

Country Profile: South Sudan

Main economic sectors and multinational companies

Colophon

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August 2015

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With inputs from: South Sudan Law Society

This publication has been made possible by financial assistance from the Dutch Ministry of Foreign Affairs. The view expressed in this publication are the sole responsibility of SOMO and do not necessarily reflect the views of the Ministry of Foreign Affairs.

Published by:



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SOMO is an independent, non-for profit research and network organisation that promotes sustainable and fair global economic development and the elimination of the structural causes of poverty, environmental problems, exploitation and inequality.

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1. Introduction

This country profile forms part of SOMO's programme on Multinational Corporations in Conflict-Affected Areas. This four-year programme, funded by the Dutch Ministry of Foreign Affairs, aims to empower local NGOs and communities to analyse the impact of the private sector in conflict-affected areas, and to ensure that companies are held to account for corporate misconduct. The programme aims to pave the way for multinational enterprises and their suppliers to make a positive contribution to post-conflict reconstruction. The programme focuses on five conflict-affected countries: Colombia, Democratic Republic of Congo, Liberia, Sierra Leone and South Sudan.

This profile provides an overview of the following: conflict in South Sudan; the country's key economic characteristics; the main economic sectors (oil, agriculture, forestry and mining); these sectors' national economic significance and the risks associated with them. It also includes an overview of the major multinational companies active in South Sudan in the dominant sector of the economy, the oil industry.

This country profile has been written in close consultation with South Sudan Law Society (SSLS), SOMO's partner in South Sudan. General information about the conflict and the sectors comes from publicly available sources, articles and reports. Company information comes from corporate databases (mainly Bloomberg and Orbis) as well as from annual reports and from the companies' websites. For any additional information, or to query omissions, please contact us at info@somo.nl.

2. South Sudan: a brief introduction

2.1. Key facts

After decades of civil war between the government of Sudan and rebel forces, South Sudan became an independent nation in 2011. South Sudan has some of the worst development indicators in the world. At least half of the country's 11.6 million inhabitants live below the poverty line, and more than a million people who have fled their homes to escape conflict now live as internally displaced persons (IDPs) or refugees. The society and economy are severely damaged by decades of war, political tension with Sudan, and continued fighting between the army and rebel groups. After a few years of relative peace, conflict resurfaced in December 2013.

South Sudan is land-locked, is the size of France and has a tropical climate with temperatures ranging from 20°C to 40°C. Its road network is underdeveloped and most of the northern region can only be reached by air.¹ Depending on the region, the rainy season usually lasts from April to December.

Upon gaining independence, around 90% of people were dependent on small-scale agriculture; agricultural productivity is low and was seriously affected by the war, leaving half of the total population food insecure. In 2014 the Food and Agriculture Organization (FAO) warned that the country could face a famine, stating that South Sudan faced one of the world's worst humanitarian and food security situations.²

2.2. Short history of the conflict

Sudan, a former British-Egyptian colony, was granted independence in 1956. The post-independence struggle to unite over 600 ethnic groups meant the country endured internal conflict, not least because, at independence, state power was given to a small Arab-Islamic elite, largely excluding other populations. This contributed to the first civil war which lasted from 1955 to 1972.

After 11 years of relative peace between north and south, a second civil war broke out in 1983. It was fought between the Government of Sudan, controlled by the National Congress Party (NCP), and a rebel group called the Sudan People's Liberation Movement and Army (SPLM/A) under the leadership of Dr John Garang.³

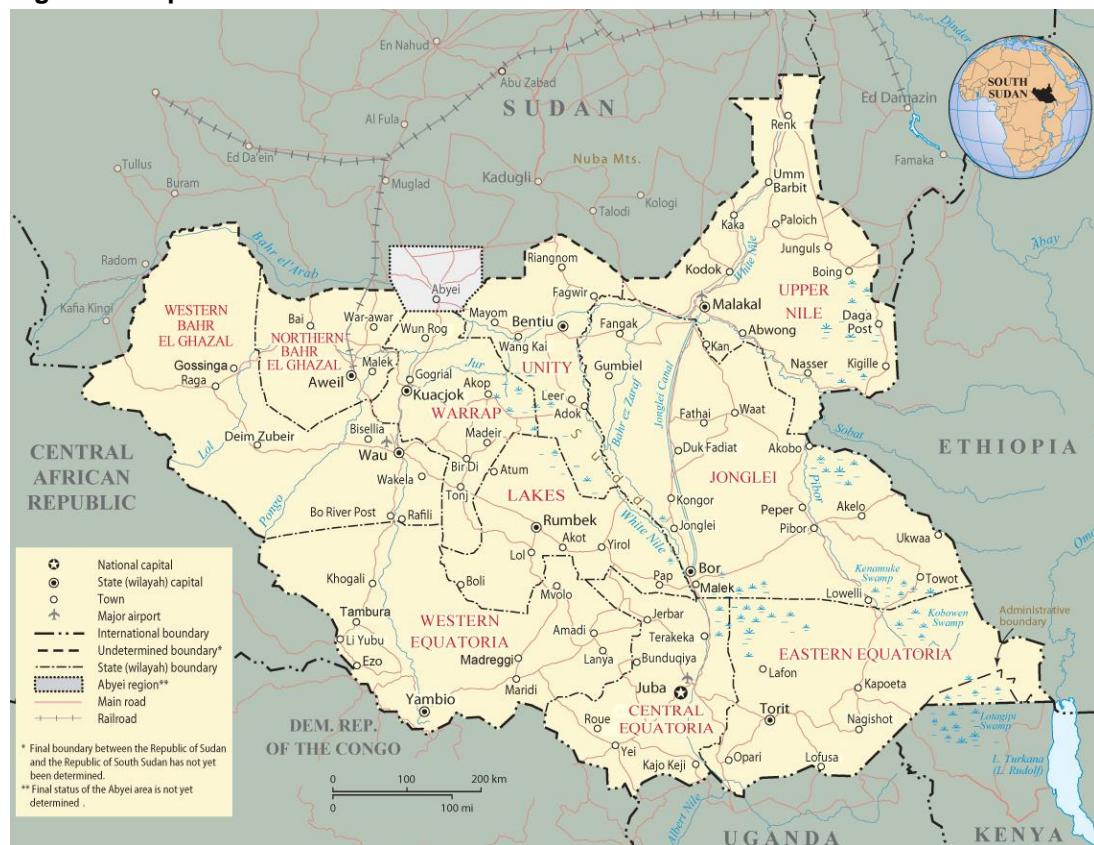
¹ M. LeRiche, M. Arnold, *South Sudan. From Revolution to Independence*. (London: C. Hurst & Co. Publishers, 2012), p.173.

² FAO website, no date, <<http://www.fao.org/emergencies/countries/detail/en/c/147627/>> (25 August 2014).

³ B. Raftopoulos, K. Alexander, *Peace in the Balance: The Crisis in the Sudan* (Cape Town, South Africa: Institute for Justice and Reconciliation, 2006), p. 21.

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Figure 1: Map of South Sudan



Source: <http://www.geographicguide.com/africa-maps/south-sudan.htm>

The ended with the signing of the Comprehensive Peace Agreement (CPA) in 2005. The CPA provided for the sharing of national wealth and power between north and south in Sudan over the course of a six-year interim period, at which point the southern Sudanese populace could vote in a referendum to decide whether to remain part of Sudan or to secede and form an independent nation in the south.⁴ In the January 2011 referendum, 99.8 per cent of the electorate voted to secede from Sudan, and South Sudan declared its independence in July 2011.⁵

President Salva Kiir was elected in national elections that took place in 2010 and continues to serve in office until today. But in recent years, the government has experienced a high degree of instability. In July 2013, President Kiir dismissed the entire cabinet, including Vice President Riek Machar, citing corruption and a desire to streamline service delivery. Others saw the move as an attempt by President Kiir to consolidate power and sideline potential competitors for the presidency. In December 2013, fighting broke out in the Presidential Guard among forces whose loyalty was divided between President Kiir and Machar after a meeting of the SPLM National Liberation Council.

Over the next few weeks violence spread across the country. The White Army, a militant organisation consisting mostly of ethnic Nuer (who had defected from the Sudan People's Liberation Army), joined the thousands of soldiers loyal to Riek Machar and became known as 'the

⁴ United Nations Mission in Sudan website, <<http://unmis.unmissions.org/Default.aspx?tabid=515>> (12 November 2013).

⁵ Aljazeera.com, "Country Profile: South Sudan,"

<<http://www.aljazeera.com/indepth/spotlight/southsudanindependence/2011/06/2011630102213823618.html>> (19 October 2013).

SPLA/M in Opposition'. Meanwhile, violence continued in the capital, Juba. Reports spread quickly that Nuer civilians within the city were being targeted and killed by government security forces. Tens of thousands sought refuge in the United Nations compound.

South Sudan is now deeply divided by a nascent civil war that has already killed thousands and displaced close to a million people. Cycles of violence have ensued as the two armies fight for the strategic towns of Bor, Malakal and Bentiu, which have already switched hands multiple times. Revenge killings in response to the killing of Nuer civilians in Juba quickly spread throughout the country.

The full impact of the current conflict on South Sudan's economy has yet to be seen, but given the devastating impacts of the current war on public facilities, infrastructure and services, it is likely that many of the gains made since the end of the civil war in 2005 will be lost.

3. Main economic sectors

3.1. Key characteristics of the economy

South Sudan's dependence on subsistence agriculture and food aid indicates that the country's present economic state is extremely poor. The lack of basic infrastructure, educated and skilled workers, security, and a stable investment climate provide enormous challenges to private sector initiatives. Government revenues are nearly entirely generated by the oil industry. There is some potential for mineral development as mineral deposits have been discovered by exploration companies; however, the lack of infrastructure and a long-term profitable investment climate have prevented large mineral extraction companies from operating in South Sudan. The fertile land of South Sudan is suited for agriculture, but productivity is low.

South Sudan's oil wealth gives rise to a deceptively high per capita GDP. Preliminary estimates for 2011 indicate a GDP per capita of US \$1,858, which is much higher than South Sudan's East African neighbours. Very little of this wealth, however, trickles down to the average citizen. A 2009 survey by the Southern Sudan Centre for Census, Statistics and Evaluation,⁶ for example, found that more than half of the population lives below the poverty line, defined as those living on \$1.25 per day or less.

Oil disputes between Sudan and South Sudan led to a halt in South Sudanese oil production from 2012 until 2013. The subsequent immediate loss of revenues for South Sudan's government was compensated by loans from the oil industry, and significant budget deficiencies have since led the government to negotiate more loans from oil traders and foreign banks in 2014 and 2015.

3.2. Oil and gas industry

3.2.1. Significance for the national economy

Oil production is South Sudan's single most important economic activity: oil contributes up to 98 per cent of government revenues and 80 per cent of GDP.⁷ South Sudan has sub-Saharan Africa's third biggest oil reserves after major oil producers Nigeria and Angola.⁸ However, lack of revenue transparency and widespread corruption have been associated with oil production and trade in South Sudan.⁹

Oil export destinations

Multinational corporations, mostly Asian companies, are heavily involved in South Sudan's oil and gas industry. A large majority of oil is exported to China (increasing from 77 per cent in 2011 to 86

⁶ Southern Sudan Centre for Census, Statistics and Evaluation 2010; Uma 2012.

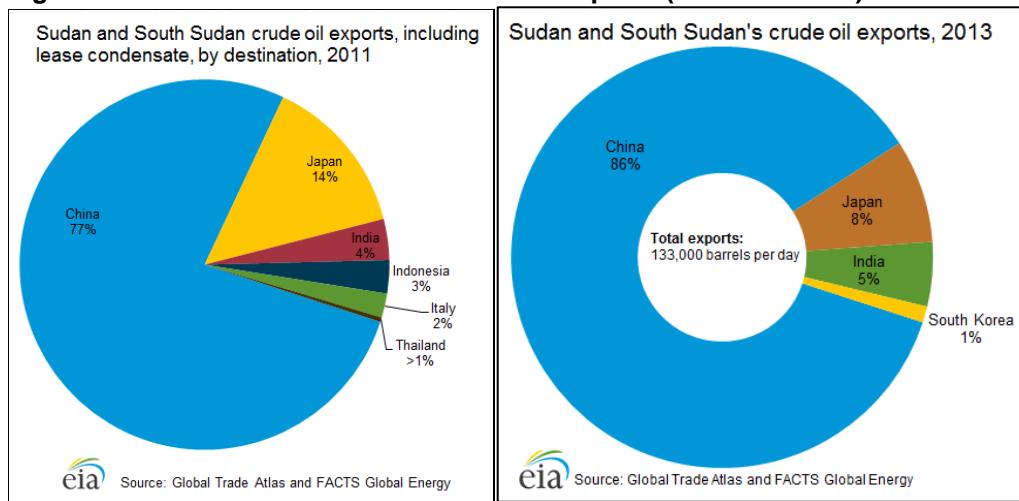
⁷ United States Energy Information Administration website, "Sudan and South Sudan," 5 September 2013, <<http://www.eia.gov/countries/cab.cfm?fips=SU>> (15 November 2013); World Bank website, "South Sudan Overview", <<http://www.worldbank.org/en/country/southsudan/overview>> (8 October 2013).

⁸ BP Statistical Review of World Economy 2014, <<http://www.bp.com/content/dam/bp/pdf/Energy-economics/statistical-review-2014/BP-statistical-review-of-world-energy-2014-full-report.pdf>> (1 August 2014).

⁹ Clingendael Conflict Resources Unit, South Sudan. From Fragility at Independence to a Crisis of Sovereignty, March 2014, <<http://www.clingendael.nl/sites/default/files/South%20Sudan.pdf>> (1 August 2014).

per cent in 2013, see Figure below). It is worth noting that 5 per cent of oil consumed in China is produced in South Sudan.

Figure 2: Sudan and South Sudan crude oil exports (2011 and 2013)



Sources:

2011 data: <http://www.globalsecurity.org/military/world/war/south-sudan-oil.htm>

2013 data: <http://www.eia.gov/countries/cab.cfm?fips=su>

Oil infrastructure

South Sudan does not have the infrastructure required to export oil, and all oil pipelines lead to the Port Sudan (in Sudan itself) on the Red Sea. Following independence, the two countries were not able to agree on the amount that Sudan would charge South Sudan in oil transit fees for the use of its pipeline to the Red Sea. In an attempt to compensate for what it perceived as South Sudan's unwillingness to pay for the use of its pipeline, Sudan confiscated several shipments of oil, which prompted the Government of South Sudan to close down oil production in January 2012.

Production resumed in April 2013, but fundamental disputes between Sudan and South Sudan remain unresolved and may lead to renewed problems in the future. In addition, fighting between the government and opposition forces has halted oil production in Unity State, one of the two oil producing states in South Sudan. Former Vice President Riek Machar has expressed his aim to target oil facilities and control South Sudanese oil resources. The current war is increasingly being fought over these resources.

3.2.2. Risks associated with the sector

Transparency

The government is addressing issues related to oil revenue transparency, as outlined in a 2012 Petroleum Revenue Management Bill that is still waiting to be signed into law.¹⁰ In the past two years, concerns have been raised that the bill has been weakened by amendments, and that transparency measures outlined within it have been largely ignored.¹¹ The International Monetary Fund (IMF) and NGOs such as Global Witness recently urged the Government of South Sudan to

¹⁰ Petroleum Revenue Management Bill No. 61, 2012, <http://www.globalwitness.org/sites/default/files/library/Republic%20of%20South%20Sudan,%20draft%20Petroleum%20Revenue%20Management%20Bill,%202012_0.pdf> (2 October 2014).

¹¹ Global Witness, "Blueprint for prosperity: How South Sudan's new laws hold the key to a transparent and accountable oil sector," November 2012, Page 29. <http://www.globalwitness.org/sites/default/files/library/Blueprint%20for%20Prosperity_LR_1.pdf> (2 November 2013).

enact the bill and improve transparency within its oil sector.¹² This ultimately suggests that although transparency is being discussed, little effective change has been undertaken to improve it thus far.¹³

The role of oil in the current conflict

President Salva Kiir and former Vice President Riek Machar are both former rebels who have spent their lives in armed rebellion against Sudan, and were military leaders for years before they became the political leadership of newly independent South Sudan. They have both shown great interest in South Sudanese oil. The SPLA and the SPLA in Opposition have been fighting heavily over oil-producing regions – oil is described as “the prize of holding power at the conflict’s end”.¹⁴

The greatest oil reserves are in Jonglei, Upper Nile, and Unity – locations that have become strategic areas of control. It is no coincidence that the current violent conflict is happening in these states. Riek Machar, leading SPLM/A in Opposition rebel troops, is actively attempting to gain control over the oil-producing regions.

Because oil is a desired ‘item’ in the current conflict, oil and gas producers and traders are inevitably significant actors.¹⁵ Business decisions in the oil industry can increase or decrease political tensions (because companies can finance or support conflicting parties) and thus have a direct effect on the safety, security and livelihoods of South Sudan’s people.

Loans from oil companies lead to increased tension

The current fighting that erupted in December 2013 began shortly after South Sudanese Minister of Finance Sabuni announced that the country was facing a US\$ 5 billion debt as – the result of it having to borrow money to overcome the oil shutdown period and the disastrous influence this had had on government income. (The shutdown period lasted from January 2012 until March 2013, when South Sudan stopped oil production because it could not agree on oil export prices with Sudan). According to Sabuni, the government’s financial reserves had been inadequate to overcome the revenue dry-up after May 2012 and the country had been forced to go into debt. Sabuni was quoted saying, “business people and financial lending institutions take advantage of the situation the country underwent”, but the government did not disclose names of its lenders.¹⁶

Not only did the government borrow practically all money available from local commercial banks, but it also took out loans from outside sources, including the National Bank of Qatar (US\$ 100 million) and international oil companies.¹⁷ Reuters reported in July 2014 that the South Sudanese state has outstanding debts amounting to US\$ 330 million to Dutch oil trader Trafigura and to the China National Petroleum Corporation.¹⁸

¹² Ibid; Global Witness, “South Sudan’s new government must quickly enact oil law,” 2 August 2013, <<http://www.globalwitness.org/library/south-sudan%20%99s-new-government-must-quickly-enact-oil-law>> (2 October 2013).

¹³ Sudan Tribune, “S. Sudan: IMF urges improved transparency in oil operations”, <<http://www.sudantribune.com/spip.php?article48194>> (accessed 2 November 2013).

¹⁴ The Petroleum Economist, South Sudan conflict “could cripple oil industry for decades”, February 2014.

¹⁵ The Heidelberg Methodology of Conflict Research differentiates between 10 conflict items, one of which is resources. Source: Heidelberg Institute for International Conflict Research, Conflict Barometer 2013, Number 22, 2014, p.16 and 47, <http://www.hiiik.de/de/downloads/data/downloads_2013/ConflictBarometer2013.pdf> (1 August 2014).

¹⁶ Sudan Tribune, “South Sudan silent on \$4.5bn loan obtained after oil shutdown,” 22 November 2013, <<http://www.sudantribune.com/spip.php?article48903>> (1 August 2014).

¹⁷ Sudan Tribune, “Qatar to loan South Sudan \$100 million: official,” 11 May 2012, <<http://www.sudantribune.com/spip.php?article42555>>, 1 August 2014.

¹⁸ Radio Tamazuj, “S Sudan owes \$256 million to Chinese firm, \$ 78m to Dutch,” 3 July 2014, <<https://radiotamazuj.org/en/article/s-sudan-owes-256-million-chinese-firm-78m-dutch>> (1 August 2014); Reuters, South Sudan conflict drives idea of oil wealth monitoring,” <[http://www.reuters.com/article/2014/08/01/southsudan-security-oil-wealth-monitoring](http://www.reuters.com/article/2014/08/01/southsudan-security-oil-wealth-monitoring-idUSKBN0JU0HJ)>

The terms of these debts were unfavorable and the rates were seen as exorbitant. All payments were due within 12 months, which the government was unable to meet. As a consequence, these loans had to be repaid in the form of future oil supplies. According to Minister of Finance Sabuni, all revenues from oil exports that took place after production was resumed were used to service the repayment of these loans. The tensions that were caused by South Sudan's inability to pay the interest rates while also fulfilling other financial obligations may have been an extra factor leading to the outbreak of violence within the SPLM/A.

Despite the tensions arising from South Sudan's indebtedness and dependence on oil companies, the government recently announced new loans worth US\$ 1 billion from oil firms to "help cover repayments due on domestic loans and previous oil advances".¹⁹ Meanwhile, in a press statement of July 2014, the SPLM in Opposition explicitly made the link between the oil money and the conflict in a statement that claims that EU sanctions would help end the current conflict: "*The SPLM/SPLA (in Opposition, red.) specially welcomes that an existing arms embargo in South Sudan will remain in place. [...] This will help stop the parties from arming themselves through such deals as the recent NORINCO arms deal with the government of South Sudan, financed by TRAFIGURA PTE LTD, amongst others.*"²⁰

More direct links between the conflict and oil have been observed by the international press. For example, Riek Machar was reported as using a helicopter provided by an international oil company to reach Nuer fighters preparing to attack ethnic Dinka.²¹ More generally, numerous reports about billions of dollars in oil revenues disappearing have supported the view that oil money is being used against the interests of the South Sudanese population.

As long as revenues and business activities of the oil sector remain opaque, it will remain probable that political leaders and their supporters will attempt to use the industry for personal gain. Greater transparency will reduce corruption and increase accountability, and civil society has emphasised this in recent years.

3.3. Agriculture and forestry

Almost 9 per cent of the country's land resources were sought after by investors over a four-year period from 2007 to 2010. NGOs have reported that large-scale concessions were granted without any free, prior, and informed consent by local communities who will be severely impacted by the economic activities.

3.3.1. Significance for the national economy

South Sudan's soil is very fertile: 90 per cent is suited for agriculture and forestry. Nevertheless, the country is almost entirely dependent on food imports from neighboring countries and only 4 per

¹⁹ [idUSL6N0Q64PP20140801](http://www.reuters.com/article/2014/07/02/southsudan-budget-idUSL6N0Q64PP20140801) (1 August 2014).

²⁰ Reuters, "South Sudan to borrow about \$ 1 bn from oil firms in 2014/15 – budget," 2 July 2014, <<http://www.reuters.com/article/2014/07/02/southsudan-budget-idUSL6N0PD3X320140702>> 1 August 2014).

²¹ Sudan Tribune, "S. Sudanese rebels welcome EU measures, call for regional sanctions," 10 July 2014, <<http://www.sudantribune.com/spip.php?article51639>> (1 August 2014).

²¹ The New Yorker, "Old enmities in the newest nation: behind the fighting in South Sudan," 23 January 2014, <<http://www.newyorker.com/online/blogs/newsdesk/2014/01/behind-the-fighting-in-south-sudan.html>> (17 March 2014).

cent of South Sudanese land area is being used for crop production. Although large-scale operations in these sectors may not have fully developed yet, South Sudan has seen large numbers of investors seeking to acquire land.

3.3.2. Risks associated with the sector

Land leases have been issued for up to 99-year periods at bottom prices and free, prior and informed consent procedures are usually not followed. Nine per cent of South Sudan's geographical land area has been sought by foreign and domestic investors since 2011.²²

The development of large-scale agricultural and forestry projects is associated with various risks, including loss of biodiversity and destruction of natural habitats, pollution of water and land, water scarcity, land grabs, loss of cultural values and increased dependence of local populations on international markets.

3.4. Mining

3.4.1. Significance for the national economy

The mining sector is undeveloped in South Sudan. Apart from some artisanal miners, there are hardly any commercial mining activities in the country. Commercial and government parties estimate that South Sudan has significant mineral deposits. Many investors are currently waiting to obtain mining licenses in South Sudan, and the government is actively seeking partnerships with companies for exploration. However, due to the lack of infrastructure – South Sudan only has 300 km of paved roads, and has no facilities for large-scale power production – it will take years of exploration and infrastructural construction before any production can start.

Exploration activities are expected to be undertaken in coming years, mostly by so-called 'junior' mining companies. Typically, these are small exploration companies that require little investment and that are willing to take high risks; their concessions will be sold to major mining companies once a reserve proves to be commercially attractive.

3.4.2. Risks associated with the sector

Mining is associated with a large number of environmental concerns and human rights issues, such as environmental degradation, unsustainable water consumption, high greenhouse gas emissions, loss of biodiversity, dispersal of radioactive and/or toxic materials, population displacement, loss of cultural values and loss of livelihoods. Often, mining activities are associated with social unrest and conflicts between communities and their governments and the mining companies.

²² Norwegian People's Aid, "The New Frontier: A baseline survey of large-scale land-based investment in Southern Sudan," <http://www.npaid.org/Media/20_Files/Development/New-Frontier> (20 October 2013) p. 27.

4. Major multinational companies in the selected sectors

Table 1 provides a list of important companies in the dominant economic sector, the oil industry.

The country's five main oil production consortia are the Greater Pioneer Operating Company (GPOC, formerly the Greater Nile Petroleum Operating Company, GNPOC); Dar Petroleum Operating Company (DPOC); Sudd Petroleum Operating Company (SPOC); Petro Energy E&P; and Star Oil. Various international companies have stakes in more than one of these oil consortia.

Please note that the list of companies is not exhaustive.

Table 1: Shareholding companies of major oil production consortia in South Sudan

Company	Shares (%)	Country of origin	Activities	Revenue (global) 2013 (€)	Net profit (global) 2013	Employees (global)
CNPC (China National Petroleum Corporation)	Greater Pioneer Operating Company (GPOC), 40%; Dar Petroleum Operating Company (DPOC) 41%; Petro Energy E&P 95%	China	Integrated oil and gas – production and distribution, oilfield services	313.0 billion	18.0 billion	1.6 million
Petronas	Greater Pioneer Operating Company (GPOC), 30%; Dar Petroleum Operating Company (DPOC) 40%; Sudd Petroleum Operating Company (SPOC) 33.9%	Malaysia	Exploration and production of petrochemical products	75.7 billion	12.9 billion	46,000
ONGC (Oil and Natural Gas Corporation)	Greater Pioneer Operating Company (GPOC), 25%; Sudd Petroleum Operating Company (SPOC) 24.1%	India	Exploration and production of crude oil and gas	10.4 billion	2.6 billion	33,000

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Sudapet ²³	Greater Pioneer Operating Company (GPOC), 5%; Greater Pioneer Operating Company (GPOC), 5%; Star Oil 34%	Sudan	Petroleum exploration and production			
Nilepet ²⁴	Greater Pioneer Operating Company (GPOC), 5%; Dar Petroleum Operating Company (DPOC) 8%; Sudd Petroleum Operating Company (SPOC) 41.9%	South Sudan (state-owned)				
Sinopec	Dar Petroleum Operating Company (DPOC) 6%	China	Production, refining, trading petroleum and petrochemical products	347 billion	3.7 billion	370.000
Egypt Kuwait Holding	Dar Petroleum Operating Company (DPOC) 3.6%	Egypt	Private equity investment	1.5 billion	64 million	453
Ansan Wikfs	Star Oil, 66%	Yemen				

²³ Sudapet holds a 5 per cent share in GNPOC's operations in Sudan.

²⁴ Nilepet holds a 5 per cent share in GNPOC's operations in South Sudan.