behavior makes it impossible to save revenues in a transparent fund and directly explains why the PRMA was never implemented.

4. Lessons from Regional and International Experience

To contextualize South Sudan's predicament and offer a path forward, it is imperative to examine how other countries, both in Africa and globally, have navigated similar challenges. This comparative analysis demonstrates that the current crisis is a result of specific, avoidable policy choices rather than an insurmountable fate.

4.1. The Mozambique Hidden Debt Scandal

The hidden debt scandal in Mozambique offers a powerful and sobering parallel to the situation in South Sudan. In 2013, a conspiracy involving European bankers, Middle Eastern businesspeople, and high-level Mozambican officials arranged a hidden $2 billion loan, which was kept secret from the public, parliament, and international financial institutions (Jubilee Debt Campaign, 2020). None of this borrowed money, save for bribes, ever benefited the people of Mozambique (Lual, 2024). The scandal, once exposed, triggered an economic and institutional collapse. Its knock-on effects are estimated to have cost the country at least $11 billion, nearly its entire 2016 GDP, and pushed almost 2 million people into poverty (Jubilee Debt Campaign, 2020).

The Mozambique case underscores that the crisis is not only about poor national governance but also about a complicit international financial system. The willingness of foreign banks and traders to provide opaque, hidden loans to corrupt regimes undermines the principles of good governance and international law (Natural Resource Governance Institute, 2022). South Sudan's situation with its creditors demonstrates that the "supply side" of illicit finance is as much to blame as the "demand side." Without the willingness of international lenders to provide high-interest, non-concessional loans without robust oversight, the government's ability to operate outside its own legal framework would be curtailed. The London and New York court cases make this dynamic explicit, as the international legal system is now being used to enforce these damaging agreements. The existence of civil society organizations advocating for lenders to drop their cases shows a growing recognition of this moral hazard. The consequences for Mozambique—political conflict, a damaged international reputation, and a breakdown of checks and balances—serve as a dire warning for South Sudan, which is already experiencing many of the same institutional failures (Gatkuoth, 2020).

4.2. The Uganda Petroleum Fund Model

In stark contrast to South Sudan's experience, Uganda offers a practical and successful blueprint for a transparent and accountable public finance management system. Uganda's Petroleum Fund was established by the Public Finance Management Act of 2015 (Thon, 2022). It serves as a single depository for all government revenues from petroleum activities, preventing the kind of off-budget spending and revenue diversion seen in South Sudan (The World Bank, 2024). Crucially, the Ugandan model has clear, legally defined rules for disbursements. Funds can be transferred to the Consolidated Fund, the Petroleum Revenue Investment Reserve, and the National Oil Company, but withdrawals for the annual budget are specifically limited to financing infrastructure and development projects, not for recurrent expenditures (Lual, 2024). This fiscal rule prevents the government from using oil revenues to fund daily operations, thereby limiting the incentive to borrow against future oil production to cover salary arrears and other expenses.

A key element of Uganda's transparent governance is its robust accountability framework. The Accountant General is mandated to maintain proper accounts and records and to submit regular, public financial statements to the Minister and Auditor General (International Monetary Fund, 2020). Furthermore, the government maintains bank accounts at the Bank of Uganda and, importantly, a third account at the Federal Reserve Bank of New York, opened in 2017 to facilitate investments under the Petroleum Revenue Investment Reserve (Natural Resource Governance Institute, 2022). This mechanism directly addresses the pathology identified in South Sudan, where oil revenues, though sometimes deposited in a New York Fed account, are immediately transferred to other foreign banks and diverted via direct payments to third parties (Gatkuoth, 2020). The Ugandan model proves that it is possible to maintain a secure and transparent account for oil revenues, thereby preventing the kind of illicit payments that violate South Sudanese law.

Table 2: Comparative Analysis of Petroleum Revenue Management: South Sudan vs. Uganda

Indicator	South Sudan	Uganda
Legal Framework	Petroleum Revenue Management Act (PRMA) 2013	Public Finance Management Act (PFMA) 2015
Sovereign Funds	Future Generations Fund & Oil Revenue Stabilization Account (mandated but not operational)	Petroleum Revenue Investment Reserve (operational)
Fiscal Rule/Withdrawals	No clear or enforced rule; revenues used for off-budget spending, salaries, and operating costs	Withdrawals from the Consolidated Fund are specifically limited to financing infrastructure and development projects
Central Bank Role	Bank of South Sudan (BoSS) is a key actor in providing monetary financing for fiscal gaps and is a party to legal claims	Bank of Uganda is responsible for operational management and investment of the Petroleum Revenue Investment Reserve
Revenue Transfer Mechanism	Revenues deposited in New York Fed account but immediately transferred to other foreign banks for opaque use	Revenues are consolidated into a single depository account at the Bank of Uganda and a third account at the Federal Reserve Bank of New York
Off-Budget Spending	Pervasive, with significant amounts diverted to programs like "oil-for-roads" and direct payments to third parties	No evidence of widespread off-budget spending; all disbursements must be appropriated
Audit/Reporting	Poorly implemented, with reports from the UN Panel of Experts highlighting a "budget mystery"	Regular and public financial statements submitted to the Minister, Permanent Secretary, and Auditor General

Source: Petroleum Fund, 2025.

5. Recommendations for Sustainable Fiscal and Institutional Reform

South Sudan's path to recovery is not simply about finding new sources of financing but about reforming the very institutions that have enabled the current crisis. The following recommendations, drawn from the analysis of the government's sustained failures and the successes of its regional counterparts, provide a concrete roadmap for a more stable and prosperous future.

Strengthening Debt and Public Financial Management The first step in resolving the debt crisis is to establish control over the country's liabilities and to stop the behavior that has led to them. Strengthening debt and PFM, therefore, demands the following:

Immediate Moratorium on All New Non-Concessional, Oil-Backed Borrowing. The government must immediately cease all new non-concessional, oil-backed loans. This is an essential first step to prevent the debt from spiraling further out of control and to break the cycle of borrowing to service existing debts. A continued reliance on the current management model will only mortgage the country's future and increase its vulnerability to external shocks.

Establish a Centralized, Public Debt Registry. The government should create a public, centralized registry of all outstanding debts, including those held by private entities and traders. The discrepancy between the IMF's figures and other analyses demonstrates the critical need for a single, verifiable ledger.[1] Making this registry public would restore a degree of transparency and accountability to the borrowing process and allow for informed decision-making.

Seek a Credible, Internationally Backed Debt Restructuring. South Sudan should actively seek a comprehensive debt restructuring or "standstill" agreement with its creditors. Given the legal battles and the significant judgments against it, a coordinated approach is necessary to prevent asset seizures and to manage the existing portfolio in a more sustainable manner. A restructuring agreement would provide a viable path to service the debt while avoiding further destabilizing legal action.

Operationalizing the Sovereign Wealth Funds The institutional blueprint for fiscal stability already exists in South Sudanese law; it simply needs to be implemented. The government must move beyond rhetoric and immediately operationalize the two sovereign wealth funds. This entails:

Immediately Operationalizing the Fund. The Future Generations Fund and the Oil Revenue Stabilization Account must be established and funded as stipulated by the PRMA of 2013. By mandating that a fixed percentage of revenues be deposited annually, the PRMA provides a clear and straightforward mechanism for savings, essentially reducing government discretion.

Establish Transparent and Verifiable Bank Accounts. Clear, dedicated bank accounts must be established for the funds. Following Uganda's successful model, a foreign account, potentially at the Federal Reserve Bank of New York, should be used for the investment of these savings. This would provide an external layer of security and transparency, preventing the internal diversion of funds.

Appoint an Independent Oversight Board. An independent, multi-stakeholder board, similar to Uganda's Investment Advisory Committee, should be appointed to oversee the funds' management and investment policies. This board, composed of government officials, private sector representatives, and civil society members, would provide a crucial check against political pressure and potential misuse of funds.

Restoring Transparency and Accountability Systemic corruption and patronage have undermined public finance management for years. Restoring credibility requires a fundamental shift towards full transparency and accountability as follows:

Full Implementation of the UN Panel of Experts' Recommendations. All oil revenues ought to be deposited into a single, public account. This would eliminate the practice of instructing oil buyers to make payments directly to third parties, a violation of South Sudanese law that facilitates off-budget spending and diversion.

Mandate regular, independent, and public audits of all oil revenues and expenditures to provide transparency, counter mismanagement, and improve fiscal discipline.

Establish and enforce a strong legal framework with penalties for off-budget spending and revenue diversion to deter corruption and promote transparent governance.

6. Conclusion

South Sudan's financial crisis stems from persistent political and institutional failures, especially the government's disregard for its own petroleum revenue laws. Addressing this requires institutional reforms rather than just seeking new funding. Learning from examples like Uganda and Mozambique, South Sudan should prioritize transparent governance and fiscal integrity. The recommended reforms are essential for the country's economic stability and future.

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