Africa Business Initiative
U.S. Chamber of Commerce

Investment Climate Update: South Sudan

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FAST FACTS:

The Republic of South Sudan became the world's newest country on July 9, 2011, following an overwhelming referendum vote to secede from the north. An interim constitution has been ratified, and former rebel commander Salva Kiir Mayardit is now serving as president.

- South Sudan is slightly smaller than Texas, with only 30% of the state's population. South Sudan is home to 8 million people.
- The capital, Juba, is the fastest-growing city in Africa, owing in part to the influx of foreign businesspeople and development partners.
- The expatriate business community is dominated by Kenya and Ethiopia, as well as a number of Chinese firms operating throughout the country.
- The country's GDP is expected to grow by 6% in 2011, increasing to 7.2% in 2012.

South Sudan: Open for Business

While South Sudan's political, economic, and social development is in its infancy, a legal framework for investors, co-developed with a team from the International Monetary Fund (IMF) and the World Bank, has been established to encourage the nascent private sector. Accomplishments thus far include the following:

> *"Nations are built by the private sector."*
>
> **–South Sudan Vice President Riek Machar Teny**

- Six new laws, including an Investment Promotions Act, have been passed covering contracts, limited partnerships, and business entry. An additional eight laws are ready for promulgation.
- The South Sudan Investment Authority was created to offer businesses clear guidelines for investing in the country.
- The existing business registry has been strengthened, with streamlined procedures, enabling businesses to incorporate within one day.
- Development partners are working to implement additional investment climate reforms, increase capacity building, and improve access to finance.

The International Finance Corporation's (IFC's) Investment Climate Reform Program, which began its second phase in March 2011, aims to drive broad-based development in the non-oil sectors. The plan is expected to strengthen critical institutions and achieve a 20% reduction in the cost of doing business, generate employment, and increase access to finance for small and medium enterprises (SMEs).★

https://www.wbginvestmentclimate.org/publications/upload/South-Sudan-FINAL.pdf
https://www.wbginvestmentclimate.org/advisory-services/cross-cutting-issues/confilict-affected-countries/south-sudan-begins-to-open-for-business.cfm

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Realities on the Ground

CAPACITY CONSTRAINTS REMAIN SIGNIFICANT

- South Sudan's human development indicators, including health and education, are extremely low as a result of decades of conflict and displacement.
- South Sudan's maternal mortality rate is the worst in the world.
- 73% of the population is illiterate.
- The country has less than 60 miles of paved roads.

DONOR ASSISTANCE REMAINS STRONG

- The World Bank's Multi-Donor Trust Fund for South Sudan has already contributed about $440 million of the $548 promised in 2011. Most of this will go to infrastructure projects, notably the construction of roads and schools.
- USAID has made the development of the agricultural sector a priority.
- Before South Sudan's independence, at least 15 countries, several development organizations, and numerous NGOs pledged to support the young government's nation building efforts.

http://www.howwemadeitinafrica.com/only-4-5-of-south-sudans-land-currently-under-cultivation/11333/
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Economic Drivers

Oil Production: Driving Near-Term Growth

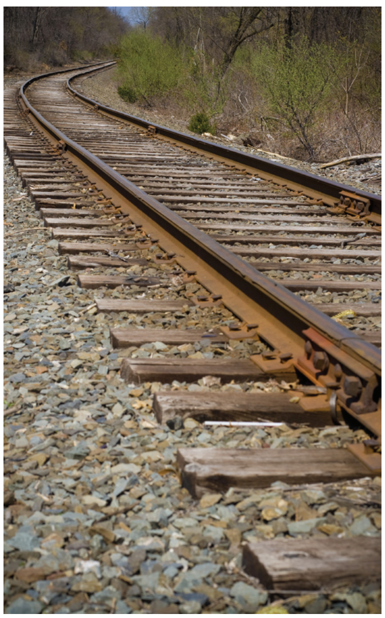
- South Sudan sits on the third-largest oil reserves in Africa, and analysts predict that the national economy will be largely driven by oil revenues in the near term. Currently, 98% of the government's revenue comes from oil production royalties.
- South Sudan now controls 75% of the overall oil production of both Sudanese states—roughly 490,000 barrels per day (bpd). However, South Sudan remains dependent on the north for processing, refinement, and export, with two pipelines extending to shipping facilities at the Port of Sudan on the Red Sea.
- The government has formed a joint venture between its own nascent Nile Petroleum Corporation (NilePet) and Swiss conglomerate Glencore International to develop a national oil company and increase training for local talent.

Agribusiness: The Next Growth Driver

- Estimates suggest that at least 90% of South Sudan's land is suitable for farming.
- Only 4.5% of South Sudan's arable land is under cultivation, and the nation imports more than 90% of its food.
- South Sudan has the agricultural potential to become a regional bread basket. The White Nile valley in the East is home to some of the most fertile land in Africa. The northern regions also have the potential to support large-scale commercial farming and processing of cotton, sugarcane, wheat, and fruit.
- Opportunities exist across the value chain, particularly with storage and processing facilities. Significant resources are also needed for agricultural inputs (fertilizers, machinery, etc.) to fully develop the sector.★

A Focus on Infrastructure and Construction

Independence rendered South Sudan landlocked and delivered an influx of people. Subsequently, the country's growth will not only depend on its development of an advanced transportation network but also its ability to foster strong regional ties and keep up with the pace of urbanization.



ROADS, RAILS, AND BEYOND

The country has less than 60 miles of paved roads, and its rail system consists of only 155 miles of tracks. As such, South Sudan's great need to develop its infrastructure and increase regional ties present opportunities for companies that are engineering, constructing, or investing in roads, railways, aviation, communications, and the parallel and downstream industries.

The Government of South Sudan (GoSS) is developing an infrastructure investment plan that will devote $500 billion over the next five years to infrastructure development, emphasizing public-private partnerships. Additionally, development organizations are contributing millions of dollars in aid and financing to fill the huge infrastructure gap.

The U.S. government has funded multiple rural electrification projects, and USAID is financing a road from Juba to Nimule, Uganda. When the $225 million project is complete in 2012, it will cut travel time between the cities from eight hours to two hours, and significantly decrease the cost of transporting goods overland.

Rift Valley Railways is also looking to invest in the construction of a new railway linking Uganda and South Sudan to capitalize on the increasing regional flow of people and goods. South Sudan is already Uganda's largest export market and improving transportation infrastructure through projects such as this will further integrate the two countries.

REGIONAL AMBITIONS

GoSS intends to become the sixth partner state in the East African Community (EAC), a move that will expand the market for the country's exports. The EAC is a market of 130 million people with a GDP of $75 billion; it is expected to grow by 5.8% in 2011. East African countries are already responsible for 80% of South Sudan's trade, and merchants from Kenya and Uganda have been flooding into Juba to capitalize on the new market. Joining the economic group will ease the regional expansion process for local and foreign companies, and it will support South Sudan's economic policy development process.

EAC membership is essential for the new country to reduce its dependence on Sudan, with which tension and political strife remain high. GoSS is in talks with Kenya to build a new oil pipeline from Juba to Kisumu to transport its crude oil to the international markets. The project is part of Kenya's $22 billion plan to create a transportation corridor linking the Port of Lamu to Ethiopia and South Sudan through a highway and railway in addition to the pipeline.

COMMERCIAL CONSTRUCTION AND HOUSING

South Sudan's rapidly increasing housing demand, largely due to urbanization and an influx of foreigners, presents a plethora of opportunities for construction companies and suppliers.

According to analysts at CFC Stanbic Bank, Kenyan cement manufacturers are among the biggest beneficiaries of South Sudan's independence. The market for cement and bricks is currently dominated by a host of regional players that reportedly cannot keep up with the booming demand for their products. Kenya's Athi River Mining, Kenya's third largest cement manufacturer, is planning to increase its presence in the region and expects the market to grow between 20% and 25% a year, significantly faster than in other East African countries.★

http://www.businessdailyafrica.com/Corporate+News/RVR+targets+planned+Uganda+Sudan+railway+line/-/539550/1213656/-/n67o0bz/-/
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Trade and Investment

Push for AGOA Eligibility

Congressman Jim McDermott (D-WA) submitted a bill that calls for South Sudan to be included on the list of African Growth and Opportunity Act (AGOA) beneficiary countries. This provision was put into his bill that aims to secure the renewal of AGOA's 3rd Country Fabric provision (set to expire in late 2012). Although passage of this bill is still pending, it sends a strong signal that many of South Sudan's exports to the United States may enjoy duty-free quota-free access in the future. Becoming an AGOA country would secure the young nations' trade ties with the United States and help foster economic development.

Bringing Money to the Table

Splitting with the north cut South Sudan off from many traditional services, such as banking and finance. Increasing access to finance is a focal point of IFC's and USAID's development strategies, and several companies have taken notice of the opportunity.

Eight banks now operate in the country. The largest of these is KCB which plans to double its presence to 30 branches covering 100,000 people by 2015. Nile Commercial Bank, Buffalo Commercial Bank, Ivory Bank, Equity Bank, Commercial Bank of Ethiopia, Agricultural Bank of Sudan, and Mountains Trade and Development Bank are also operating in the country. Equity Bank aims to expand its presence in the country, furthering their ability to provide seamless banking services across East Africa. Access to finance will ease the process of doing business in South Sudan in addition to supporting SMEs and stimulating economic growth.★

http://www.times.co.zm/index.php?option=com_content&view=article&id=652:agoa-bill-to-include-south-sudan&catid=63:others&Itemid=108

To learn more about ABI, visit **www.uschamber.com/international/africa**. Contact ABI staff at **abi@uschamber.com**.

ABOUT ABI

The Africa Business Initiative (ABI) is an advocacy-driven initiative focused on market access, trade facilitation, financing, and engagement with the governments of the U.S. and African nations.

ABI engages the U.S. business community on legislative policies that foster foreign direct investment in Africa. It provides tailored guidance to American companies about doing business in African nations and introduces U.S. companies to the continent's vast economic opportunities.

Under ABI's leadership, working groups made up of U.S. corporate representatives engage key members of Congress, the Administration, and foreign governments in strategic dialogues to promote private sector engagement. The established working groups include the Ghana Working Group and the Banking and Finance Working Group. Later this year, two additional working groups will kick off—one focused on doing business in Kenya and one focused on business and investment in post-conflict nations.

–Investment Climate Update Staff

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