



South Sudan: Initial Commercial Overview

Camille Richardson
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Executive Summary

South Sudan is the world's newest nation, having achieved independence on July 9th, 2011. This young nation is working with assistance from allies to grow. South Sudan has benefitted from a complete removal of the embargo placed by the U.S. Government, as well as IFIS qualification, GSP certification, and the potential to become member of the East African Community. Although the nation approaches the threshold of growth, investment, and prosperity, there are still many challenges to overcome. The United States is viewed extremely favorably, creating an open door for U.S. Investment, goods and services, and the South Sudanese Government is open to a new trade relationship with the United States.

South Sudanese nationals, who have lived abroad for years, are also returning home, creating an opportunity for partnership with individuals, who have been exposed to a diversity of work ethics, business skills, general acumen, and business thinking.

The majority of businesses only recently began registering in 2007 as peace was gradually restored in the region. By now, only a few will have grown to sustain reasonable annual revenue. As a result, Investors and companies looking to establish partnerships should expect minimal documented company history if any, and perhaps only a few companies with proper complete financial statements.

The new state will no longer be directly subject to the U.S. Department of Treasury, Office of Foreign Assets Control (OFAC) sanctions. On December 8, OFAC amended Sudanese Sanctions Regulations by issuing two general licenses that authorize:

1. all activities and transactions relating to the petroleum and petrochemical industries in South Sudan and related financial transactions; and
2. the transshipment of goods, technology, and services through Sudan to and from South Sudan and related financial transactions.

There may be other activities that could continue to be prohibited. Please check this summary as a first step, particularly for interests in the oil and gas sector.

http://www.treasury.gov/resource-center/sanctions/Programs/Documents/south_sudan_12082011.pdf

Overview

98% of South Sudan's revenue is from oil, which has historically been transported through Port Sudan in Sudan (North). As this document is being prepared (03/28/2012), South Sudan has not

been selling any oil after shutting down its 329 operational oil wells on January 20, 2012, due to a disagreement with the North on tariffs per barrel of oil exported through Port Sudan.

The result is that there are no Foreign Exchange earnings from exports, and the government has effectively halted the selling of dollars on the market to hold on to its reserves. South Sudan employs a fixed exchange rate and the legal currency is the South Sudanese Pound (SSP), currently trading at an unofficial rate of 4.5 to the Dollar, well above the official rate of 2.95 SSP. South Sudan could suffer without revenue until a new oil pipeline is built, which could take at least four years, and may exhaust its currency reserves, estimated at USD 1-2 billion, before the end of 2012. The primary impact on the economy has been the resulting lack of dollars to procure goods and services, which are primarily imported. It also implies that the government, which in many countries is the number one 'consumer', has no money to spend. For foreign businesses, lack of dollars in the market makes it difficult to get paid in a currency that is easy to trade on the global market.

The population of South Sudan is estimated at 10.6 Million (July 2012 projection), with a large majority involved in agriculture. The majority (53.3%) is between 16-64 years old, with an urban population of 22% (2009 Estimate).

As the capital, Juba is one of the busiest cities in South Sudan, serving as a key entry point into the region through Juba International Airport. Juba is in the Central Equatorial State (CE), one of ten states in South Sudan. Other major cities include Yei ("yay"), which is a key trading hub and transit point for goods coming in from Uganda and Democratic Republic of Congo, City of Wau ("wow") that is in the upper Mid-West region, and Malakal which is in the North East region. The Green Belt that consists of the East, Central and Western Equatorial states is largely considered trouble free.

Public Private Partnerships (PPPs) are acceptable ways of doing business in South Sudan, especially Juba. The government and local council are open to discussing PPP's in priority areas such as energy, roads, housing and services. There are many factories including cement and sugar factories that were destroyed during the war, and have capacity to be revived. These would be the low hanging fruit in terms commercial opportunities.

Challenges

Land: Much of the vast land available is owned by the communities that live there. While there is no streamlined means of registering land and entitlement, it is still possible to engage the community and get consent to operate, farm, or build on a given piece of land. This has caused many people to construct temporary or semi-permanent facilities over time, owing to the fact that they have never really gained title to the land, despite permission from the local community. Banks and financial institutions are willing to finance investments and local businesses; however, land title remains a challenge and is not effective collateral. The positive side is that as long as the community has provided consent, there is significant comfort that one can continue to operate.

Laws: There is a backlog of laws that need to be passed despite the fact that the Business Community has managed to get up to 17 laws passed last year, through the South Sudan Chamber of Commerce Industry and Agriculture (SSCIA), and is pushing for another 17 laws to be passed this year (2012) for land, investment, and limited companies, among others that are

considered critical to improve the investment and business environment. The sanctity of contracts is still a challenge.

Labor: The feeling on the ground is that to succeed in business in South Sudan, you need to roll up your sleeves, get on the ground and do it yourself. Local sources explain that because Sudan is a war torn country that has spent years in conflict, much of the population has not had a chance to work or to develop a work ethic. Consequently, although the people are warm, friendly, and very welcoming, it may be a challenge for U.S. investors to find and develop pro-active local staff to run their local offices in South Sudan. The executive teams driving the economy and government (ministers, government staff, and some of the prominent business people) are mostly ex-military, who have travelled or studied abroad (East Africa, South Africa, America, Europe), and have returned to South Sudan to rebuild their nation.

Infrastructure: With an estimated 60KM of paved road, most of which is one long stretch cutting across Juba, road infrastructure is badly needed. Arterial roads within the cities are made of compacted murrum with similar surfaces as the roads that lead to the regions and towns outside of the cities. This hinders commercial farming especially when it rains (6-8 month rain season), as the roads become impassable. Running water is scarce, and electricity is diesel generated and inconsistent. Most businesses run on generators for most of the day.

Equipment: With vast tracts of arable fertile land (90% of the land), agricultural equipment will be necessary to speed up clearing, plowing, and harrow the land to prepare it for planting. The cost per acre for small scale farmers is SSP 300 (USD 100) to clear shrubs and trees, SSP 150 (USD 50) to plough, and SSP 120 (USD 40) to harrow. These costs are steep for the average South Sudanese; however, manual labor would take too long to achieve the same results as mechanized farming.

Best prospects and growth sectors:

Agriculture: This is a top priority sector and is expected to become one of the key growth sectors for South Sudan. South Sudan has an abundance of land 90% of which is fertile and arable. The Green Belt covers Eastern, Central and Western Equatorial states, which have adequate rainfall, and vast untouched swaths of land. The Nile River meanders along the landscape furnishing bountiful opportunities for irrigation schemes. Moreover, South Sudan has a long rainy season that lasts 6-8 months, and provides adequate rainfall for rain fed agriculture. Due to past experience with chemical inputs leeching into the water table, much of the agriculture in the region is organic.

Opportunities include agricultural equipment, certified high quality seed, and organic inputs. Training is also required as the government is not offering extension services to assist farmers. In November 2011, the United States Agency for International Development (USAID) supported the first agricultural trade fair in Juba, South Sudan. National and international entrepreneurs gathered to learn about opportunities in agriculture, fisheries, livestock, and forestry.

Telecommunications: South Sudan has had scattered telecommunications services for a long time, beginning with satellite phones and VSAT services, and now has around three mobile networks in operation. The mobile services are not very reliable, likely due to a small foot print that the mobile providers have. The majority of government staff relies on free-mail services to access the Internet. Foreign and aid missions have always relied on VSAT services to access internet and communication.

Opportunities include web services (domain and email services), wireless Internet (Wimax, 3G/4G), and Fiber.

Infrastructure: Only 60KM of 7,000KM of road is paved. The existing railway line is ruined and will need to be upgraded to wide gauge in line with the targeted upgrade of railways in Kenya, Uganda and Tanzania to wide gauge. Juba is also aggressively upgrading its city markets (21 in total) and urban master plan, and is looking for investors who are willing to Build Operate and Transfer key infrastructure projects such as vegetable and trading markets, energy supply and waste recycling.

Opportunities include potential PPP or concessions to build major roads, and tenders to build artery roads. Low cost housing is direly needed, and portable housing is a necessity to enable the local counties to relocate people temporarily while constructing permanent homes. Potable water is also needed.

Energy: The majority of businesses operate on generator power. Power can be out for hours, since the main supply is generated using fuel. As Juba is an extremely hot and sunny city, temperatures can range between 27 degrees centigrade (84°F) and 37 degrees centigrade (104°F) in the warm season. South Sudan therefore has high hydro generation and solar energy potential on a public-private partnership (PPP) basis.

Aviation: Juba International Airport is the largest airport in South Sudan. The infrastructure and security services are very basic, and in much need of development. There is an ongoing terminal construction to provide better facilities; however, the airport will need significant investment to handle aircraft with a capacity of 150 passengers and above. Airport security is low, with people having easy access to the apron, and no separation of incoming and outgoing passengers. There are two local flight operators (Kush Airlines and Fidel Airlines) all of whom operate small aircraft. There are several regional operators including Kenya Airways, Fly 540, Marsland, Jetlink, Egyptair, Ethiopian Airlines, Badr Airlines, with operators like Kenya Airways and Fly 540 having two round trip flights between Juba and Nairobi. Passenger services have the highest demand with flights to Juba operating on full capacity. The South Sudan Council of Ministers recently passed a resolution ordering the Ministry of Transport to establish a national flag carrier, South Sudan Airlines, and purchase a new presidential aircraft. The undersecretary of transport, who is leading the effort, is interested in leasing Boeing aircraft.

Opportunities include airport, ground handling and airline staff training, airport security, cargo and luggage handling. There are 24 Airports in South Sudan, most of which are in need of repair, upgrade, or rebuilding. There is also opportunity to lease aircraft to local operators to handle regional in-country travel.

Capacity Building: Capacity building is badly needed in South Sudan. Much of the adult population spent its youth in war with a minority having access to education abroad; therefore, everything from education, technical training, business training, entrepreneurship and other capacity is required. Anyone doing business in South Sudan should definitely consider a strong CSR element in capacity building, which could take various forms: vocational training, mentoring, or supplementary training. Note that due to the length of the war, there is a general absence of skilled labor or a work ethic in South Sudan. Startup companies may need to consider importing

some skilled labor, or trying to identify individuals returning from various Diaspora with the requisite skills.

Health Sector: The Government is the primary provider of health services. In a city like Juba there are about 16 clinics that service the growing population of almost two million, with a few private hospitals participating. Most of the drugs available in the market are either generics, and in some cases ineffective counterfeits. The Ministry of Health is also responsible for distributing drugs to hospitals in all ten states. The Ministry has a centralized procurement system, and an established distribution mechanism. The Ministry buys direct or from local suppliers through tenders. Duties on imported drugs average 16% with an additional 2% for clearing services. Importers of drugs are required to register with the Ministry of Health and Ministry of Legal affairs, and acquire permits to bring in drugs. A local partner is therefore recommended. An estimated 7-13 people leave Juba every day to seek medical services abroad in Kenya, Uganda or India. Five to ten of these go to Nairobi, and two to three go to India each day. This is only possible for well to do individuals or those with families outside of South Sudan. A local well equipped hospital would ease this burden. Opportunities include for medical equipment exports include: high quality genuine medicine, medical equipment, laboratory equipment and services such as MRI Scans, X-Ray and others. Additionally, a 50 + bed capacity fully equipped hospital is needed.

Misc: The automotive industry also has great opportunity in South Sudan that has officially adopted left hand drive as the standard, just like America. There is a special need for technical expertise in the repair and maintenance of armored vehicles, as most foreign missions and aid agencies have a fleet of these, with minimal ability to service them locally.

How to do business in South Sudan

While still growing, there is a small South Sudan Chamber of Commerce Industry and Agriculture which is nine years old. This Chamber brings together new and existing business that want to have common identity and a peer based trust mechanism. The Chamber is located in Juba, and forms a natural entry point into the market.

Market Entry

A U.S. company can opt to enter the market by registering a branch office, or incorporating a local company in South Sudan. Attorney services are available from lawyers who are registered with the Advocate Association in Juba. The following are some of the steps, adopted from the World Bank, IFC, USAID and GOSS Appraisal and Assessment of Business Regulations in Juba (2011).

- Branch Office Requirements
 - Registration documents from country of origin, notarized by the U.S. Embassy or foreign Ministry (State Department)
 - Board resolution to open up a branch in South Sudan
 - Power of attorney for the person facilitating the registration locally
 - Documents to be submitted as a package to Ministry of Foreign Affairs and Internal Corporation, to the attention of the Director Business International Law and Treaties Mr. David Laku Darius.

- Locally Incorporated Company requirements

- Memorandum and articles of association drawn by a local advocate
- Name of Company
- Shareholder information (number of shares, and allocation)
- Business Location
- The Limited Company law was updated to limit foreign ownership of local companies to a maximum of 30% Shareholding

Once a company or branch is registered, the following steps are followed:

- Operating license from the Directorate of Trade and Supplies from state government
- Trading License from the Payam (County Authority)
- Tax ID Card, and Tax Clearance Certificate from Revenue Authority from state government
- Registration with the Ministry of Finance to get a Tax Identification Number
- Registration with the Ministry of Labor
- Open a separate Bank account for Social Security Payments.
- Obtain a company seal.

Financial Services: There are approximately 11 established banks in operation in South Sudan. The currency is South Sudanese Pounds (SSP). Local businesses have access to Letters of Credit, enabling them to do business with foreign firms. As of March 2012, the Government of South Sudan placed a restriction on exporting foreign currencies-especially the dollar, along with the shutdown of oil exports. Since the government is holding its dollar reserves, the general population is feeling the pinch, as few international banks are willing to trade in SSP.

Duties and taxes are not published, making it difficult to estimate the duty to be levied on imports. In some cases such as refined fuels, duties fluctuation but up to 17%. The private sector is lobbying the Ministry of Finance to avail the taxation rates publicly. For much of the City Council projects, the Federal government is providing grants and capital funds to each State, and City to enable basic infrastructure.

Key Contacts and Web Resources:

Contacts:

Government of Central Equatoria

Juba City Council

H.E. Mohamed Elhaj Baballa Luala
City Mayor
Tel: +249 955 036 130, +249 955 752 294
Email: mohamedbabala@yahoo.com

H.E. Col Lokonga David Moses
Deputy Mayor
+211 957 100833, +256 477 100833
Email: lokongadavid@yahoo.com

South Sudan Chamber of Commerce Industry and Agriculture

P.O. Box 284, Juba, South Sudan

Mr. Simon Akuei Deng

Secretary General

Tel: +211 477 122 462, +211 957 122462

Email: akueideng@yahoo.com

Mr. Charles Anyama

Capacity Building Consultant

Tel: +211 955 027 791, +211 477 104 072

Email: massiochals@yahoo.com

Mr. Joseph Bangasu Bakorodi

Agriculture Representative

Tel: +211 919 791074, +211 977 225292

Email: bangasu.staroversea@yahoo.co.uk

Web resources:

- U.S. Embassy Website - <http://southsudan.usembassy.gov/business.html>
- USAID Website - http://www.usaid.gov/locations/sub-saharan_africa/countries/south_sudan/index.html
- South Sudan Business Council - <http://www.ssbcc.co.uk/>
- CIA Fact Book - <https://www.cia.gov/library/publications/the-world-factbook/geos/od.html>
- South Sudan Chamber of Commerce Industry and Agriculture - http://southsudanchamber-commerce.org/index.php?option=com_k2&view=item&layout=item&id=80&Itemid=103
- Wikipedia - http://en.wikipedia.org/wiki/List_of_banks_in_South_Sudan
- Mayor of Juba- mohamedbabala@yahoo.com
- Department of State Travel Advisory - http://travel.state.gov/travel/cis_pa_tw/cis/cis_5525.html

For More Information

The U.S. Commercial Service in [Insert CS Office (CITY/COUNTRY)] can be contacted via e-mail at: [Insert AUTHOR'S [Email Address](#)]; Phone: [Insert Office Phone Number]; Fax: [Insert Office Fax Number] or visit our website: www.buyusa.gov/your_office.

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