

**The Private Sector's Role in Preventing Conflict in South Sudan** One Earth Future

Foundation

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Most analysts acknowledged that South Sudan faced an uphill struggle to establish accountable institutions and deliver shared growth to its roughly 11 million inhabitants when the country declared independence in 2011. Nonetheless, it appeared to be a time of celebration and renewal in which a new state had an opportunity to move beyond five decades of civil war and chart a new direction of peace, prosperity, and democracy. If there were fears of war, they were more likely directed at a resumption of hostilities with Khartoum, as each side struggled for control of contested oil producing areas on their border. These hopes have been replaced by utterly tragic stories of death and destruction in South Sudan. Among the many victims (estimated to include between 1,000 and 10,000 dead and over 800,000 displaced) are South Sudanese refugees who had returned home to help rebuild the country they once fled.

How did the country's peace unravel so quickly? Earlier this year, a brewing political feud between then Vice President Riek Machar and President Salva Kiir escalated when Kiir dismantled his cabinet and removed members loyal to Machar. Last month, this ignited into open conflict. While the origins are still unclear, it appears that fighting began between members of a single military unit that led to fighting between soldiers and militias loyal to either Machar or Kiir. Kiir charged that there was an attempted coup and arrested nearly a dozen political leaders who were allegedly behind it (though it is unlikely that there was a planned coup attempt). This fighting replays episodes of the North-South civil war when Machar, backed by Khartoum, turned his forces against the main rebel group, the Sudan People's Liberation Army.

Allegiances to Machar and Kiir run broadly along ethnic lines (though some commentators seek to downplay the ethnic component of the conflict and there have been notable episodes of South Sudanese crossing ethnic lines to protect each other). The United Nations peacekeeping force in the country, while able to protect small pockets of internally displaced persons, is unable to restrain rebel and government forces from fighting. Both groups have been complicit in widespread attacks against civilians, sometimes based on ethnic identities.

But there are deeper structural issues at play. South Sudan is an oil-producing state and the combination of natural resources and instability often leads to conflict. With the initiation of hostilities in South Sudan, rebel groups quickly targeted oil producing regions forcing oil companies to abruptly halt production and evacuate staff. Government-allied forces quickly targeted these rebel held areas as the first to be reconquered. There is speculation that the role of outside forces, especially from Uganda, is driven by business interests tied to the current Kiir-led government.

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Why are mass atrocities more likely to occur in countries with abundant natural resources?

This is a specific phenomenon within the broader resource curse literature, in which countries dependent on natural resource revenues are more likely to suffer from civil conflict and mass atrocities (in addition to authoritarianism, slowed growth, and gender inequality). Conflict disproportionately affects states that are oil exporters. There are four main reasons why this occurs. First, because rulers have access to income from natural resource revenues, they are less reliant on taxation and therefore can afford to be less accountable to their citizens. Second, natural resource revenue allows rulers to arm themselves and fund militias. Third, they can curry international favor by giving multinational corporations discounted oil concessions. Fourth, rebels are able to fund themselves either through theft (e.g. extracting oil from the pipelines in the Niger delta) or through “booty futures”—investors who back rebels in exchange for access to future oil revenues or concessions should the rebels win.

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These conditions are fully present in South Sudan. The government is entirely dependent on oil wealth, productivity in other sectors is extremely low, the Dinka and Nuer are the two most dominant and identifiable ethnic groups, and the country has no real institutional constraints on sharing resource wealth. Given what we know about natural resources and mass atrocities, what can be done in South Sudan? Stakeholders in the South Sudanese oil sector should promote a peaceful and inclusive resolution to the crisis. In addition to ongoing initiatives to secure a ceasefire, develop an inclusive dialogue, sanction non-compliant individuals, strengthen peacekeepers, and make aid contingent on a peaceful resolution, the private sector must be engaged as a crucial stakeholder in peacebuilding.

A way forward for the private sector? In the short-term term, oil companies and their host governments must see themselves as key actors in supporting a cessation of hostilities between the warring parties. Machar, Kiir, and their allied forces lose when oil revenues stop flowing. The companies must make clear the conditions under which they will resume production. Endorsing a common platform with international peace brokers will strengthen each party's commitment to a peace deal. In the long term, oil companies should know that the revenues they generate remain a valuable opportunity for would-be rebels and authoritarian governments. They must be active participants in ensuring transparent revenue transfers that benefit the people of South Sudan. It is best to get resource rents back to the people. If governments want to use the revenues for infrastructure or social programs, they must tax it back. By this mechanism, South Sudan can begin to form the social contract that it does not have now. It can create a constituency of citizens who know that the natural resources are theirs, and who will withdraw support from combatants that takes steps that threaten their monthly oil checks. It may be an unlikely proposal, but would go a long way towards building peace and shared prosperity. South Sudanese civil society is already behind it.

Shareholders, companies, and importing governments should get behind them too.

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