

Cursed by Resources: Can Transparency Lift the Spell? Combating the Resource Curse in South Sudan

To what extent can external actors help to compensate for weak domestic institutions in order to combat the resource curse?



Suzanne Smeets

S0820393

Master thesis Human Geography:

Conflicts, Territories and Identities

Radboud University Nijmegen

Supervisor: Dr. H.J. (Haley) Swedlund

Nijmegen, October 2015

ABSTRACT

Globally there are many examples of countries that have deteriorated economically after the discovery of large amounts of natural resources. These countries show a backlog in economic growth, tend to be less democratic and prone to corruption and conflict. This phenomenon is widely known as the resource curse. Yet, the resource curse does not strike everywhere; multiple states like Norway and Botswana have managed to escape. The fact that they succeeded in turning their resources into a blessing is mainly due to the presence of strong institutions. Countries that have weak institutions are ultimately trapped and are often not capable of dealing with the complex problems related to resource abundance on their own. Therefore, this study focuses on finding out to what extent external actors can help to compensate for weak domestic institutions in order to combat the resource curse. It does so by examining if the Extractive Industries Transparency Initiative (EITI) can play a role in assisting resource-rich South Sudan. The EITI is an upcoming transparency and accountability initiative that promotes revenue transparency in resource-rich countries whereby it aims to increase accountability in extractive industries and reduce the room for corruption. This is desperately needed in South Sudan as the country is highly dependent on oil for its income and corruption is widespread. However, apart from initial signs of interest the current government lacks commitment to proceed with the EITI implementation process. If it would ever come to implementation, EITI's possible impact is likely to be limited by the lack of capacity within the government and the low quality of civil society. The international community is ready to build capacity but this will take a long time and it is doubtful whether foreign efforts to build capacity will be very effective. The neo-patrimonial system of governance in South Sudan namely reduces most external efforts to treating symptoms while the broader corrupt political system is left untouched. EITI could improve the management of the oil sector by creating a more open climate but won't be able to address political instability, poor commitment and weak rule of law. Moreover, the initiative might at best mitigate some of South Sudan's resource curse related problems; most are far too big for the EITI to solve. In general, external help to avert the curse can only be effective in the right political environment. Potential impact is restricted in countries that lack strong institutions because corruption commonly serves the interests of the elites and is rather a part instead of a defect of the system. International initiatives can help to replace certain institutional components but they cannot change a corrupt system. Hence, this study concludes that external actors can only help to compensate for weak domestic institutions to a limited extent.

PREFACE

While South Sudan faced ongoing conflict the past 22 months, I encountered my own struggle. That is at least how it felt. Writing my thesis was a long and difficult process. Although it often felt like there was no end in sight, there was not a moment that I no longer believed in a favourable outcome. Of course I doubted the relevance of the subject matter, the quality of my research and my disciplinary skills at times but my passion for my topic kept me going. It was a great pleasure to delve into the issue of the resource curse, to conduct research and to write. This process has definitely increased my interest for development issues even further. Being an anthropologist I regret not doing fieldwork but I have done an extremely interesting internship instead. During my internship at the Dutch Ministry of Foreign Affairs I have met many inspiring people, have enlarged my knowledge of development cooperation and was able to peek into the world of diplomacy. In general, I have learned and have grown a lot in the past year and I hope to continue to do so in the future. I will certainly never stop broaden my horizons by exploring different places, meeting new people and taking on challenges. Although my education made me more pessimistic or perhaps more realistic about development cooperation, I will always remain somewhat idealistic and will continue to strive for a fairer world. Hopefully this paper can contribute to this by evaluating how natural resource abundance can be used to the benefit of the people.

Writing this thesis would never have been possible without the help of others. There are many people to whom I owe my gratitude for their support, guidance and patience. First of all, I want to thank my informants who were willing to free up time and share their knowledge. I also want to express my appreciation to my thesis supervisor Haley Swedlund, whose constructive comments were essential for ensuring the quality of this study. Thank you for never losing faith, helping me back on track when I got stuck and reminding me to remain critical. My internship supervisor, Hans Teunissen, I like to thank for being a great mentor. Just as my colleagues for what you taught me and my fellow interns for the great company you were. Not in the least, I want to thank my parents Femmy and Loe for their assistance and unrestricted confidence and my sister Iris for being the best; your intelligence, beliefs and lifestyle are inspiring. Likewise, I won't forget to thank my friends for always being there for me by offering good advice and much needed distraction. Avalon, Tarja, Thijs, Nick, Elwin en Jelle, I cherish the countless memorable moments we have experienced together. Suzanne, Adrienne, Moniek and Eva, thanks a lot of all the joy and sorrow we have shared over dinner and drinks. Last but not least, I like to thank my boyfriend Stephan. To you I'm by far the most indebted; so where to begin? I'm very grateful for your vast belief in my abilities, enormous support and unconditional love. I must have driven you mad a thousand times but you never got impatient, even when I turned our living room into my study area. Your ambition and positive attitude have been a great inspiration and you are probably even happier with the writing process coming to an end than I am.

I want to end this preface by emphasizing that any remaining errors, deficiencies or inaccuracies in this thesis are my sole responsibility. You can contact me for any kind of questions or comments regarding my paper. I hope you will enjoy reading it.

ABBREVIATIONS

bpd	barrels per day
CNPC	China National Petroleum Corporation
CPA	Comprehensive Peace Agreement
CSO	Civil Society Organisation
DfID	Department for International Development (UK)
DPOC	Dar Petroleum Operating Company
EITI	Extractive Industries Transparency Initiative
EU	European Union
GNPOC	Greater Nile Petroleum Operating Company
GoSS	Government of South Sudan
HRW	Human Rights Watch
ICG	International Crisis Group
IGAD	Intergovernmental Authority on Development (of East-African countries)
IGO	Intergovernmental organisation
IMF	International Monetary Fund
MSG	Multi-Stakeholder Group
NCP	National Congress Party (of Omar al-Bashir, president of Sudan).
NEITI	Nigeria Extractive Industries Transparency Initiative
NPGC	National Petroleum and Gas Commission
NGO	Non-governmental organisation
ONGC	Oil and Natural Gas Corporation (India)
PWYP	Publish What You Pay
SPLA	Sudan People's Liberation Army
SPLM	Sudan People's Liberation Movement
SPOC	Sudd Petroleum Operating Company
TAIs	Transparency and Accountability Initiatives
UN	United Nations
UNMISS	United Nations Mission in South Sudan

LIST OF TABLES AND FIGURES

Figure 1: Natural resources and conflict risk in low-income countries	9
Figure 2: The EITI Standard	16
Figure 3: EITI Validation deadlines	18
Figure 4: Map of border region Sudan and South Sudan	30
Figure 5: Sudan and South Sudan Oil Map.....	35
Table 1: Main oil companies in South Sudan	36
Chart 1: Revenue distribution as proposed in the Petroleum Revenue Management Bill	39

TABLE OF CONTENT

ABSTRACT	ii
PREFACE	iii
ABBREVIATIONS.....	iv
LIST OF TABLES AND FIGURES	v
TABLES OF CONTENT	vi
Chapter 1: Introduction	1
1.1 The problem: the resource curse.....	1
1.2 Scientific and social relevance	3
1.3 Research objective and question(s)	5
1.4 Structure	6
Chapter 2: Theoretical Framework.....	7
2.1 The Resource Curse	7
2.1.1 Natural resources and armed conflict	8
2.2 Institutional quality and the resource curse	10
2.3 The role of external actors	12
2.4 The EITI	14
2.4.1 How it's meant to function: background	14
2.4.2 How it's meant to function: implementation	17
Chapter 3: Methodology	20
3.1 Research strategy.....	20
3.2 Case study.....	21
3.3 Data collection.....	22
3.3.1 Literature study and secondary data	23
3.3.2 Semi-structured interviews	24
3.4 Methodological justification and analysis	27
Chapter 4: South Sudan	29
4.1 Demographic profile.....	29
4.2 The Sudanese civil wars	30
4.3 The current conflict	31

4.3.1 UNMISS	33
4.3.2 The future.....	33
4.4 The role of oil	34
4.5 The regulatory framework	38
Chapter 5: Signs of the curse in South Sudan	40
5.1 What it means to have weak institutions	40
5.2 Political failure, corruption and other scandals	42
5.3 The state of the oil sector	44
5.4 Implications of the resource curse	45
Chapter 6 EITI in practice	48
6.1 Why countries choose to sign up	49
6.2 Main achievements	50
6.3 EITI Standard of 2013: beyond revenue transparency	50
6.3.1 The role of civil society	52
6.4 Shortcomings and improvements	53
6.4.1 Possible negative effects	54
6.5 EITI applied in other countries	55
6.6 Alternatives or additions to the EITI	56
Chapter 7: EITI applied in South Sudan	58
7.1 Promises	59
7.2 Limitations and obstacles	61
7.3.1 Capacity of the government.....	62
7.3.2 Capacity of civil society	63
7.4 When to implement?.....	65
Chapter 8: Conclusion and Discussion.....	67
8.1 Conclusion	67
8.2 Recommendations	69
8.3 Practical remarks	71
BIBLOGRAPGY	73
South Sudanese laws and regulations	79
APPENDIX 1: LIST OF INTERVIEWEES	80
APPENDIX 2: INTERVIEW PROTOCOL	81

1. INTRODUCTION

1.1 The problem: the resource curse

Sub-Saharan Africa (hereafter Africa) is the fastest growing oil exploration and production region in the world. The International Monetary Fund (2007) estimates that the region currently earns nearly \$30 billion per year from oil exports.¹ It supplies about 12 percent of the world's oil, boasts significant untapped reserves and has surpassed the Middle East as the largest regional supplier of crude oil to the United States (Vines 2010, 20). Then why do many people in African countries, which sell millions of barrels of oil every year, remain stuck in poverty? And why is that 'black gold' is often a catalyst for conflict or even civil war in parts of Africa? An explanation for the lack of economic growth in oil-producing countries can be found in what analysts call the 'resource curse'. Oil revenues create a buffer between the government and the population, generate rent-seeking behaviour and heighten corruption. Africa is not an exception in this nor is it above the regular pattern observed elsewhere.

History has shown that the discovery and exploitation of highly valued natural resources, such as oil, gas, and minerals, do not automatically translate into sustainable economic growth and prosperity (Ölcer 2009). In the late 1990s, several academics such as Sachs and Warner (1995), Collier and Bannon (2003), Auty (1993) and Karl (1997) published research on what was becoming known as the 'Resource Curse' or the 'Paradox of Plenty'. Apart from negatively affecting the growth rate (Sachs and Warner 1995), large endowments of natural resources have shown to exacerbate the risk for conflict and civil war (Ross 2003a; Collier and Hoeffler 2004; Humphreys 2005), weak democratic development (Ross 2001; Tsui 2005) and corruption (Leite and Weidmann 2002). At the same time, journalists identified many stories of widespread corruption, conflict and mismanagement within countries' extractive sectors. The problem goes beyond the well-known 'Dutch Disease'; the economic phenomenon where natural resource wealth makes other export sectors uncompetitive. Other common effects include the capturing of the revenues by elites, the stunting of tax systems and rising tensions between communities. The billions Africa earns from oil exports could be used to improve education, reduce crime, alleviate poverty, and build infrastructure. Instead, these funds are often abused and wasted by inept governments and mismanagement of state resources. According to Ölcer (2009, 8) "the extractive sector has traditionally been cloaked in secrecy and managed as the exclusive preserve of political elites and large corporations". The scarcity and the exceptionally high potential rents of resources have turned many resource-abundant countries into honey-pots that are plundered by domestic as well as foreign actors regardless of the long-term consequences. Citizens in resource-rich countries have in general lacked information about the true value of their resources, how much revenue they generate and how this is spent. Ölcer (2009) explains that the extractive sector has, by tradition, closed its doors to public scrutiny, resulting in a lack of technical knowledge that limits the ability of outsiders to engage in complex issues.

¹ When mentioning an certain amount of money in dollars (\$), this refers to an amount in US Dollar (US\$).

If a resource curse is ever to be reversed, it is time to shed more light on the politics and businesses of this sector (Ölcer 2009). This is easier said than done. The Extractive Industries Transparency Initiative (EITI) is an attempt to induce transparency and accountability in the extractive sector in order to foster economic growth and social development. By creating more openness around how a country manages its natural resource wealth the initiative wants to mitigate the resource curse effects by helping citizens to hold their rulers to account. The EITI is a global coalition of governments, companies and civil society working together to increase revenue transparency and ensure accountable management of natural resources. The three central pillars of the initiative are (1) government publication of revenues received, (2) public disclosure in payments made by extractive companies, and (3) the development of civil society as a watch-dog in the process.

According to Aaronson (2011) the EITI has the potential to change the behaviour of oil exporters without conditionality or force. “It empowers reformist interests in resource-rich countries and effectively acts as an incentive for oil company executives and petro-state policymakers to change their behaviour” (Aaronson 2011, 2). Governments choose to participate in EITI, but participating governments insist upon certain behaviour from extractive companies, policymakers, and civil society. Since its establishment in 2007, the EITI evolved rapidly. By August 2015, 48 countries were implementing what is now known as the ‘EITI Standard’ with 31 of these recognised as ‘EITI Compliant’.² Thus almost half of the world’s developing country extractive industry exporters, have chosen to implement the EITI. Over 90 major oil, gas and mining companies have to date expressed their support for the EITI Principles. What does this tell us about the EITI? Why have these countries chosen to join EITI? This, in a sellers’ market for oil, when countries such as China are perfectly willing to invest in countries such as South Sudan despite political instability, corruption and the lack of accountable governance (Aaronson 2011). Countries might get involved to boost their image or perhaps they fail to manage the unpredictable extractive industry themselves and need external help. Regardless of the reason to join, it is interesting to explore the possible benefits and weaknesses of this upcoming initiative.

A country that is conspicuous by its absence on the EITI list is South Sudan.³ With independence on 9 July 2011, the Republic of South Sudan became both the newest and the most oil-dependent country in the world, deriving more than 98% of its income from oil. Its absence from the EITI list can partly be explained by the huge challenges that the country has to deal with including ongoing conflict. However, those challenges do not diminish the importance of the contribution that EITI could make in oil-rich South Sudan. Following a policy of openness and transparency in the management of natural resources could minimize resource-curse related problems. There are some encouraging signs that the South Sudanese government is willing to execute such a policy. In December 2011 President Salva Kiir of

² This means that 31 countries meet all requirements in the EITI standard and have a EITI Compliant Country status. Data extracted from <http://eiti.org/countries> accessed on 31-08-2015.

³ In order to promote consistency I will refer to South Sudan when speaking about the territory of the present-day Republic of South Sudan as much as possible. Sometimes this will be historically incorrect because the country only exists since 2011 but I choose to do so to avoid confusion. I will only name Sudan if I’m referring to the Republic of Sudan.

South Sudan announced that his government will implement the EITI. "This commitment to implement the EITI is in furtherance of my statement on September 21st that my government is committed to ensuring that South Sudan enters a new era of good governance, democracy, accountability and transparency", President Kiir said.⁴ In the years since South Sudan began considering EITI membership, the government has passed the Petroleum Act (2012) and is in the final stages of passing the Petroleum Revenue Management Bill (Vickers 2013). Both include strong reporting and auditing provisions that fulfil and exceed the requirements of EITI. However, those commitments and promising regulations have not been brought into practice, so South Sudan is certainly not there yet.

There are many challenges ahead and even more questions that need to be answered. Especially after the renewed outbreak of violence in December 2013, which has created a serious political and humanitarian crisis (Human Rights Watch 2014). Thousands of people have been killed since the civil war erupted after a power struggle between President Salva Kiir and Vice-President Riek Machar. Many are driven to the brink of starvation and two million people have fled their homes, often to neighbouring states. Ertharin Cousin, executive director of the WFP, states that; "South Sudan is the youngest, and one of the poorest, countries in the world, and despite the wave of global optimism that marked its birth as an independent nation in 2011, its early years, sadly, have been marked by conflict, displacement and widespread hunger".⁵ Although a peace agreement was finally signed on August 26th 2015 by the warring factions, there are legitimate doubts about whether this agreement will bring lasting peace.⁶ So even though there is some room for optimism again, watching the country implement the EITI seems further away than ever.

If the EITI is ever to be implemented, we need to know what obstacles must be overcome and who will take the responsibility to do so. Might the oil companies active in South Sudan be willing to cooperate? And will South Sudan's civil society be sufficiently strong to act as watchdog? What might the impact be if the EITI would be implemented? These questions make South Sudan an interesting case study to discuss EITI's ability to combat the resource curse.

1.2 Scientific and social relevance

To clarify further what a disturbing problem the resource curse is, why the EITI potentially is a promising remedy and how urgent South Sudan needs to avert the curse, this section will elaborate on the theoretical and societal relevance of my research. It starts off with the resource curse. There is a tremendous amount of research on the resource curse all pointing to its devastating effects. However, what actually causes the curse to strike remains neglected. Empirically, being rich in natural resources is associated with being poor in material wealth; i.e., the 'paradox of plenty' (Karl 1997). Less attention is devoted to good performers among the resource-rich countries. "Several countries that are doing well today became prosperous

⁴ This announcement can be found on the EITI website: <http://eiti.org/news-events/president-south-sudan-commits-global-transparency-standard#>. Accessed on 31-10-2013.

⁵ Retrieved from <http://www.irishtimes.com/opinion/conflict-in-south-sudan-is-jeopardising-aid-from-world-food-programme-1.2150232> accessed on 24-3-2015.

⁶ Retrieved from <http://www.bbc.com/news/world-africa-33912156>. Accessed on 1-9-2015.

because of, rather than in spite of, their natural resources” (Mehlum, Moene & Torvik 2006, 1117). The positive economic development of Australia, Canada, New Zealand, Iceland and Norway was stimulated by natural resource abundance. Another prominent example of a growth winner is diamond-rich Botswana, which has had the world’s highest growth rate since 1960. Botswana also has the best African score on the Groningen Corruption Perception Index. Peru, Malaysia and Thailand are developing countries that can be added to the list of resource-rich countries that have avoided the curse as well (Mehlum et al. 2006, 1118). How should the diverging impact of natural resources on economic development across different countries be explained?

Norway is the world’s third largest oil exporter. It started its oil extraction as late as 1973, and has since had high economic growth also compared to the other Scandinavian countries (Larsen 2005). Why is Norway one of the wealthiest and most peaceful countries in the world while South Sudan is destitute, struggling with food shortages and conflict? To figure this out we have to look into the differences in how these countries deal with their abundance of natural resources. Perhaps, it could be explained by the fact that Norway had its institutions in place before the discovery of oil while in South Sudan oil was discovered before there even was a state, let alone institutions. Resource curse theory namely hypothesizes that institutions play a key role in limiting the resource curse. Does this mean that South Sudan is ultimately doomed or is there another way to avoid the curse? It is very unlikely that a country like South Sudan, where good governance is hard to find and institutions are extremely weak, will find a cure on its own. That is why they might need assistance from external actors – like the EITI – to substitute for those weak domestic institutions. Foreign initiatives could promote good governance and could help to put the country on track towards managing its extractive industry in a responsible way. But will this kind of assistance be sufficient to avert a resource curse? That is what I’m going to investigate in this thesis.

A follow-up question ultimately is; what should these external actors focus on? Logically one should focus on building or improving institution but what does this imply? Transparency is a kind of new buzzword nowadays when it comes to development policy that focuses on fighting corruption and promoting good governance in the extractive industry. In the G20 final declaration, published on 6 September 2013, the leaders positioned support for EITI as a mean to battle corruption. “We welcome initiatives aimed at increasing extractive transparency, including voluntary participation in the Extractive Industries Transparency Initiative and take note of the progress” (G20 final declaration 2013, 23). They note that corruption is a great barrier to sustainable economic growth and poverty reduction because it can threaten financial stability and the economy as a whole. Furthermore, EITI is a promising initiative because it is carried by a broad support of government, civil society and company stakeholders, whose cooperation is necessary in order to make it successful. They are welcome to join voluntarily, this makes EITI easy accessible allowing the coalition to grow rapidly. This shows potential but does this mean that the EITI could become an effective tool to combat the resource curse? Moreover, I want to find out if the EITI, as external actor, can help to compensate for weak institutions. The openness and transparency that the EITI encourages in government operations is crucial for good governance but is it enough? It’s time to shed light on the achievements, promises and weaknesses of the EITI and its effect on

domestic institutions. The enormous interest and support for accountability, good governance and transparency of donors, non-governmental organisations (NGOs), governments and in the media, is running ahead of the theoretical understanding and factual evidence.

Implementing the EITI to secure accountable resource management could be extremely important for South Sudan, because the government is almost entirely depending on oil revenues for its income. However, it is likely to be incredibly difficult to actually implement, because of the unstable security and political situation and the level of humanitarian crisis that the country is facing. The reliance on oil in South Sudan was brought into sharp focus in January 2012, when the government halted all crude production following a dispute with Sudan about the distribution of revenue (Global Witness 2012). The shutdown, which had a huge impact across the country, resulted in the sudden loss of almost all income. “The government was forced to make cuts to crucial public services and institution building projects, while citizens had to deal with fast-rising food and fuel prices” (Global Witness 2012, 1). Unfortunately, such a thing is happening again as oil production has dropped due to the current conflict reducing revenue by more than 20%. The World Bank estimates that this has cost up to 15% of the potential GDP in 2014.⁷ Aside from its over-reliance on oil, one of the country’s biggest challenges is corruption, which is acknowledged to be widespread. President Salva Kiir estimated that high-level theft has cost the government more than \$4 billion since 2005 (Global Witness 2012). Since the Government of South Sudan (GoSS) gets all of its revenue from oil, it has little incentive to invest in human resources or to promote the development of a middle class that could provide a sustainable tax base. This makes the government unaccountable to its citizens, as selective distribution of rents and clientelist networks have appeared (De Waal 2014). The earnings from oil export could be used to foster growth and long-term development. Instead, these funds are often abused and wasted by the inept government and the mismanagement in the oil sector. According to Global Witness (2012, 1) “this makes it all the more important that the oil sector is managed responsibly and opened up for genuine scrutiny by citizens, the ultimate owners of the resources”.

1.3 Research objective and question(s)

By focusing on a widely published academic problem – the resource curse – I will attempt to unravel a major real life issue, namely resource wealth leading to all kind of misery. The aim of my research is to find out to what extent external actors can play a role in substituting domestic institutions in order to combat problems related to natural resource abundance. If institutions are key to explain what makes resource abundance a blessing for some countries and a curse for others, they deserve to be further examined. In places where domestic institutions are weak, and the curse is lurking, international initiatives can potentially offer a solution. That is why it is worthwhile to discover whether external actors can help compensate for those institutions through initiatives like the EITI. This will hopefully lead to a meaningful contribution to science and existing academic knowledge

⁷ Retrieved from www.worldbank.org/en/country/southsudan/overview accessed on 3-11-2014.

about the resource curse. Therefore, my research question will be the following:

To what extent can external actors help to compensate for weak domestic institutions in order to combat the resource curse?

In order to answer this question the real life context of South Sudan has been selected as case study. The context of South Sudan is very applicable as accountable management of the oil revenues could offer great opportunities for development for the newly born resource abundant country. This is urgently needed as the country is in a state of crisis and has extremely weak institutions. At the moment oil revenues mainly worsens things. Because institutional quality seems to be key for a country's chances to escape the curse, I will focus on external efforts to compensate for domestic institutions when quality is below standard. The external actor that I chose to scrutinize in particular is the EITI. Hence, I will explore to what extent the EITI can play a role in assisting South Sudan to combat problems related to natural resource abundance. By doing so, I want to find out how South Sudan could escape the curse, fully benefit from its oil-richness and work towards a peaceful future. This research thus also looks at how resources could be turned into a blessing, when institutional quality is lacking. Thereby, it not only contributes to the resource curse theory but aims to provide a possible remedy as well. By adopting a holistic approach to explore how the resource curse can be averted, a practical policy advice for South Sudan can hopefully be generated.

1.4 Structure

Exploring whether external actors can substitute domestic institutions in order to combat problems related to natural resource abundance requires comprehensive research. I will give this striking issue its well-deserved attention in this thesis by examining to what extent the EITI can play a role in assisting South Sudan to combat the resource curse. In the following chapter – Theoretical Framework – the theoretical background of this study, which has been used to analyse the data, is introduced. The theoretical debates about the resource curse form the theoretical guideline and base for this research study. Then, the role of external actors and more precisely the EITI will be discussed. How the EITI came into being and how it is meant to function will be dealt with. In chapter 3 – Methodology - the research methods used for this study will be discussed. Chapters 4 – South Sudan - presents the contextual background of case study South Sudan. The chapter first provides a demographic profile of the country. Thereafter, a historical profile is given reflecting on the Sudanese civil wars. Finally, the current civil war, the implications of the oil-richness of the country and its regulatory framework are discussed. In chapter 5 – Signs of the resource curse in South Sudan – resource curse theory will be put into practice when discussing the devastating effects that it has on the newborn country. Chapter 6 – EITI in practice – discusses the promises and weaknesses of the initiative drawing on experiences in implementing countries. In chapter 7 – EITI applied in South Sudan – the obstacles for implementation and the possible impact of the EITI are addressed. Last, Chapter 8 – Conclusion and discussion – draws conclusions on the research question of this study and deals with recommendations for future research.

2. THEORETICAL FRAMEWORK

2.1 The Resource Curse

In the 1980s, the idea that natural resources might be more an economic curse than a blessing began to emerge. In this light, the term ‘resource curse’ was first used by Richard Auty (1993) to describe how countries rich in natural resources were unable to use that wealth to boost their economies and how, instead, these countries had lower economic growth than countries without an abundance of natural resources. The resource curse thesis is specifically applicable for countries - like South Sudan - with point-source non-renewable resources like minerals and fuels (Auty 1993). Gylfason (2001) has presented an example of the disconnection between natural resource abundance and poor economic growth for petroleum-producing countries. From 1965 to 1998, in the OPEC countries⁸, gross national product per capita growth decreased on average by 1.3%, while in the rest of the developing world, per capita growth was on average 2.2%. Basedau (2005) states that it is no surprise that the resource curse primarily refers to socio-economic development and to phenomena such as poverty and general economic decline. However, potential detrimental effects of resource abundance are not limited to that. Another area that might be affected is governance, including aspects such as corruption, public institutions, and the state in general. More recently, adverse effects of natural resources on the prospects for democracy have been analysed (Basedau 2005). Furthermore, Hansohm (2007) argues that financial flows from foreign aid can provoke effects that are similar to the resource curse.

In countries whose economies are dominated by natural resources – often referred to as ‘rentier states’ - rulers do not need to tax their citizens because they have a guaranteed source of income from natural resources (Leite and Weidmann 2002). Because the citizens are not being taxed, they have less incentive to monitor how the government spends its money. As a result, governments often poorly serve their citizens, and if citizens complain, governments can simply use resource revenues to pay for armed forces that can keep citizens quiet. Leite and Weidmann (2002) state that countries whose economies are dominated by extractive industries tend to be more corrupt, repressive and badly managed. With its inept management of oil reserves and its leadership problems South Sudan is a striking example. According to the World Bank (2014) the country’s military expenditure is on the rise, jeopardizing the availability of resources for service delivery and capital spending on much needed infrastructure, health, shelter and food security.

Hence, many different issues can be identified to underscore the devastating effects that resource abundance can cause. A wide range of scholars have looked into this striking problem and there seems to be consensus on the existence of a resource curse, as a large number of empirical papers have found evidence. Cabrales and Hauk (2011, 58-59) have

⁸ These are the member states of the Organisation of the Petroleum Exporting Countries. Which were during the time of research; Iran, Iraq, Kuwait, Saudi Arabia, Venezuela, Qatar, Indonesia, Libya, the United Arab Emirates (from 1967), Algeria (from 1969), Nigeria (from 1971), Ecuador (from 1973) and Gabon (from 1975).

nicely extracted five hypotheses from those papers:

1. The curse of natural resources: countries rich in natural resources grow slower on average than natural resource poor countries (Auty 1993). *However, as mentioned before, there are many prosperous exceptions.*
2. The cross-country evidence is inconsistent with a monotonic effect of resources on development/growth (Robinson et al. 2006). *The literature has since been focusing on the reasons why natural resources sometimes are a blessing and sometimes are a curse. Policy failures have been identified as the main cause. They occur because:*
3. The quality of institutions is decisive in determining whether natural resources are a blessing or a curse (Mehlum et al. 2006). *Empirical findings also suggest a reverse causality:*
4. Natural resources have antidemocratic properties: oil and mineral wealth tends to make states less democratic (Ross 2001). *Moreover, in countries with weak institutions natural resources are one of the main causes of civil war and revolution:*
5. Many revolutions are linked to rents derived from natural resources (Collier and Hoeffler 2004). *In particular, oil, minerals and other lootable resources are associated with civil conflict.*

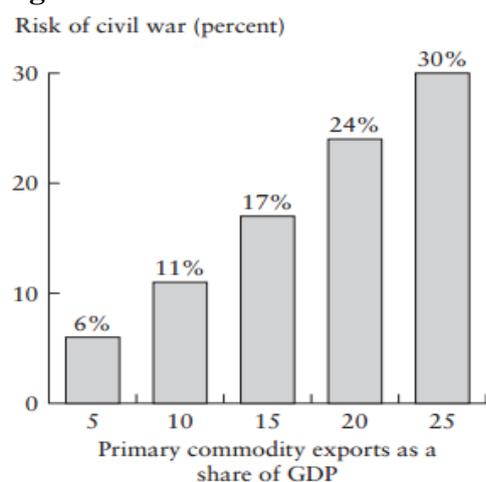
2.1.1 Natural resources and armed conflict

Much public attention has been paid to natural resources as causing, triggering aggravating and prolonging violent conflict. There are three main types of relationships between natural resources and armed conflict. First, resource curse effects can undermine the quality of governance and economic performances (Norman 2009, 183–207), thereby increasing the vulnerability of countries to conflict (the ‘resource curse’ argument). Second, according to the ‘resource war’ argument, conflicts can occur over the control and exploitation of resources and the allocation of their revenues (Ross 2003a; Collier and Hoeffler 2004). Third, as elaborated by Le Billon (2006), access to resource revenues by belligerents can prolong conflict (the ‘conflict resource’ argument). To some extent, all three arguments seem to be applicable to the Sudanese civil wars. Patey (2010) emphasizes that governance structures in Sudan have never been well established and resource wealth has caused the ‘Dutch Disease’ to strike. A Nuer fighter said, about the outbreak of the Second Sudanese Civil War, “we fought for seventeen years without even knowing of the true wealth of our lands. Now we know that the oil is there, we will fight much longer, if necessary” (cited in Hutchinson 1996, 9). From 1983 onwards the Sudanese People’s Liberation Army (SPLA)⁹ prioritized the destruction of government-controlled oil installations in the south of the country to assert their rights over this territory, improve their bargaining with the northern government and racket oil businesses. The development of oil fields have given the conflict between North and South, which was originally mainly political, a different coloration (Basedau 2005).

⁹ The SPLA is the key protagonist of the Second Sudanese Civil War and also has a political wing, the Sudan People's Liberation Movement (SPLM) which was founded in 1983 and is currently the biggest (and practically single) party in the South Sudanese parliament.

After testing a number of factors that affect the risk of conflict, Collier and Hoeffler (2004) found that three factors are significant; the level of income per capita, the rate of economic growth, and the structure of the economy (namely, dependence on primary commodity exports). They have found that doubling per capita income roughly halves the risk of a civil war. A country that is otherwise typical but has primary commodity exports around 25 percent of the gross domestic product (GDP) has a 33 percent risk of conflict, but when such exports are only 10 percent of the GDP, the risk drops to 11 percent (figure 1). As the most oil dependent country in the world, South Sudan has oil accounting for almost the total of exports, and for around 80% of GDP.¹⁰ This places South Sudan at high risk of civil war, according to this theory.

Figure 1: Natural Resources and Conflict Risk in Low-Income Countries



Source: Bannon and Collier 2003

The ‘curse’ does not strike overnight once resource extraction or production has begun. In any case, there are certain transmission channels or causal mechanisms that might turn resources into problems. Auty (1993) differentiates between ‘point’ and ‘diffuse’ resources, referencing to resources being concentrated in certain areas or being dispersed over the whole territory of a country. Diffuse resources are useful to rebels because they can be grabbed along the way; you do not need to control the entire state to control an oil well in the middle of nowhere. Le Billon (2001) extends Auty’s typology by introducing the additional criteria of whether resources, from the standpoint of the central government, are ‘proximate’ or ‘distant’, meaning easily accessible and easy to control. Ross’ (2003b, 55) adds a more pronounced political science perspective by asking whether resources are ‘obstructable’ (i.e. their trade can be blocked by opponents) and/or ‘lootable’, diffuse resources being more conducive to potential looting by rebel groups than point resources. Ross (2003b) notes that while oil is unlootable, it is obstructable which generally increases the intensity and duration of conflict. Obstructable resources can generate holdups by rebels and pre-emptive repression by the government, which South Sudan has both witnessed (Ross 2003b, 62).

Le Billon (2004, 1) argues that “the significance of resources in wars is largely rooted in the political and economic vulnerabilities of resource dependent states”. He emphasizes the

¹⁰ Retrieved from www.worldbank.org/en/country/southsudan/overview accessed on 3-11-2014.

link between conflicts, (mis)governance, and the historical legacy of the social construction and exploitation of resources by imperial powers, as well as, the current day rent-seeking behaviour of political elites and economic powers. Resources have specific historic, geographic and social qualities that participate in shaping the patterns of conflicts and violence (Le Billon 2004). Ross (2003a) adds that oil in particular seems to lead to the outbreak of civil war. The physical concentration of oil fields breeds calls for secession as the lack of social benefits and environmental degradation of oil extraction foster grievances among local communities (Ross 2003a). Collier and Bannon (2003) focus on natural resources provoking conflicts within societies as different groups and factions fight for their share. They argue that sometimes these emerge openly, for example as separatist conflicts in regions where the resources are found, but often the conflicts occur in more hidden forms. For example, fights between different ministries or departments for access to budgetary allocations. Not surprisingly, Collier and Bannon (2003) state this tends to erode the government's ability to function effectively. Both open and hidden fighting can be identified in South Sudan. Le Billon (2004) outlines that political manoeuvres by the government in Khartoum to control oil resources located in the south participated in re-igniting the war in 1983. "These manoeuvres included geographic and administrative reshuffling in favour of the North but also the exclusion of southerners from decision-making and technical training, the replacement of southern army units by northern ones in the main oilfield area, and the relocation of the oil refinery to the North" (Le Billon 2004, 19). This elicited unrest within both the political and the public sphere leading to the outbreak of the second civil war. From that moment on the fighting took a more open form.

However, reasons behind conflicts are far too complex to point to a single causal factor. Natural resources are never the only responsible factor for civil war. The Sudanese civil wars cannot be reduced to resources wars as other important factors like ethnicity, religion, marginalisation and related grievance at least share responsibility for the outbreak of violence (Cascão 2013).

2.2 Institutional quality and the resource curse

Institutions are often discussed after having been defined only casually or without being defined at all. Not to fall into this trap, I will briefly discuss some adequate definitions. It is essential to clearly distinguish institutions from organisations. North (1990, 3) defines institutions as "the rules of the game of a society", while "organisations are the players". Political parties, firms, churches, athletic clubs and schools are examples of organisations. According to Huntington (1965, 394) institutions are "stable, valued, recurring patterns of behaviour". As structures or mechanisms of social order, they govern the behaviour of a set of individuals within a given community. Keohane (1988, 383) defines institutions as "related complexes of rules and norms, identifiable in space and time". Institutions are an important part of society. To a large extent they determine how the economy in a given society works, whereby politics shape economic performance by defining and enforcing the economic rules of the game (North 1990). Institutions can be both formal (constitutions, laws, regulations) and informal (traditions and unwritten norms of behaviour) in nature. Over the years, most

societies develop numerous institutions to remove uncertainty and create order. When this does not happen naturally, it often goes the wrong way. The term ‘institutions’ will in this thesis be applied as self-imposed restrictions that structure political, economic and social behaviour.

A country’s institutional environment is comprised of relatively stable rules, social norms, and cognitive structures (Scott 1995). According to Scott (1995) institutions consist of three interrelated pillars reflecting a normative (a country's value system), cognitive (widely shared social knowledge), and regulatory (government policies) dimension. To clarify, the normative dimension represents the general cultural values of a country’s citizens, while the cognitive dimension reflects knowledge and skills of the people, as well as the frameworks they use to categorize and evaluate information. This entitles knowledge about how to deal with natural resource abundance and related risks and the skills to responsibly manage the extractive sector. Finally, the regulatory dimension consists of laws, regulations, and government policies that promote or restrict certain behaviour. Laws and regulations can specify the responsibilities of governments, oil companies and other stakeholders regarding the oil sector. In any given society, particular knowledge becomes institutionalized and becomes part of a shared social understanding.

While discussing the relation between institutions and the resource curse, it is helpful to use Brunnschweiler’s and Bulte’s (2008) distinction between resource *abundance* (a stock measure of resource wealth), resource *rents* (the ‘windfall’ flow of income derived from the resource stock), and resource *dependence* (the degree to which countries have access to alternative sources of income other than resource extraction). The institutional quality of resource-rich countries has huge implications for their chances to escape the resource curse. Mehlum, Moene & Torvik (2006) and Robinson, Torvik & Verdier (2006) have found that the impact of resources on growth decisively depends on the quality of political institutions and, in particular, on the degree of corruption in the public sector. By prioritising institutional development before engaging in heavy resource extraction, countries like Norway and Chile have been able to escape the resource curse (Havro and Santiso 2011). The timing of institutional development can thus be essential. It is hard to escape the curse when resource-richness reveals before functioning institutions are in place because institutions are linked to the behaviour of politicians. Therefore, countries that need resource abundance the most might benefit the least from such new wealth. In that case chances are high that resource rents may be captured by elites for personal enrichment or may be channelled into dubious ventures (Mehlum et al. 2006). Institutions influence the judgement of politicians, limit their discretion and define the policy space. Hence, the quality of institutions determines whether abundance in natural resources is a curse or a blessing for a country. Cabrales and Hauk (2011) point out that the quality of institutions is also indicative of the level of democracy of a country. Countries that are more democratic tend to have better institutions and are therefore less likely to be cursed.

Mehlum et al. (2006, 1119) divide the resource curse literature into three strands regarding the role of institutions: (1) the quality of institutions is hurt by resource abundance and constitutes the intermediate causal link between resources and economic performance; (2) institutions do not play an important role; (3) resources interact with the quality of institutions

allowing resource abundance to be a blessing when institutions are good and a curse when institutions are bad. The first strand - institutions as an intermediate causal link – consists of a large number of publications claiming that a decline of institutional quality in resource-rich countries is causing the resource curse to strike. Collier's and Hoeffler's (2004) observation that the destruction of institutions can be found in the many civil wars over the control of natural resources fits within this strand. Even as Ross's (2001) research that shows that oil dependency tends to hinder democracy. The conclusion of Sachs and Warner (1995) that institutional quality cannot explain the resource curse can be found in the second strand - institutions have a neutral role. They concluded so because they have not found empirical evidence for the hypothesis that resource abundance leads to a deterioration of institutional quality, which in turn lowers growth. The last strand - resources interact with the quality of institutions – emphasizes that the growth effect of resource abundance varies with institutional quality. According to Patey (2010) the resource curse is indeed a phenomenon born out of weak institutions rather than simply strong natural resource endowment. Brunnschweiler and Bulte (2008, 253) state that “the empirically significant relationship between institutional quality and resource dependence reflects that countries with poor institutions are unlikely to develop non-primary production sectors to reduce their dependence on resource exports”. They argue that it might be inappropriate to talk about the ‘curse of resources’. Instead, they underline the important direct and indirect impacts of institutions on economic outcomes.

Mehlum, Moene and Torvik (2006) show that the difference in economic growth among resource-rich countries is due to how rents are distributed. Institutions can favour producers and re-investment of those rents – which means they are ‘producer-friendly’ - or can be ‘grabber-friendly’, seducing entrepreneurial and human resources into unproductive rent-seeking. Rent-seeking pays off when institutions are bad or ‘grabber-friendly’ as Mehlum et al. (2006, 1121) call them: “dysfunctional democracies invite political rent appropriation; low transparency invites bureaucratic corruption; weak protection of property rights invites shady dealings, unfair takeovers and expropriation; weak protection of citizens’ rights invites fraud and venal practices; weak rule of law invites crime, extortions and mafia activities; a weak state invites warlordism”. When institutions are better – or more ‘producer-friendly’ – it is difficult to be an effective rent seeker unless you are a producer. “Rule of law, high bureaucratic quality, low corruption in government and low risks of government repudiation of contracts imply that effective rent-seeking must be for a legitimate cause” (Mehlum et al. 2006, 1122). Hence, Mehlum et al. (2006) conclude that only countries with grabber-friendly institutions are captured by the resource curse, while countries with producer-friendly institutions are able to escape. This explains why there are huge differences in economic growth between resource abundant countries.

2.3 The role of external actors

Unfortunately there are many resource abundant countries that have weak institutions. For these countries, strengthening institutions will be vital. This could be done through improving

skills and efficiency of civil servants. Committing to transparency and accountability can help as well to change the pay-offs from engaging in corrupt practices or rent-seeking. Yet, quite often, large-scale institution building might be beyond immediate capacity of resource-rich countries with weak institutions, leaving an important opportunity for international donors (Havro and Santiso 2011). Havro and Santiso (2011) however emphasize that aid, in the traditional sense, is not the solution to the resource curse. Giving the generally high amount of revenue that natural resources generate, resource abundant countries are not truly in need of further financial inflows. “Technical support and capacity building, support for international anti-corruption mechanisms and imposing transparency and legal requirements on national companies operating in these countries” are on the other hand essential according to Havro and Santiso (2011, 3). One way to increase accountability and to fight corruption is to introduce transparency measures (Pedersen and Bazilian 2014). Transparency measures could potentially increase the population’s trust in the government, create an enabling environment for new oil investments and bring about institutional change. Botswana has, for example, successfully managed its natural resources by applying an early focus on transparency and accountability right after its independence from the United Kingdom in 1966 (Tiitmamer 2014).

Initiatives designed to improve transparency and access to information, whereby they hold the state but also non-state actors to account are collectively called Transparency and Accountability Initiatives (TAIs). TAIs are emerging rapidly since the turn of the century. Therefore, donors, policymakers and researchers are keen to increase understanding about the impact and effectiveness of these initiatives. According to Gaventa and McGee (2013) TAIs are often conceived as a key way to address both democratic deficits and developmental failures. “The argument is that, through greater accountability, the leaky pipes of corruption and inefficiency will be repaired, aid and public spending will be channelled more effectively and development initiatives will produce greater and more visible results” (Gaventa and McGee 2013, 4). In addition, increasing accountability can be a path to empower people and to ensure that government spending is allocated efficiently to benefit the needs of citizens. Next to holding the state to account, freedom of information can be crucial for delivering more participatory forms of governance. Legislation focusing on freedom of information is especially important to ensure responsible management of natural resources. This can take place at the micro-level whereby citizens can be involved in monitoring, advocacy on mining or land use or in fishery and forestry committees. At national and international levels, rising concern over the resource curse as a development and governance problem has generated new mechanisms for establishing transparency and accountability in extractive industries (Gaventa and McGee 2013). The EITI is an example of such a mechanism, as it seeks to increase transparency around natural resource revenue. Natural Resource Governance Institute, formerly Revenue Watch, also campaigns for disclosure, monitors the implementation of the EITI and seeks to extend its efforts into new areas such as forestry. Other examples of TAIs engaged in the extractive industry are Open Oil, Global Witness and Publish What You Pay. I will, however, focus on the EITI, as it is widely praised by many donors, NGOs and policymakers for its simple nature but at the same time great potential. The initiative is rapidly expanding, being implemented by more and more developing as well as developed countries.

Yet, it is essential to remain critical towards TAIs and their - whether or not intended – effects on domestic institutions. Ginsburg (2005, 122) warns us that “if governments and foreign investors can turn to external sources of dispute resolution, they have little incentive to make marginal investments in improving local judicial quality”. He has scrutinized the intractability of institutional quality in developing countries despite massive investments from donors and has found that the availability of international alternatives may perpetuate weak domestic institutions by eliminating the need to improve them. Although international transparency frameworks get quite commonly adopted to resolve domestic governance problems they might sometimes have reverse effects. In an era of global investment flows, powerful players can easily avoid local judicial institutions by diverting to an international alternative. Meanwhile, local institutions face insufficient incentives to compete with global alternatives. As a result, developing countries can find themselves in a trap of low-quality institutions, wherein local support for institutional improvement is hard to find. This makes Ginsburg (2005, 123) conclude that “the presence of international alternatives to adjudicatory or regulatory bodies may reduce local institutional quality under certain conditions”. That is why there potentially lurks a major risk in external actors trying to substitute domestic institutions. EITI thus has to be careful that its international transparency standard does not undermine local laws that regulate the extractive industry. What the EITI precisely intends to do will be explained in the next paragraph.

2.4 The EITI

The idea of the Extractive Industries Transparency Initiative (EITI) has originated from the ‘Publish What You Pay’ campaign organised by Global Witness together with other civil society organisations and philanthropist George Soros. The EITI was globally introduced in September 2002 by former UK Prime Minister Tony Blair at the World Summit on Sustainable Development in Johannesburg. The UK Department for International Development convened a meeting of civil society, company and government representatives afterwards. At this meeting the participants agreed on developing some kind of reporting standard. This has led to the 12 EITI Principles (listed below), which were represented at the first EITI Conference in 2003. By the time of the 3rd Global Conference in October 2006, a small group of countries committed to start applying these principles and being transparent about the amount of natural resource revenue coming in. At this conference, the stakeholders decided that EITI should have its own governance structure with a Board and a Secretariat, resulting in the International Secretariat being established in Oslo in September 2007.

2.4.1 How it’s meant to function: background

The diverse group of countries, companies and civil society¹¹ organisations that attended the

¹¹ The EITI defines civil society as a broad term encompassing all of a country’s social and civic organisations that do not have commercial or governmental status. Such as development charities, academia, community groups, women’s organisations, and faith-based organisations (EITI Business Guide 2013).

Lancaster House Conference in London (2003) agreed on a Statement of Principles to increase transparency over payments and revenues in the extractive sectors. These became known as the 'EITI Principles' and are the cornerstone of the EITI.

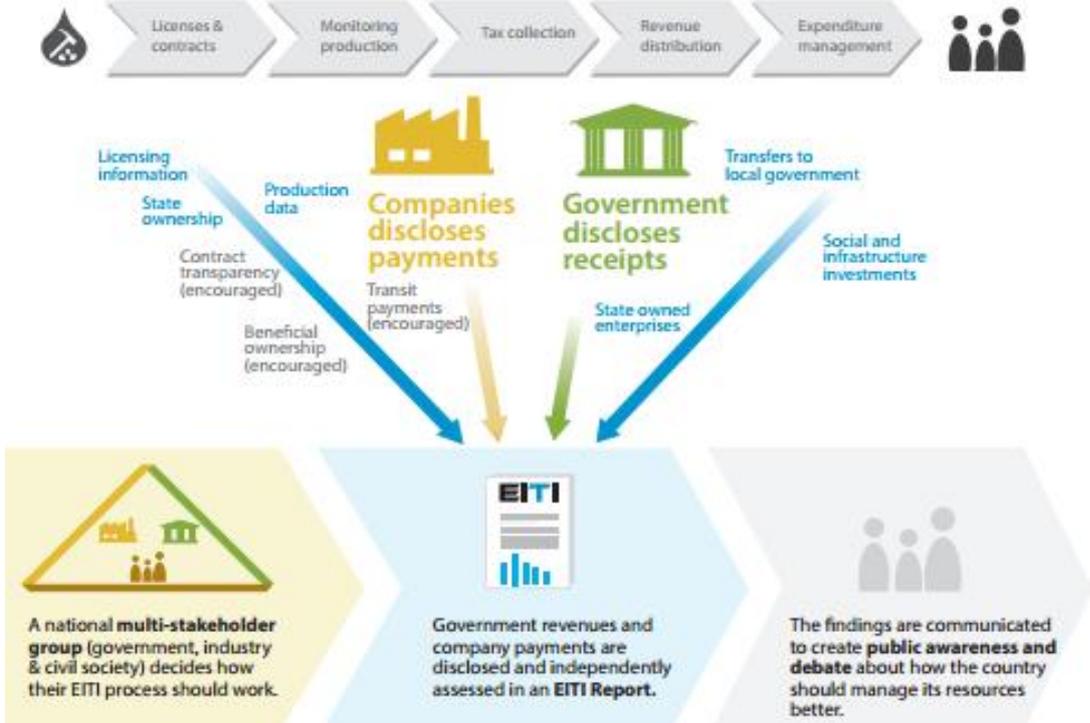
The EITI Principles:

1. We share a belief that the prudent use of natural resource wealth should be an important engine for sustainable economic growth that contributes to sustainable development and poverty reduction, but if not managed properly, can create negative economic and social impacts.
2. We affirm that management of natural resource wealth for the benefit of a country's citizens is in the domain of sovereign governments to be exercised in the interests of their national development.
3. We recognise that the benefits of resource extraction occur as revenue streams over many years and can be highly price dependent.
4. We recognise that a public understanding of government revenues and expenditure over time could help public debate and inform choice of appropriate and realistic options for sustainable development.
5. We underline the importance of transparency by governments and companies in the extractive industries and the need to enhance public financial management and accountability.
6. We recognise that achievement of greater transparency must be set in the context of respect for contracts and laws.
7. We recognise the enhanced environment for domestic and foreign direct investment that financial transparency may bring.
8. We believe in the principle and practice of accountability by government to all citizens for the stewardship of revenue streams and public expenditure.
9. We are committed to encouraging high standards of transparency and accountability in public life, government operations and in business.
10. We believe that a broadly consistent and workable approach to the disclosure of payments and revenues is required, which is simple to undertake and to use.
11. We believe that payments' disclosure in a given country should involve all extractive industry companies operating in that country.
12. In seeking solutions, we believe that all stakeholders have important and relevant contributions to make – including governments and their agencies, extractive industry companies, service companies, multilateral organisations, financial organisations, investors and non-governmental organisations.

EITI is based on a quite simple idea. Participating voluntarily, governments of resource-rich countries are encouraged to publish information about revenue from their extractive industries. This information is compared with payments of extractive corporations to the government – including taxes, duties, royalties, bonuses and other payments and regardless of whether companies are private, state-owned, domestic or foreign. In each country an independent administrator reconciles the disclosed figures. This is overseen by a Multi-

Stakeholder Group (MSG) consisting of government, company and civil society representatives. The EITI report will then be published, stating the revenues, payments and the discrepancies found. EITI reports are publicly available and encourage national debate by allowing domestic NGOs to hold their governments accountable for any discrepancies. Figure 2 illustrates how the EITI is designed to function.

Figure 2: The EITI Standard



Source: The EITI Standard

The EITI Standard offers a blueprint for transparency and accountability with its fixed principles and requirements while the EITI is implemented under very different circumstances in, for example, the USA, Honduras or the DRC and is looking to expand worldwide. In order to be applicable in these rather different countries, the national MSG’s are established. At the national level they decide how to interpret EITI’s principles and requirements. In practice, this results in various translations producing differences in the size of national EITI offices and in the anchoring of its principles and instruments in parliament and legislation. Some countries incorporated the EITI in national regulation and use EITI reports in parliament as monitoring and budgeting mechanism. In addition, large dissimilarities are manifested in the degree of dissemination of EITI presence throughout the country and corresponding decentralisation levels. The more decentralised national EITI offices work the more room there is for local perspectives and on the ground problems.

The EITI holds a Global Conference once every two to three years, bringing together all stakeholders of the EITI. Between the global conferences, the EITI Board oversees the initiative. The Board has twenty members who represent the different constituencies of companies, countries and civil society. The EITI Secretariat is responsible for turning policy decisions of the EITI Board into action, and for coordinating worldwide implementation

efforts. Currently, there are eight Board Committees, the: Audit, Finance, Governance, Implementation, Nominations, Outreach and Candidature, Rapid Response, and Validation Committee. The Board holds board meetings twice a year, the different committees then also meet. The committees have no decision-making authority but make recommendations that are usually adopted by the board (EITI Board Member: November 2014, Skype). The committees decide which topics are on the agenda of the board; those will be discussed and decided on. The decisions that are made are binding for the EITI members.

2.4.2 How it's meant to function: implementation

The EITI implementation process has four phases; sign up, preparation, disclosure, and dissemination, which need to be completed within two and a half years for the country to be validated as a fully compliant EITI country. According to Ölcer (2009) this deadline, which was agreed in February 2008, was a response to the slow implementation observed in many candidate countries. EITI implementation in a country can be funded through the country's government, a World Bank managed Multi-Donor Trust Fund or by multilateral and bilateral donor agencies. Direct corporate funding can occasionally provide technical or administrative support to the multi-stakeholder group. A country intending to implement the EITI is required to undertake a number of application steps before becoming an 'EITI Candidate'. These steps are summarised as followed in the EITI Standard (2013):

- The government is required to issue an unequivocal public statement of its intention to implement the EITI.
- The government is required to appoint a senior individual to lead on the implementation of the EITI.
- The government is required to commit to work with civil society and companies, and establish a multi-stakeholder group to oversee the implementation of the EITI.
- The multi-stakeholder group is required to maintain a current work plan, fully costed and aligned with the reporting and validation deadlines established by the EITI Board.

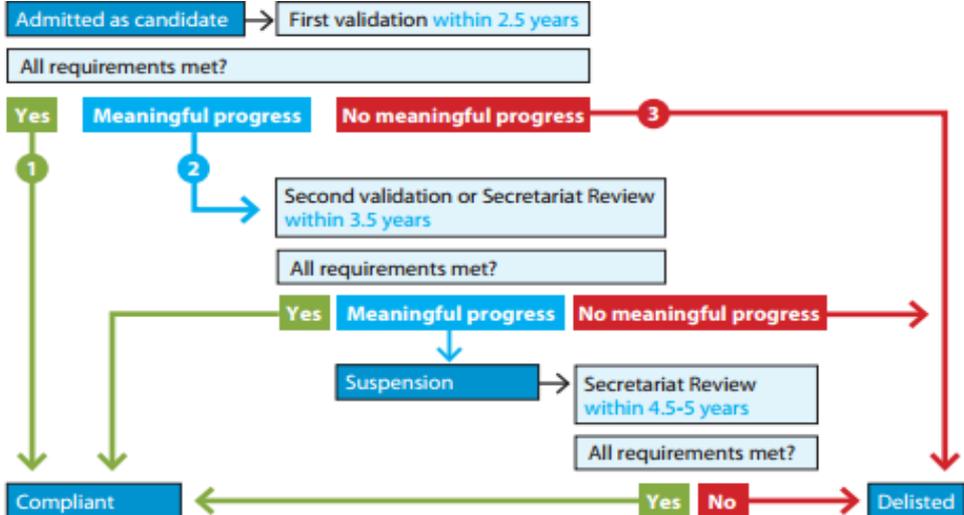
When the country has completed these steps and wishes to be recognised as an EITI candidate, the government should submit an EITI Candidature Application to the EITI Board. The signing-up steps assign a major role for governments. This means that the authorities must be seriously motivated to invest the necessary time and resources. Strong commitment is not only required from governments, the EITI Standard (2013, 12) states that “the government, companies and civil society must be fully, actively and effectively engaged in the EITI process”. This is just one of the requirements outlined in the Standard. In order to become 'EITI Compliant', implementing countries must demonstrate through validation that they meet all 'EITI Requirements'. The EITI requirements are minimum demands and implementing countries are encouraged to go beyond them where stakeholders agree that this is appropriate. The following requirements are further clarified in the EITI Standard (2013):

The EITI Requirements:

1. Effective oversight by the multi-stakeholder group.
2. Timely publication of EITI Reports.
3. EITI Reports that include contextual information about the extractive industries.
4. The production of comprehensive EITI Reports that include full government disclosure of extractive industry revenues, and disclosure of all material payments to government by oil, gas and mining companies.
5. A credible assurance process applying international standards.
6. EITI Reports that are comprehensible, actively promoted, publicly accessible, and contribute to public debate.
7. The multi-stakeholder group to take steps to act on lessons learned and review the outcomes and impact of EITI implementation.

The EITI board monitors to which extent countries meet and continue to meet the EITI requirements. The EITI can respond in several ways to country-specific situations and non-compliance with the rules. There have been countries that applied EITI but did not meet the basic conditions to become a candidate country. This was, for example, the case in Ethiopia, which was rejected at first because there were questions about the freedom of civil society (EITI representative: December 2014, Skype). After some changes were made the EITI Secretariat (2014, 6) concluded that “Ethiopia has demonstrated a sufficient commitment to CSO engagement” to be admitted as candidate country, “while recognising that the situation needs to be carefully monitored”. Ethiopia became a candidate country on 19 March 2014 but challenges regarding weak civil society capacity and legal barriers to EITI implementation still exist. It has also happened that countries themselves indicated that they wanted to be suspended temporarily because they faced an ongoing civil war that prevented them from coming together. Validation is a way to monitor whether a country complies with the requirements. By undertaking validation regularly it is determined whether implementation is consistent with the EITI Standard. The validation deadlines are illustrated in figure 3.

Figure 3: EITI Validation deadlines



Source: The EITI Standard

EITI candidate countries are required to commence validation within two and a half years of becoming an EITI candidate. Validation will determine whether a country is: (1) EITI Compliant; (2) not EITI Compliant, but has made meaningful progress; or (3) not EITI Compliant and has not made meaningful progress. A country may not hold EITI candidate status for more than five years from the date that the country was admitted as an EITI candidate. If a country has not achieved compliant status within three and a half years of becoming a candidate, the country will be suspended while undertaking final corrective actions. When validation verifies that a country has met all of the requirements, the EITI Board will designate that country as EITI compliant. EITI compliant countries must maintain adherence to the EITI Principles and Requirements in order to retain compliant status otherwise they can become suspended until they show improvement. Compliant countries go through a validation process every three years. Currently there are 48 implementing countries of which 31 are fully compliant with EITI requirement.¹² Five countries – the Central African Republic, Tajikistan, Yemen, Indonesia and Tanzania - are suspended at the moment. Tajikistan, Indonesia and Tanzania are suspended because they missed their EITI report deadlines and Yemen and the CAR due to political instability.

The EITI is implemented at country level but extractive corporations are encouraged to support the initiative at an international level as well (Ölcer 2009). To do so, companies need to make a statement in which they endorse the EITI principles and criteria, this statement must be available on their website. In addition, they have to contribute to implementation in candidate countries and make a voluntary financial contribution to the EITI secretariat. However, being a supporter of the EITI does not involve any reporting or disclosure requirements in addition to those for non-supporting companies operating in the relevant sectors in implementing countries. One can wonder how much added value it has, if a company becomes a supporter of the EITI at the international level.

The EITI has not experienced much resistance from operating extractive companies in implementing countries (EITI representative: December 2014, Skype). However, this does not mean that these companies may not secretly pressure governments not to sign up. When a country decides to implement the EITI, operating companies have not much choice then to follow and adhere to the EITI principles. Even the state owned Asian oil companies, which are not particularly famous for their openness, choose to take part in implementing countries (consultant: November 2014, Skype). Perhaps they decide to do so in order to avoid a fuss, although getting involved could provide possible benefits as well. By participating, companies might safeguard their investments and future profits and they may even get a more reliable partner in the local government in return. If the EITI would be implemented in South Sudan – which mostly dependence of the South Sudanese government – it can thus be expected that the operating oil companies will make the contribution that they are required to make. More on this later, the methods used to facilitate the research will be discussed first.

¹² Data extracted from <http://eiti.org/countries> accessed on 30-8-2015.

3. METHODOGY

3.1 Research strategy

In order to find out to what extent external actors can help to compensate for weak domestic institutions to combat the resource curse, I had to conduct comprehensive and thorough research. By using qualitative research methods to collect the data for this study, patterns, perspectives and perceptions could be extracted. This kind of research allows a researcher to gather contextual and detailed data, which is especially useful when you are interested in utilizing rich descriptions and quotations (Harrell and Bradley 2009). This appeared to be important for this research, as the resource curse is a complex problem and the circumstances in resource-rich countries are rather complicated as well. By applying a case study approach - namely South Sudan - qualitative methods could be used to their full advantage. Without a case study the research would have been more abstract, which would have made it a lot harder to find out how external actors can substitute for domestic institutions. By making this concrete, through emphasizing on how the Extractive Industries Transparency Initiative (EITI) can help South Sudan to avoid the resource curse, a better-grounded and more detailed answer could be given. The case study explores the potential of the EITI in a country that is highly dependent on resource revenue, where institutions are extremely weak and corruption is widespread. South Sudan is thus a really interesting and suitable case because help from external actors to compensate for those domestic institutions is much needed. Using quantitative research methods would have been quite complicated because EITI is not yet implemented in the country and possible impact is thus difficult to measurable. Furthermore, the situation in South Sudan is rather unpredictable; the resource curse is only one of the many challenges the country has on its plate. In order to grasp the situation, asking follow-up questions and going more in-depth was essential. Therefore, qualitative research methods seemed to suit this research best.

As part of this qualitative in-depth research, I conducted participant observation, a literature study and semi-structured interviews. The participant observation - which took place during my internship at the Dutch Ministry of Foreign Affairs - enabled me to take a closer look at external efforts to combat resource abundance related problems. As the amount of published literature on the resource curse is enormous, a literature study was carried out to map the latest theories relating to this subject. The literature study was very useful for determining the theoretical framework, which has formed the basis for analysing the collected data. Semi-structured interviews were conducted to collect comparable and qualitative data on natural resource abundance and related issues in practice. The interviewees were asked about their views on the central subjects of this research study. The explorative character of semi-structure interviews was furthermore useful for analysing the quality of South Sudan's institutions and promises and weaknesses of the EITI. What this exactly entitles will be further discussed in paragraph 3.3, where the data collection strategy will be explained. But first, the case study approach will be covered.

3.2 Case study

One of the great benefits of using the case study approach is the fact that one has the time to understand and discover many different aspects of a case and how these are interconnected. This provides a deeper understanding of the problem and allows one to explain not just what is happening but also why it is happening (Kitchin and Tate 2013). A second benefit is the possibility to simultaneously use different types of sources and data collection strategies, because this can make one grasp the complexity of a case. By using different sources one can verify information (Kitchin and Tate 2013). Since the amount of time and resources that I had to conduct my research were limited, I was forced to conduct small-scale research. The case study approach is a very suitable option in these circumstances.

The case study approach was valuable to analyse resource abundance related problems in practice and to evaluate potential remedies in a particular case. Yet, the situation in this particular case – South Sudan - is very complex. The newborn state declined back into civil war in December 2013 while still being in the beginning of its state building process. Many different actors are involved in the current conflict and they all have diverging interests. At the same time, oil is still flowing – although in smaller quantity - which does not stand alone from the conflict and the wider geopolitical situation. The case study approach enabled me to get an understanding of the role of oil, the conflict complexities and possible future scenario's. Considering that South Sudan is facing ongoing conflict, does not exist that long and has not implemented the EITI yet, meant that it was impossible to find all the necessary information in articles or books. Therefore, using interviews as a complimentary source was crucial to generate new understandings and information that is not yet known to the public.

One of the regularly mentioned critiques on case studies is that they cannot be generalized, because they only focus on one instance. Gomm et al. (2000) however argue that generalization is not the only practical skill for carrying out scientific work. The fact that case studies cannot always be generalized does not mean that they are not useful as new knowledge. Besides that, there are enough examples of single cases that were very valuable for generalization. According to Gomm et al. (2000), their suitability for generalization depends on the similarities that one case shares with others. If there are significant similar features, a generalization can be made. In the case of South Sudan one could think of other resource-rich countries with weak institutions that face complex (post)conflict realities. In addition, a case study can actually be very useful for falsification. If one case shows that a theory does not stand, the theory is either not entirely accurate and should not be used any longer or adaptations to the theory have to be made (Gomm et al. 2000). As my research is not really 'testing' the resource curse theory this is not applicable in this case. Multiple theories about the curse can explain different aspects of the problem but they might not all have the same added value to a specific case. The case of South Sudan showed that it is quite hard to single out the effects of the resource curse in such an intricate conflict situation.

Another limitation of the case study approach can be that it only produces soft data – which centralizes processes instead of measurable static conditions. This is the result of focusing on giving a description of the situation instead of using statistical data to test a theory, although this does not have to be true for all case studies (Kitchin and Tate 2013).

The case study approach allows the researcher to use different research methods. I have chosen to rely on qualitative data to answer the research question, because a description of the resource curse symptoms in South Sudan is more useful than gathering measurable data. In addition, the EITI is yet to be implemented in the country which means that evaluating the role of external actors mostly took place in a hypothetical way.

3.3 Data collection

I started with delimiting my research during my internship at the Ministry of Foreign Affairs of the Netherlands but the larger part has been carried out afterwards. It was an interesting and relevant internship for my research, as I have learned a lot about policy making and programming in developing, and especially, fragile countries. It was a welcome chance to practice participant observation in the world of development cooperation. This has contributed to my knowledge of resource abundance and overcoming the associated development hinders, as well as my knowledge on South Sudan and foreign policy in general. Because of the internship, I have furthermore gained useful contacts and was brought into contact with some of my informants. The internship was full-time and policy-oriented. I was positioned at the section Stability and Rule of Law of the Department for Stability and Humanitarian aid (DSH) for half a year, from 2 December 2013 until 30 May 2014. The division mainly focuses on policy for fragile states, good governance, security sector reform, and human security. During this internship I was actively involved in the Dutch policy for South Sudan, as it is one of the fragile states that the Netherlands has selected as partner country for its development policy.

During my research, I have both focussed on existing academic knowledge and gathered new information. This meant not only exploring relevant publications on the resource curse and institutional quality but also uncovering what a 'resource curse' entails in real-life and how external actors can overcome possible obstacles by conducting interviews. By using a holistic approach, I wanted to examine whether one can state that; (1) institutions play a key role in limiting the resource curse, (2) unfortunate South Sudan has weak domestic institutions and (3) external actors can help to compensate for those weak domestic institutions through initiatives like the EITI. There are many variables (e.g. conflict, geographic features, economic growth) that can be linked to the resource curse but after carefully reviewing the theory, institutions appeared to be key for explaining why some resource-rich countries are hit by the resource curse while others are able to escape. The second hypothesis was challenged by using both primary and secondary sources to assess the quality of South Sudan's institutions. Thirdly, I have looked into alternative ways to combat the resource curse if a country is not capable of doing so itself. In the resource curse literature several options were often mentioned, namely implementing transparency and accountability initiatives, putting international and/or national regulations in place, traditional foreign aid and economic differentiation. This made me decide to scrutinize the role that external actors can play to substitute for domestic institutions. Whereby, I wanted to find out if international initiatives, like the EITI, can help countries to turn natural resources into blessings.

3.3.1 Literature study and secondary data

The data for the literature study on the resource curse thesis was collected from the Netherlands by using existing secondary sources on the subject. The purpose was to obtain information on the resource curse that could serve as background to this research project. During the literature study, I have read research articles from different fields of discipline, reports of think tanks and NGOs/IOs, extractive sector regulations and policy documents. All were carefully read and compared to gather information and arguments. A first literature study looked into how the resource curse is theorized to occur and consisted of an analysis based on existing literature on the different stances within the resource curse theory. Next to understanding the resource curse theoretically, many scholars have focused on finding empirical evidence for the curse. Special attention was paid to the role of institutions in determining when natural resources tend to be curses and when they seem to be blessings. This provided the background necessary for analysing the effects of the resource curse in South Sudan. After the literature study on the resource curse in general, a literature study was conducted that looked into the context of the country. However, literature on the resource curse in South Sudan is scarce and lacks practical experiences from the field, as the country is rather young. A last literature study focused on how external actors, and more specifically transparency initiatives, can help to combat the resource curse. Therefore, I investigated how a promising transparency initiative - the EITI - is meant to function and what its possible pitfalls and obstacles for implementation could be. By analysing the available guidelines and literature on the implementation and validation process of the EITI, I have explored what could be accomplished in South Sudan if the initiative would be implemented.

Subsequent to analysing academic publications, I have looked into South Sudan's extractive sectors regulations. By doing so, I wanted to find out to what extent the regulatory framework in South Sudan can contribute to increasing accountability. The importance of this study is magnified by the high-quality of the designed regulations and the role that they could play in combating the resource curse. The documents were subject to interpretive policy analysis. This entails studying public policies by building on ontological and epistemological presuppositions deriving from interpretive philosophies (Yanow 2007). Using interpretive policy analysis thus enabled me to give meaning to the content of relevant legislations in the specific context of South Sudan. This actually entailed reading regulations, noting down their promises and comparing this with what is being realised in practice. As a viable tool for making sense of legislations and their implementation processes, interpretive policy analysis has found a strong home in academic settings. Yanow (2007, 119) regards interpretive policy analysis as "a set of practices that return persons, their meanings, and their very human agency to the centre of analytic focus". This 'set of practices' made it possible to understand the gap between policy on paper and policy in practice, which in the case of South Sudan is immense. Promising words in written bills and acts alone will not be decisive in determining whether South Sudan's oil wealth can be changed into a blessing, it will be depending on the capacity and political will of people to give meaning to these regulations by complying and monitoring them. Institutions thus play a huge role in this regard. Hence, studying South Sudan's extractive sectors regulations not only enabled to assess them but also to form an

impression of the quality of South Sudan's institutions.

For my analysis, I have selected a few documents that seemed most relevant. After the second Sudanese civil war in 2005, Southern Sudan gained the status of an autonomous region of Sudan. The Government of Southern Sudan was formed and started drawing laws from then onwards. A selection was made from the following acts and bills that cover resource extraction policy:

- Anti-Corruption Act (2009)
- Investment Promotion Act (2009)
- Local Government Act (2009)
- Human Rights Act (2009),
- Land Act (2009) and Land Policy (2013)
- The Draft Environmental Protection Bill (2010)
- Transitional Constitution (2011)
- Public Financial Management and Accountability Act (2011)
- Petroleum Revenue Management bill (2012)
- Petroleum Act (2012)
- Mining Act (2013)

Not all regulations have a direct link with issues that influence the resource curse and the chances to combat it. I have selected three documents that seem most important for responsible managing South Sudan's - by far - biggest extractive industry, namely the oil sector. Those documents were also most often mentioned in the literature as being central for policy design and promising for increasing transparency and accountability. These are the Petroleum Act (2012), the Petroleum Revenue Management Bill (2012) and still being the supreme law of the country; the Transitional Constitution (2011). Furthermore, these regulations date from the days when the Republic of South Sudan was established and the present government was in power. It is a great advantage that the official language of South Sudan is English and that these documents are publicly available, which made it possible to analyse them. It would have been extremely difficult to do Skype interviews with government officials, which is further hampered by the current crisis. Looking into these documents is an attempt to nevertheless get a sense of the government's efforts to combat the resource curse. However, these documents can only tell us so much. The Petroleum Act and the Petroleum Revenue Management Bill are full of great promises but only little is put in practice. The Petroleum Revenue Management Bill is still waiting to be signed by President Kiir. This generates the question whether the strongly designed regulations are more than empty promises on paper.

3.3.2 Semi-structured interviews

Next to drawing on a wide body of academic articles, books, reports and policy documents, I conducted elite interviews myself. Conducting elite interviews, means talking to people who are chosen because of who they are or the position they occupy. Hochschild (2009) explains

that 'elite' does not necessarily mean someone of high economic, social, or political standing. The term indicates a person who is chosen for a particular reason, rather than randomly or anonymously. Since there was no possibility to conduct field research in South Sudan giving the current conflict, the research was carried out from the Netherlands. The interviews took place via Skype and phone, as most interviewees were located in South Sudan or elsewhere abroad. This was done in the form of semi-structured interviews whereby I spoke one-on-one with individuals to gather information on my research topic by asking questions. Longhurst (2010) emphasizes that although the interviewer prepares a list of predetermined questions (called the interview protocol), semi-structured interviews can unfold in focused, conversational, two-way communication offering participants the chance to explore issues they feel are important. Kitchin and Tate (2013) add that because semi-structured interviews are conducted with a fairly open framework, both the interviewer and the person being interviewed have the flexibility to go into details when needed. In addition, people tend to talk too quickly, not listen carefully enough and interrupt others in our everyday life. Semi-structured interviews can add focus, self-consciousness, order and particularly structure (Longhurst 2010).

For this study, 8 semi-structured elite interviews were conducted to link the main research question to the secondary data and to verify secondary data collected during the literature study. Semi-structured interviewing is a form of guided interviewing where only some of the questions are predetermined. While I had a list of questions that I wanted to ask, questions could be asked in a different order or could be skipped or added depending on their relevancy. For example, questions could be omitted if they were not applicable to the knowledge of the interviewee. This has led to interviews that varied in time, but also in the content that was focused on.

The sampling of the interviewees was done through existing contacts with Dutch MFA officials and NGO representatives. People were selected because of their knowledge or position or on the basis of recommendations by other persons. This type of sampling is called snowballing and has the advantage of allowing the researcher to identify individuals who feature the necessary attributes for the research. A former colleague at the Dutch MFA put me in contact with an EITI employee, as well as with NGOs who were active in South Sudan. Various interviewees again put me in touch with others, who were also active in the extractive industry in South Sudan. This resulted in interviews with representatives from national and international NGOs, EITI representatives and academia. A list of all interviewees is enclosed in appendix 1. The selected informants were targeted because of their knowledge on South Sudan, the resource curse and/or the EITI, either academically or at the operational level. In order to avoid bias and verify arguments and opinions, I have selected people whose relation with the EITI and opinion of the initiative varies, as did their familiarity with South Sudan's reality. Key persons of NGOs were selected because of their involvement in the extractive industry in South Sudan. The academia and a consultant were sampled because of their published work on the EITI with regard to South Sudan, their expertise on the oil sector or the country in general.

I have sorted my informants in groups of South Sudan experts, EITI experts and resource curse experts. For those different types of experts, different interview questions were

made, which can be found in appendix 2. Per interview I decided beforehand which questions would be appropriate and valuable to ask. Of course, I could not avoid discussing the current conflict as it has a tremendous impact on the present state and future of the country and will no doubt be deterrent for the chances of success of any possible solution for the resource curse. Half of the interviews were held in English and the other half in Dutch as both the researcher and the interviewees spoke Dutch in those cases. For the list of interviewees and the interview protocol used in this research study, see appendix 1 and 2.

There are several practical problems that have to be taken into account when conducting interviews. Firstly, the researcher is dependent on access to sources (Harrell and Bradley 2009). Once granted this access, some people do not want to be cited. My interviewees luckily allowed me to cite them as long as this would be anonymous and they could verify the content before it would be published. Through this approach, people were willing to share sensitive information and personal opinions that ought to be respected. The second practical problem Harrell and Bradley (2009) identify is the so-called observer effect. What might happen is that interviewees behave differently when they know that they are being interviewed for research. They might give politically correct answers. I have kept this in mind when interviewing EITI employees on the performance of their own organisation. To counter this problem their answers were compared with those of employees from other NGO's and scientists and with critical independent analyses on the EITI.

Thirdly, the rapidly changing reality in South Sudan makes that observations by informants are quickly outdated or less reliable because some have not been able to visit the country recently. It is therefore important to hold their observations against current events. Next to reading academic literature I have been following news reports in the media – although reliability might sometimes be questionable - in order to make sure that important details are up-to-date. However, this is only possible to a certain extent, you cannot avoid that today's information might be outdated tomorrow or the writing process would never end. Hence, it could be that some remarks are not valid anymore but this does not undermine the significance of the resource curse issue and the ability to answer the research question.

Fourthly, when conducting elite interviews, participants sometimes know more about the subject than the researcher does and they can be very critical about the questions or the way the questions are ask. I had to be very conscientious how I worded questions in order to counter this. In addition, 'elite' interviewees are occasionally discomfited when it turns out that they do not know the answer to a question, which is not beneficial for the ambience. Therefore, I attempted to predetermine which questions were situated within the informant's area of expertise and which were not. Although this is of course only possible to a certain extent as I did not actually know on what subjects they are knowledgeable.

Lastly, Hochschild (2009) warns that it is tempting, particularly with highly knowledgeable or well-educated interviewees, to directly ask them the research question, although this usually is a bad idea. She explains that when conducting elite interviews, it is essential to leave enough space between the researcher's initial preconceptions and the informants' frame of reference so that the researcher stays open to surprise and discrepancy. Doing too much to set up the interview in terms of one's own theoretical logic often leads to confusion and moves interviews too far in the direction of survey research. To overcome this,

I avoided to directly ask how external actors can substitute for domestic institutions. Instead, I asked concrete questions which dealt with signs of the resource curse, the functioning of South Sudan's institutions and the expectations of the EITI. Later, my empirical data was linked to the research question in the conclusion section.

3.4 Methodological justification and analysis

In addition to interview hazards, there are some general pitfalls that need to be acknowledged when conducting research in order to avoid them. The first is the epistemic regress problem, which is about the justification of arguments. The problem is that any proposition requires justification, but at the same time any justification requires support itself. This means that any proposition whatsoever can be infinitely questioned (Cling 2009). Cling (2009, 333) concludes that “the best response to the paradox of reasons is either to reject the idea that endless regresses block reasons, or to accept, in a tragic spirit, that having fully satisfactory reasons is a worthy but impossible ideal”. It might thus be best to just accept that true knowledge is unattainable. That is why, I accepted a few assumptions as being true in order to use them as evidence for supporting my arguments. Yet, this ‘evidence’ is not always supported to avoid being stuck in the endless regress chain. I presupposed, for instance, that the resource curse is an existing phenomenon that affects resource-rich countries, though not all. This was necessary to develop a relevant and well-demarcated research question. This research will be narrowed on how external actors can help to compensate for weak domestic institutions in order to combat the resource curse. Thereby, assuming that the quality of institutions plays a key role in determining when and where the resource curse strikes.

As this research, among other things, analyses combating tools for the resource curse, a possible weakness could be that the research has become more policy related than theoretical relevant. To overcome this, I have chosen to expand my focus to the role of external actors in general and not only the EITI. This is theoretical relevant because their efforts to militate problems related to natural resource abundance - and of course development problems in general – are widely published but still leave much room for improvement. By focusing on possible weaknesses and promises of the EITI, I hoped to draw important parallels to what other external actors can achieve.

Another pitfall is confirmation bias. A researcher can be inclined to search for information that proves his or her hypotheses and disregard information that disproves the expected relation (Gomm et al. 2000). For this thesis there is no clear hypothesised expected outcome in order to be able to focus on the interaction of different elements and processes. Having an open research question allows me to explore different theories and potential answers. However, the fact that the research is not testing a clear hypothesis does not mean I cannot have confirmation bias. Trying to keep it under control, I have, as mentioned before, not asked my research question directly to my informants and have tried to ask questions as open and neutral as possible. Although some pitfalls are hard to avoid, I have attempted to carry out the research in a responsible way by ensuring validation and reliability are in order. To contribute to this, I will explain below how the data analysis was carried out.

The data obtained from the interviews has been submitted to a sound and valid analysis, both deductive and inductive. The deductive analysis looked at what different informants have said to the same questions. This enabled me to identify patterns and to gather information that answered the research question. Inductive analysis, on the other hand, explored the data to assess what unexpected relationships or issues emerged from it. The data was analysed by using the structure that was decided upon for the thesis. Every chapter is basically a sub-question in support of finding an answer to the main question. Breaking each chapter into smaller pieces generated sub-topics. All these sub-topics were coded with numbers. When analysing and coding documents or interviews, these sub-topics were guiding the process. For example, by using categorisations of obstacles and promises identified by interviewees, mapping and analysing the chance of a successful implementation of the EITI is made possible. This contributed to a powerful analysis of the effects of the resource curse in South Sudan and the role that external actors can play to combat it.

The research might also lead to a context-based advice for the implementation of the EITI in South Sudan. Furthermore, donor countries such as the Netherlands could enhance their knowable about how to overcome the resource curse and take advantage of these new insights when designing policy. Hopefully insightful parallels from this case study of South Sudan can be used for other resource-rich countries. Before it is time to explore these parallels the case of South Sudan will first be explained in the next chapter.

4. SOUTH SUDAN

4.1 Demographic profile

South Sudan is roughly the size of France and has a population just fewer than 12 million people. The country relies on oil for 98% of its GDP and suffers from underdevelopment. Few roads exist, and those that do exist are unpaved and largely in disrepair. Less than 1% of the children finish primary school, 30-40% of the families face food insecurity and less than 5% of the inhabitants have access to improved water. Sanitation-boreholes and unprotected wells are the norm, helping diseases to spread. One in ten children dies before reaching their first birthday and female literacy is at a shocking 16%.¹³ With massive displacement due to prolonged conflict, many South Sudanese are internally displaced or have fled to neighbouring countries. The country is lacking the infrastructure to cope with this mass population movement.

South Sudan is home to around 60 indigenous ethnic groups. The largest ethnic groups are the Dinka and Nuer. The Dinka accounts for a mere 11%, yet represent an ethnic plurality. During the formation of the government in 2011 top positions were given to individuals from various groups in order to create a sense of cohesion. South Sudan has a mixed presidential system of government, headed by a president who is head of state, head of government, and commander-in-chief of the armed forces. Salva Kiir Mayardit has been President since the country's independence in 2011. Prior to independence, he was President of the Government of Southern Sudan, as well as First Vice President of Sudan, from 2005 to 2011.

South Sudan has no cultural and economic tradition focusing on agriculture for more than personal consumption. Traditionally, there were no relations with other markets or other countries. This prevented agriculture to develop into more than just food for the local market (academic: December 2014, Nijmegen). In the period before independence South Sudan mainly was no man's land. This made expanding the agricultural sector not very easy, which is further hampered by the long-lasting wars of the twentieth century. That is why South Sudanese commonly are cattle herders or livestock traders instead of settled farmers. Since the discovery of oil, the South Sudanese economy shifted from being predominantly reliant on pastoralists to being dependent on oil. The country, however, struggles to evolve from an agricultural and pastoralist society to being part of the modern world economy. The economy is almost exclusively based on oil exports and the country is highly reliant on aid. In 2013, South Sudan received \$1.4 billion in official development assistance (ODA).¹⁴ The United States was the largest donor by providing \$410 million, followed by the United Kingdom (\$213 million) and Norway (\$91 million). Being landlocked South Sudan depends for access to the global market on neighbours that have poor transport infrastructure. Collier (2014, 6) emphasizes that "the country is extremely isolated: the route north through Sudan is periodically cut off due to political tensions, and the route south depends upon unpaved roads

¹³ Data extracted from Molfetas (2012) and <http://data.worldbank.org/country/south-sudan>. Accessed on 31-10-2013.

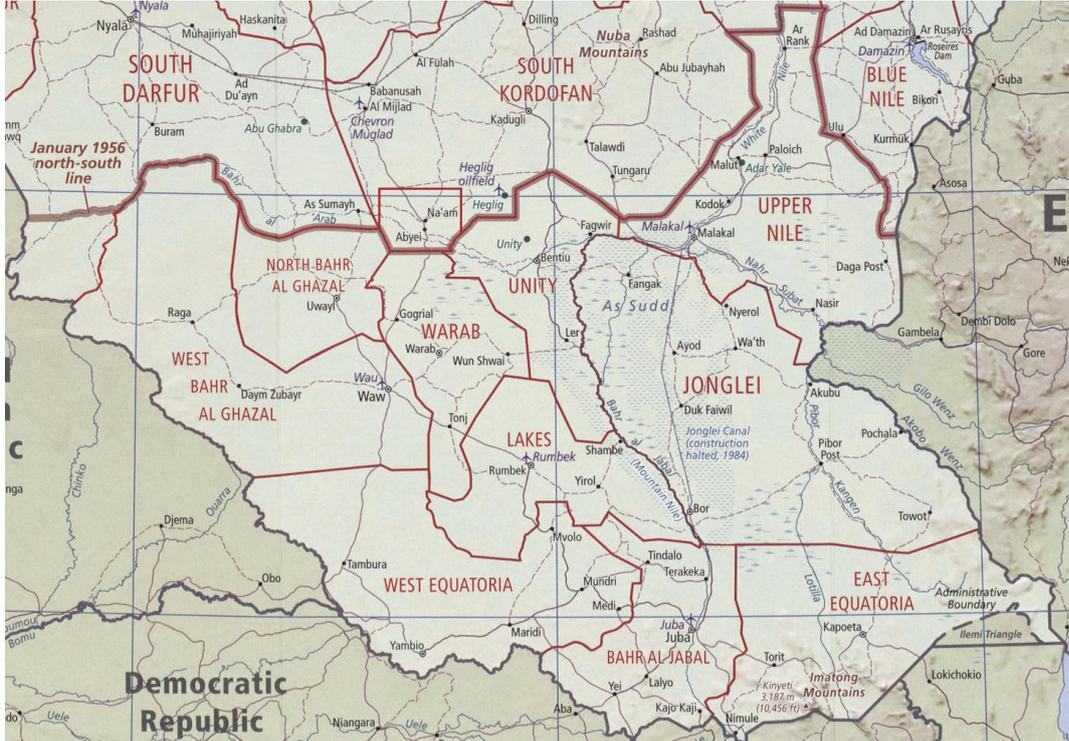
¹⁴ Amounts extracted from OECD website: <http://stats.oecd.org/qwids/#?x=2&y=6&f=3:51,4:1,1:1,5:3,7:1&q=3:51+4:1+1:1+5:3+7:1+2:275+6:2011,2012,2013,2014>. Accessed on 21-10-2015.

to reach the neighbouring countries of Uganda and Ethiopia, which are themselves small economies that are landlocked with very high transport costs to global markets”. Economic isolation is heightened by the small size of the domestic market and the inaccessibility of the global market. Pastoralists, generating a low level of income, still dominate domestic activity.

4.2 The Sudanese wars

In addition to the development issues, South Sudan has an extremely violent history and has been in near constant conflict since Sudan became independent. After the February 1953 agreement by the UK and Egypt to grant independence to Sudan, internal tensions over the nature of the relationship between North and South heightened. Matters reached a head as the 1 January 1956 Independence Day approached. It appeared that northern leaders were backing away from commitments to create a federal government that would give the south substantial autonomy. Discontent expressed through mutiny in the army led to the outbreak of the First Sudanese Civil War on 18 August 1955, which lasted until 1972. The Addis Ababa Agreement ended fighting in 1972 but failed to completely drive out the tensions that had originally caused the war. This led to a recrudescence of the North-South conflict during the Second Sudanese Civil War, which lasted from 1983 to 2005. The war was resumed for three reasons; (1) dissatisfaction in the south because the government in Khartoum failed to fulfil promises, (2) a new generation was ready to take action as the fighters of 1955 were 25-30 years older, (3) and the discovery of oil (academic: December 2014, Nijmegen). The period between 1955 and 2005 is sometimes considered to be a single conflict with an eleven-year ceasefire that separates two violent phases.

Figure 4: Map of border region Sudan and South Sudan



Source: <http://sudanreeves.org>

These extensive wars between the North and the South caused over two million deaths as a result of violence, famine and disease triggered by conflict. Most of the fighting took place in Southern Sudan and later spread to the Blue Nile region and the Nuba Mountains - these regions are depicted in figure 4. The root causes of the conflict have been studied by many authors, but have been the subject of several misinterpretations (Johnson 2003). Portrayed as a religious conflict (Islam vs. Animism/Christianity) by some and as an identity conflict (Arabic vs. African) by others, the conflict has also been intimately linked to the marginalisation of the South and control over natural resources (Cascão 2013). The Comprehensive Peace Agreement signed by the Government of Sudan and the Sudan People's Liberation Movement/Army (SPLM/A) ended the Second Sudanese Civil War, but the peace proved to be fragile as it did not last very long. South Sudan became an independent state on 9 July 2011 following a referendum held in January 2011, where the secession of the South was adopted with 99% of the votes. Infinity, unfortunately, remains with northern neighbour Sudan about the demarcation of the border, the distribution of oil profits and the return of refugees. Violence is still part of daily life in many areas (Oosterwegel and Wesselink 2008).

4.3 The current civil war

Neither the Comprehensive Peace Agreement (CPA) that ended the second civil war in 2005 nor South Sudan's independence brought stability. In December 2013, fighting broke out between forces loyal to President Salva Kiir (a Dinka) and those associated with former Vice President Riek Machar (a Nuer), "due to the failure to resolve longstanding disputes within the ruling party and the army" (International Crisis Group (ICG) 2015, ii). By the end of 2013 clashes between units of the Presidential Guard spread into major fighting beyond the capital and took on an ethnic dimension. Within days of the outbreak of violence in Juba the fighting reached Unity state. Rivalry between Nuer politicians from Unity (including Machar) has caused intra-ethnic conflict to spread further (ICG 2015). A month after the fighting began, the ICG estimated that 10,000 people had been killed (Kulich 2014). Uganda sent troops to strengthen President Kiir's forces, but in the process angered Sudan, its regional rival. Sudan, on the other hand, supports South Sudanese armed militias and retains links with emerging anti-government elements.

The outbreak of war in South Sudan cannot be regarded as a standalone event, it is likely that an accumulation of causes are underlying. Including continuous warfare in Sudan as a consequence of government failure to put in place reforms demanded for decades in conflict sensitive regions Darfur, Blue Nile and South Kordofan (ICG 2015). The emergence of a power struggle after independence also played a role (academic: December 2014, Nijmegen). Are the people who fought for independence also the right people to rule a country? Often this is not the case; ruling a country and creating a state requires totally different skills. In addition, the Nuer and the Dinka have always been in discord throughout history - also being pitted against each other by Sudanese President Omar al-Bashir (academic: December 2014, Nijmegen). This has caused many deaths in mutual strife, even during the liberation battle. Nevertheless, the different ethnic groups found themselves together in one nation after independence, so the leader of one group became president and

the leader of the other group vice-president. It could have gone well because there was a national identity, people considered themselves to be South Sudanese. Identity formation took place as people constructed who they were by defining who they were not, which is called 'othering'. A community divided by ethnicity can thus achieve common identification and solidarity through having a common enemy (Wetherell et al 2007) - in this case the North. However, once people were South Sudanese and violence reignited, people returned to identifying themselves as being Dinka or Nuer. This transformation can be explained by Oberschall's (2000) distinction of ethnic frames; a cooperative frame for normal, peaceful times and a dormant crisis frame, which is used during war. The crisis frame can be activated to stir the group identity and to emphasize on differences, atrocities and brutalities of the other. How the Nuer and Dinka conceive each other during conflict can be quite different from how they see each other in peace time. Added to this, the political turmoil was not just about President Kiir and Vice President Machar, people around them had all kind of interests as well (academic: December 2014, Nijmegen). It seems that Kiir was led to believe that Machar was after his position, which made him fired Machar, leading to strong polarization in society. At some point, the situation became uncontrollable, even if the two would have been able to make amends. On the ground things got out of hand as a repetition of the struggle of the past emerged and violence erupted (academic: December 2014, Nijmegen). The violence spread rapidly because there are a lot of weapons in South Sudan since the country has a history of decades of war. People are used to utilize weapons to protect themselves, even against each other, leading to retaliations - a killing in one village leads to a new one in another village and so on. So even now Kiir and Machar have signed a peace agreement, it will be difficult to discipline their own people again.

In an attempt to end the conflict peace talks have been ongoing in Ethiopia. Those were mediated by the Intergovernmental Authority on Development (IGAD) - the regional security organisation – and have led to a peace agreement on 26 August 2015, though under pressure of threats of UN sanctions. It remains to be seen whether this really puts an end to the 20-month conflict, as President Kiir has serious reservations about the peace deal. He stated "with all those reservations that we have, we will sign this document"¹⁵, of which many details have yet to be worked out. Although, the implementation process might prove to be difficult, the violence, horrific human rights violations and hardship witnessed throughout the conflict will hopefully come to an end. Thousands of people have already been killed, 2 million people are displaced and even more people are famished. In addition, the conflict seriously affected daily life in Juba; the security situation has deteriorated, inflation and the cost of living have increased tremendously and hijackings are taking place. Anti-western sentiments increased during the war, especially among President Kiir's troops and the Dinka population (NGO representative: December 2014, Skype). This is fuelled by the threat of UN sanctions and a trust issue with UNMISS, which made people feel uncomfortable working together with them (NGO representative: December 2014, Skype). More on UNMISS follows below.

¹⁵ Retrieved from <http://www.reuters.com/article/2015/08/26/us-southsudan-unrest-president-idUSKCN0QV1MF20150826>. Accessed on 2-9-2015.

4.3.1 UNMISS

On 8 July 2011, the United Nations Security Council adopted Resolution 1996 (2011) and thereby, established the United Nations Mission in South Sudan (UNMISS). UNMISS is currently authorized until 30 November 2015 and is headed by Special Representative of the Secretary-General Ellen Margrethe Løj, who succeeded Hilde Johnson in July 2014. The mission could, however, not prevent the outbreak of conflict in December 2013 and is not able to restore order or peace as fighting continues in different parts of the country. By its resolution 2155 (2014) of 27 May 2014, the Security Council, reinforced UNMISS and reprioritized its mandate towards the protection of civilians, human rights monitoring, the delivery of humanitarian assistance and support for the implementation of the regionally negotiated ceasefire agreement. The peacekeeping mission's troop strength has also been increased to 12,500 and the police component has been enlarged to up to 1,323 personnel.¹⁶ Complemented with 2382 civilians, consisting of international and local staff and United Nations volunteers. UNMISS currently faces a huge challenge providing protection and emergency relief to thousands of South Sudanese civilians while being caught in the middle of an increasingly brutal and ethicized civil war (Hutton 2014b). Collier (2008) highlights that external military force is needed for a long time, even when a conflict has ended. If Collier is right this implies that the end of UNMISS is not in sight the coming decades.

4.3.2 The Future

South Sudan is in desperate need for sustainable peace and stability. The ceasefire deal of August 26th alone might not be enough to induce this, as those signing the deal are not truly committed to the terms.¹⁷ To give it a chance, the warring parties should at least stick to the following key points of the peace deal¹⁸:

- Fighting must stop immediately. Soldiers to be confined to barracks in 30 days, foreign forces to leave within 45 days, and child soldiers and prisoners of war freed.
- All military forces to leave the capital, Juba, to be replaced by unspecified 'guard forces' and Joint Integrated Police.
- Commission for Truth, Reconciliation and Healing to investigate human rights violations.
- Transitional government of national unity to take office in 90 days and govern for 30 months.
- Rebels get post of 'first vice-president'
- Elections to be held 60 days before end of transitional government's mandate.

¹⁶ Retrieved from <http://www.un.org/en/peacekeeping/missions/unmiss/facts.shtml>. Accessed on 27-1-2015.

¹⁷ Retrieved from <http://www.theguardian.com/world/2015/sep/10/south-sudan-peace-ceasefire-press-freedom>. Accessed on 12-9-2015.

¹⁸ The key points are extracted from <http://www.bbc.co.uk/news/world-africa-34066511>. Accessed on 2-9-2015.

To work towards lasting peace, the numerous regional and local conflicts, which are different but interrelated disputes, must be resolved as well (academic: December 2014, Nijmegen). It is important to address all these conflicts as they feed each other. Without an end to the enduring war in Darfur, there is no peace in Sudan and without lasting peace in South Sudan; a peace deal between the North and the South won't be very promising. There is much more to it than putting an end to fighting, an extensive reconstruction process is at least required to preserve such a peace. A major pitfall for reconstruction would be to approach South Sudan as a post-conflict country. Auresserre (2010) emphasizes that international interventionists tend to label a situation too easily as 'peaceful' when engaging in post-conflict reconstruction. As a result they often turn a blind eye to local conflict and violence. That is why Autesserre (2010) argues that 'bottom-up approaches' are often better suited for peace building than the dominant 'top-down approaches'. Such a bottom-up approach should in any case engage in political reform, which could induce a revolution or change of regime. This kind of reform can only happen from within South Sudan, international support and pressure can purely point in the right direction. The recent peace agreement states that a transitional government must be formed on the short term but in the meantime Kiir and Machar occupy their usual posts again. As a result it might be quite hard to trigger change in practice. To halt the spiral of violence and give peace a chance, weapons must be taken in. This has proven to be very difficult as feelings of insecurity with respect to each other prevent that people hand in their weapons. Securing the safety of citizens must once again become a task of the government (academic: December 2014, Nijmegen). This strategy can only be effective if the government represents all parties, provinces and major tribes, which has not always been the case in the past. Office is too often abused for personal gain and being represented is usually a matter of being part of a clientelist network. To end these kind of practices, some sort of committee should be established to approve expenses on the basis of criteria (academic: December 2014, Nijmegen). As part of political reform, there should also be improved oversight of the oil sector and a type of fund for the oil money – as suggested in the Transitional Constitution (2011). Implementing EITI could be useful at this point to increase revenue transparency. More about this later, first South Sudan's oil sector will be further explored.

4.4 The role of oil

As outlined before, oil no doubt played a key role in the Sudanese civil wars. Werker, Wyett and Ding (2012, 9) state that this perhaps was "the most damaging aspect of the resource curse for South Sudan". In the second civil war, oil wealth has led to more intense fighting, as belligerents could finance more weapons and sustain their fighting for longer periods. Oil has breed the current conflict in a sense that it has significantly increased the military budget of the government but without the support of Uganda, the South Sudanese army would have been long gone (NGO representative: November 2014, phone). Besides that, fighting is the worst in the oil producing parts of the country and takes place over the control of oilfields (NGO representative: December 2014, Skype). Hence, oil is an important factor in the current civil war but not directly a cause, it mostly served as catalyst (consultant: November 2014, Skype). Yet, the management of the oil industry will be a key factor to determine South

Sudan’s future given the high reliance on oil of the country. At the moment, the oil industry is poorly supervised and highly politicised. Consequently, it is rather a source of friction and division than contributing to an enabling environment for peace and development (Oosterwegel and Wesselink 2008). Sudan and South Sudan have still not settled the exact terms of a revenue-splitting agreement, but Sudan demands to receive a significant portion of the income from landlocked South Sudan's oil sales as a fee for the use of Sudanese refineries, pipelines, and port facilities. Meanwhile, the government of South Sudan explores the possibility for an alternative export pipeline to the Indian Ocean via Lamu in Kenya or via Ethiopia to Djibouti’s seaport (see figure 5). Land rights continue to be a point of strife between the two Sudans whether it is over redistributive land and resource rights as a form of reconciliation or the Abyei border region (Molfetas 2012).

Figure 5: Sudan and South Sudan Oil Map



South Sudan is one of the newest major oil producing countries in the world and has the third-largest reserves in Sub-Saharan Africa after Angola and Nigeria, according to BP.¹⁹ As a result of oil exploitation, the structure of the South Sudanese economy has shifted from being predominantly reliant on pastoralists to oil (Nour 2011). According to the U.S. Energy Information Administration (EIA 2014), South Sudan had 3.5 billion barrels of proved oil reserves, as of January 1th, 2014. Most reserves are located in the oil-rich Muglad and Melut

¹⁹ Retrieved from <http://www.reuters.com/article/2013/12/20/us-southsudan-unrest-china-idUSBRE9BJ0FV20131220>. Accessed on 6-11-2014.

basins, which extend into both Sudan and South Sudan. Because of the Sudanese wars, oil exploration prior to South Sudan’s independence was mostly restricted to the central and south-central regions of unified Sudan. Oil and natural gas explorations still remain limited because of the unstable political and security situation, despite proved reserves of 3 trillion cubic feet (in Sudan and South Sudan together).

The Ministry of Petroleum and Mining is responsible for the management of the extractive sectors in South Sudan. To govern its oil sector the country created the Petroleum Act (2012), which will be extensively discussed in the next paragraph and outlines the institutional framework. It formulates a clear division of roles among key government agencies; the National Petroleum and Gas Commission approves exploration licences and sets policy, the Petroleum and Mining Minister negotiates contracts and handles regulations of the sector, and the Finance Ministry manages revenue (Revenue Watch 2013). The Nile Petroleum Corporation (Nilepet) is South Sudan’s national oil company, and the Sudan National Petroleum Corporation (Sudapet) is its counterpart in Sudan. After independence, South Sudan nationalised Sudapet's assets in the south and transferred them to Nilepet. Nilepet is active in different oil exploration and production ventures, most commonly in the role of minority shareholder. The national company engages in production-sharing contracts with foreign oil companies because of its limited technical expertise and financial resources (EIA 2014). National oil companies from Asia dominate the South Sudanese oil sector. These are China National Petroleum Corporation (CNPC), India's Oil and Natural Gas Corporation (ONGC) and Malaysian Petronas. These companies are the largest shareholders in the leading consortia operating in both Sudan and South Sudan: the Greater Nile Petroleum Operating Company (GNPOC), the Dar Petroleum Operating Company (DPOC), and the Sudd Petroleum Operating Company (SPOC) – shown below in table 1. GNPOC was behind the construction of 1,500 km of pipelines, numerous refineries and the development of Port Sudan, which are shown in figure 5. Petronas owns a 30% stake in the GNPOC, CNPC has a

Table 1: Main oil companies in South Sudan			
Consortium	Company	Country of origin	Share (percent)
Greater Nile Petroleum Operating Company (GNPOC)	CNPC	China	40
	Petronas	Malaysia	30
	ONGC	India	25
	Nilepet	South Sudan	5
Dar Petroleum Operating Company (DPOC)	CNPC	China	41
	Petronas	Malaysia	40
	Nilepet	South Sudan	8
	Sinopec	China	6
	Egypt Kuwait Holding	Egypt	3.6
	Other Partners	-	1.4
Sudd Petroleum Operating Company (SPOC)	Nilepet	South Sudan	41.9
	Petronas	Malaysia	33.9
	ONGC	India	24.2

Source: U.S. Energy Information Administration

40% stake, ONCG 25% and the remaining 5% is nationally owned. This means that Nilepet holds a 5% share in GNPOC's operations in South Sudan, while Sudapet still holds a 5% share in GNPOC's activities in Sudan.

China is a dubious actor in South Sudan, playing a pivotal role in resource management and conflict financing at the same time. Ironically, while pledging to provide \$2 billion in loans, to strengthen South Sudan's fragile economic and infrastructure, China happens to be the government's top weapons provider (Gridneff 2014). Nowhere more than in Sudan and South Sudan has China been forced to stretch its long-standing foreign policy of non-interference in domestic affairs. By engaging in crisis diplomacy and mediating in peace talks, China tries to be a responsible actor, because it wants to protect its investments and its deployed citizens (Patey November 24, 2014).

South Sudan's challenges associated with the resource curse are further heightened by the effect of large aid inflows. After the signing of the Comprehensive Peace Agreement, South Sudan got flooded with aid money. In total, donor agencies spent over \$1.1 billion in 2010, on 395 separate projects (Werker et al. 2012). Half of these projects were related to health, humanitarian assistance or social development, although the most expensive projects were in infrastructure. "Overall, total aid spending was equivalent to \$134 per person, or roughly 14 percent of the average per capita income. This number is more than double the average aid spending per capita for the rest of Sub-Saharan Africa" (Werker et al. 2012, 6). Although this money is well intended and badly needed, it has not been very effective (academic: December 2014, Nijmegen). Collier (2008) explains that before aid can be effective in a conflict-prone country a turnaround in the form of political reform is needed. Sudden extra money, whether from oil booms or aid, detracts from the hard choices involved in the required reform. Large inflows of aid without any restrictions will probably not cause the much-needed development in South Sudan. It may even be counterproductive as big corrupt money is likely to undermine the political process, enabling a strategy of patronage to triumph over honest politics. In order to prevent this from happening institutions need to be improved first.

In addition, donor-recipient relations are put on edge by the current crisis as it reshapes not only internal relationships between the state and its citizens but also the relations between the government and international actors (Hutton 2014a). The impact of the current crisis on the population and the breakdown of services have deep economic and social consequences for South Sudan where human development is already among the worst in the world.²⁰ Now a ceasefire is signed, "there is hope that this crisis can be resolved and that the people of South Sudan can once again return to the tiresome task of rebuilding" (Hutton 2014a, 4). When this will be remains unclear but one thing is certain; South Sudan represents a startling development hurdle, as the country seems to be stuck in a resource and conflict trap (Collier 2008). The marriage of these factors makes it hard to breakaway, it will therefore be crucial to increase the quality of South Sudan's institutions and to make sure that a solid regulatory framework is in place. South Sudan's regulatory framework will be discussed in the next section.

²⁰ Retrieved from <http://www.worldbank.org/en/country/southsudan/overview#2> on 6-11-2014.

4.5 The regulatory framework

South Sudan's petroleum sector is regulated by a number of legislations, including the Transitional Constitution (2011), the Petroleum Revenue Management Bill (2012) and the Petroleum Act (2012). Deng (2015, 4) puts forward that "the Legislative Assembly passed the Petroleum Revenue Management Bill in October 2013, but the president never signed the legislation into law". The Transitional Constitution prescribes that if the president does not sign a bill into law within 30 days after it passes parliament, the bill is supposed to be applicable law. In practice, however, this does not show as actions demonstrating that the bill will be matched by effective implementation are staying behind. This applies not only to the Petroleum Revenue Management Bill as most laws and regulations in South Sudan remain almost completely unimplemented (Deng 2015). This is a shame as they are judged to be of high quality by practitioners and the RGI-ranking of Revenue Watch (2013).²¹ This quality has been achieved by ambitious local policymakers making use of international support, in particular from countries like Norway and the US (Cust and Harding 2013).

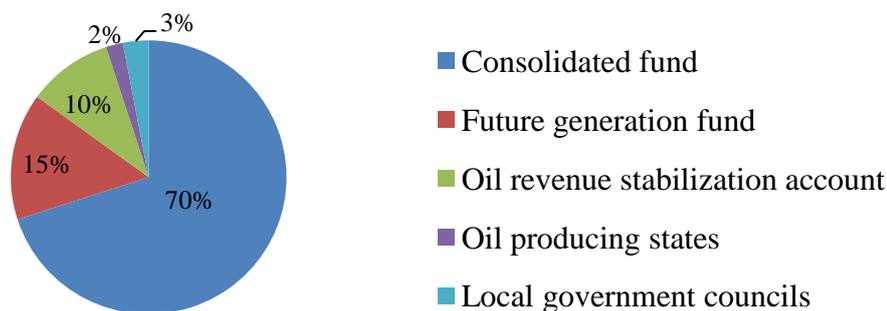
The Petroleum Revenue Management Bill requires all revenue from oil to be deposited in a single petroleum revenue account, following the example of Norway. In Norway oil revenues are swept into what was once called the State Petroleum Fund but is now called the Government Pension Fund. In South Sudan, oil revenues have to be transferred to two funds; a Consolidated Fund, from which the national budget is drawn, and a Reserve Fund, consisting of an Oil Revenue Stabilization Account and a Future Generation Fund.²² The stabilization account is meant to act as financial buffer to respond to fluctuating oil prices, ten percent of annual revenue is supposed to go there. The government can only withdraw money from the stabilization account if quarterly revenue falls below 25 percent of what is needed to fund the national budget (Deng 2015). The purpose of the Future Generation Fund is to invest a part of the oil revenues in low risk investments in the hope that after oil reserves are exhausted, earlier generated revenue can continue to provide returns. Additionally, it intends to reduce the opportunity for excessive spending by removing a significant portion of revenue from the government's budget. If the fund is actually being created and if the required 15 percent of revenue is allocated yearly, it could ensure that South Sudan's future generations benefit from the country's oil wealth long after oil fields have run dry. The Future Generation Fund is supposed to be inaccessible in the first five years after the Petroleum Revenue Management Bill is signed into law (Deng 2015). Thereafter, the government could withdraw up to five percent of the fund's account per year for low risk investment.

To compensate for environmental and social harms as a result of oil production, the Transitional Constitution (2011) requires that two percent of oil revenue flows back to the oil producing states. In addition, the Petroleum Revenue Management Bill indicates that an extra three percent should go to local government councils in these states. This results in the below displayed allocation of revenue (Deng 2015).

²¹ The Resource Governance Index (RGI) evaluates four key components of resource governance in each country: (1) institutional and legal setting, (2) reporting practices, (3) safeguards and quality control, and (4) enabling environment.

²² The two reserve funds were initially called for in the Transitional Constitution, article 176 (2011). http://www.sudantribune.com/IMG/pdf/The_Draft_Transitional_Constitution_of_the_ROSS2-2.pdf.

Chart 1: Revenue distribution as proposed in the Petroleum Revenue Management Bill



Source: Deng 2015

According to the Transitional Constitution (2011), South Sudan’s oil wealth belongs to the people of South Sudan. Therefore, citizens should have the right to know the terms under which oil is being produced and sold (Deng 2015). Both the Petroleum Revenue Management Bill and the Petroleum Act contain strong provisions on transparency and accountability, including requirements for public disclosure of oil agreements, licences, revenue and expenditure. However, a confidentiality provision in the Petroleum Act, section 100, allows information to be withheld if it might damage industry competitiveness, which could act as a practical barrier to disclosure (Revenue Watch 2013). If the disclosure provisions would be implemented, they would make a transparency initiative like the EITI redundant. Unfortunately though, none of this information has been made public to date (Deng 2015). Implementing the thoughtful designed legislation could form a great opportunity for South Sudan to promote responsible governance of the oil sector through national law. Moreover, the functioning of the oil sector seems to be a key deterrent for the country’s future given the current dominance of oil and the relative underdevelopment of non-oil sectors. Deng (2015, 4) indicates that “in order to transform its oil wealth from a cause of insecurity to a driver of peace, South Sudan must develop mechanisms to implement its petroleum sector legislation more effectively and promote a broader reform process”. The next chapter, chapter 5, will explore why such mechanisms are lacking by scrutinizing the signs of the resource curse in South Sudan.

5. SIGNS OF THE RESOURCE CURSE IN SOUTH SUDAN

“We are poised for a disaster. We will have a new government with no experience at governing. Our institutions are weak or absent. There will be high expectations. Hundreds of millions of dollars of oil money will be coming our way, as well as inflows of foreign aid. It’s a recipe for corruption” (Pagan Amum, Secretary General of the SPLM, quoted in Klitgaard 2004).

South Sudan has experienced a recent oil boom and was flooded with foreign aid after its independence but remains highly underdeveloped. The country seems to have the right profile but is nevertheless largely excluded from academic literature on the resource curse in oil-rich Sub-Saharan Africa. While major oil producers such as Nigeria, Angola and Equatorial Guinea have all been extensively analysed, the case of South Sudan remains under-examined (Patey 2010). This can partly be explained by the fact that the country came into existence only 4 years ago, which - at the same time - offered the opportunity to create institutions and agencies from scratch because legislation and policies were just getting tabled. However, this was not an easy task, as a newly independent state struggling with enduring conflict South Sudan had to deal with severe capacity constraints while it sought to build governance structures. Hence, South Sudan still faces a variety of institutional and governance challenges related to the oil sector and more broadly. South Sudan attempted to cope with these challenges, but succeeded only partly as much of the high-quality legislations are unimplemented and institutions remain extremely weak. The combination of those weak institutions and the resource abundance of the country have far-reaching consequences that are often interpreted as symptoms of the resource curse. This section examines these symptoms and explains how weak institutional capacity has led to corruption and allegedly widespread theft by government officials.

5.1 What it means to have weak institutions

Smith (2007) states that the institutional context in which revenues arrive, as well as the timing thereof, is a better explanation for a country being ‘cursed’ rather than the mere presence of revenues. Resource-rich countries with ineffective policies and incompetent institutions - including capacity, commitment, and governance - consequently face obstacles to development such as corruption and conflicts. Moreover, oil has a negative growth impact when institutions are bad and a positive growth impact when institutions are good. Functioning institutions thus make a huge difference for development. Werker et al. (2012) emphasize that oil wealth hampers institutional development, whereby in particular the development of macroeconomic institutions. This happens because the prospect of high profits from resource exploitation generates competition over the ownership of these resources, whereby politicians tend to concentrate on capturing existing rents instead of motivating people to create wealth. In addition, bad institutions often seem rather permanent, that is why countries with low-quality institutions face a double burden (Mehlum et al. 2006).

In governance systems with strong institutions, corruption and patronage can disturb the functioning of the system, while in rentier states with weak institutions, corruption and patronage *are* the system (De Waal 2014). Improving institutions can in the latter case only lead to ‘bubbles of integrity’ and small well-functioning spots in the governance structure but cannot change the broader rotten system.

When South Sudan gained independence in 2011, oil wealth brought hope for a brighter future. There was optimism that through applying lessons learned, South Sudan might avoid some of the risks of the resource curse, and establish the basis for solid institutions by installing sound rules and norms for governing. However, “much like Chad, Equatorial Guinea and Gabon, South Sudan has faced difficulties dealing with the complex and interconnected issues of natural resource management from licensing to exploration, production and revenue sharing” (Pedersen and Bazilian 2014, 173). By getting independent South Sudan did not begin with a clean slate, it inherited a rather rudimentary institutional base, which originated from decades of war and marginalisation (Knopf 2013). Moreover, the country did not have the experience to manage the infrastructure that came with the oil sector and the large inflow of revenue. Patey (2010) adds that the government of South Sudan (GoSS) has done little to improve the standard of poor governance established by the regime in Khartoum.

Focus on building institutions in South Sudan has increased since the secession. Efforts have particularly concentrated on creating political autonomy at various administrative levels. Unfortunately, these efforts have to date largely failed. According to the World Bank (2014), South Sudan has - together with Eritrea - the lowest quality institutions in Africa. The score reflects the quality of the country’s policy and institutional framework across 16 dimensions, grouped into four clusters: (1) economic management, (2) structural policies, (3) policies for social inclusion and equity, and (4) public sector management and institutions. The CPIA Africa report is not explicit about how these dimensions are actually measured and only states that the scores “are computed by World Bank staff and are based on quantitative and qualitative information” (World Bank 2014, 4). Although it is not entirely clear how it is deliberated, the World Bank attempts to assess the quality of both formal institutions such as laws and regulations and informal institutions that deal with norms of good governance. Resulting in South Sudan performing the worst in cluster 1 (including fiscal and debt policy) and cluster 4 (including efficiency of revenue mobilization and transparency, accountability and corruption in the public sector). This weak score manifests itself, for example, in the process of public budgeting being simply a formality as money is spent as soon as it comes in (Werker et al. 2012). The expenditures of the government have risen just as fast as the oil revenues in recent years and revenue is not allocated to the different funds as the Petroleum Revenue Management Bill requires. In 2008, oil revenue turned out twice as high in the actual budget compared to what was forecasted in the provisional budget, but the government did not save this windfall, instead it simply revised the budget to allow for a similar increase in spending (Werker et al. 2012). Not surprisingly, the corruption level in the country is among the top-five highest in the world (ranked number 171 out of 175 by Transparency International), which is regarded to be a symptom of inadequate laws and institutions.

5.2 Political failure, corruption and other scandals

To really understand where it went wrong, one must look further back than the short existence of the nation. Non-oil growth has already been neglected in Sudan before South Sudan became independent. As in many other oil-producing countries, Sudan has failed to utilize its oil wealth efficiently to develop other sectors of the economy, causing the ‘Dutch Disease’ to strike. Large inflows of foreign currency from oil exports have appreciated the value of the Sudanese Pound, diminishing the competitiveness of other tradable and manufactured products. “Sudan’s non-oil exports, mainly composed of sesame and livestock, have dropped from \$677,000 million in 2004 to \$545,000 million in 2008” (Patey 2010, 5). Because the majority of the Sudanese people are employed in agriculture, they have hardly benefited from oil development. Patey (2010) emphasizes, while Khartoum has received a facelift in the form of new office buildings, hotels and residential areas, 60–75 percent of the inhabitants in the north and 90 percent in the south are living below the poverty line.

From the moment Salva Kiir became president of the Government of Southern Sudan, as well as first vice president of Sudan in 2005, he has headed a kleptocracy. This can partly be attributed to the way that Sudan ruled Southern Sudan; “through a counter-insurgency that used ethnic militia” and to the nature of the Southern rebellion itself, “which was run along neo-patrimonial lines” (De Waal 2014, 348). According to De Waal (2014) it was therefore almost inevitable that South Sudan obtained independence in July 2011 as a kleptocracy, which he describes as a militarized, corrupt neo-patrimonial system of governance²³. At that time, the military-political patronage system already consumed a significant quantity of revenue, thereby leaving almost nothing for development, public services or institution building. “The efforts of national technocrats and foreign donors produced bubbles of institutional integrity but the system as a whole was entirely resistant to reform” (De Waal 2014, 347). The nation entered the Transparency International corruption perception index almost at the bottom for a reason; “corruption permeates all sectors of the economy and all levels of the state apparatus and manifests itself through various forms, including grand corruption and clientelistic networks along tribal lines”.²⁴ The SPLM leadership was from 2005 onwards involved in corrupt practices and self-enrichment. When oil prices dropped in 2009 the government budget was scrutinized, which brought attention to the frivolous spending of government officials on, for instance, overpriced overseas training courses, hotels and business trips. “It is also widely believed that ministers and civil servants have created fake companies to loot public resources, while defaulting on loans from the Nile Commercial Bank” (Patey 2010, 13). Another scandal related to grain production became public in 2011, as hundreds of millions of dollars in state funds had gone missing (De Waal 2014). A year later, President Kiir acknowledged that at least \$4 billion had been stolen and taken abroad by government officials. In May 2012, Kiir wrote to 75 officials demanding repayment of stolen

²³ Neopatrimonialism is a mix of patrimonial and legal-rational political domination. “The exercise of power in neopatrimonial regimes is erratic and incalculable [...]. Public norms under neopatrimonialism are formal and rational, but their social practice is often personal and informal.” (Erdmann and Engel 2006, 31).

²⁴ Transparency International, ‘Overview of corruption and anti-corruption in South Sudan’. Retrieved from <http://www.u4.no/publications/south-sudan-overview-of-corruption-and-anti-corruption>. Accessed on 31-8-2015.

oil revenue and offering amnesty for those who came forward (Cust and Harding 2013). That these practices when on for such a long time without many problems is due to the high amount of revenue coming in, it has long been enough to keep the elites satisfied. This is not surprising given that South Sudan's public spending was \$350 per capita in 2012, which is three times that of Kenya and seven times Ethiopia's (De Waal 2014). By far the biggest source of rent was oil revenue, but aid and investment were important secondary sources as aid brought in over \$100 per capita. The government's model of public spending totally ignores budgetary discipline as only a very small part goes to public services such as health and education and almost nothing is invested. Larson, Ajak and Pritchett (2013, 21) describe how this is possible:

“One donor official distinguished between the ‘Real Ministry of Finance’ and the ‘Fake Ministry of Finance’. The ‘Fake Ministry’ is the one working with the donors and technical advisors on budget allocations, promoting the outward appearance of high functionality, while the ‘Real Ministry’ is operated through backdoor dealings between South Sudanese officials, concealed from donor view. As the donor official says: “The technical advisors help prepare budget allocations, but then the army generals wheel into the minister's office, and they make the real allocations.” While budget allocations are readily and publicly available, the budget expenditures are only rarely (and then, only partially) shared.”

This explains why South Sudan has by far the largest public expenditure per capita in East Africa, and a very generous allocation of aid, while there is only very modest progress in health and education indicators. The World Bank's 2013 public expenditure review states that “the current pattern of public expenditures, if left unchanged, will not allow meaningful gains in social outcomes in health and education over the foreseeable future” (Adiebo, Bandiera and Zacchia 2013, 16). International development actors have tried to improve the current pattern by assisting the government in building working institutions, but meanwhile much of the national wealth disappeared in someone's pocket or was used to keep the patronage system up and running. External actors often wrongly assumed that the GoSS is sincerely motivated to curb corruption, while corruption is precisely what makes the current political system tick (De Waal 2014). De Waal (2014, 361) emphasizes that “Kiir's main instrument of governance is permitting members of the elite to join the ‘kleptocratic club’”. Whereby, President Kiir seems to be at the top of the neo-patrimonial system but not in control of it; with the increase of corruption, insecurity also increased. While widespread insecurity contributed to rapid escalation of the conflict in December 2013, kleptocratic practices continued nevertheless. De Waal (2014) notes that members of the South Sudanese elite predominantly saw the peace negotiations in Ethiopia as an arena for tactical bargaining. They wanted to ensure that when the South Sudanese leaders decided to make a deal, it would legitimize the revival of self-enrichment. Chances are high that now Kiir and Machar have reached an agreement they will just return to their old habits, while the thousands of civilians who have died will not be accounted for. The fact that the return of the SPLM leadership is tolerated all the more shows the absence of functioning institutions. Altogether, the failure of governance to counter corruption and resolve political tensions surrounding oil reveals another feature of the

resource curse in South Sudan (Patey 2010).

5.3 The state of the oil sector

It is unclear how long South Sudan's oil industry is going to last precisely. The existing oil wells are running down and there has not been much new exploration. Estimations are made that oil reserves will roughly last until 2035, which is still twenty years from now (Shankleman 2011). Next to the inevitable geological shortcomings of the oil sector, the sector's poor management has created technical weaknesses. Moreover, Patey (2010) notes the lack of attention paid to strengthening the economy and addressing the mismanagement of the industry has depressed the value of oil gains. Partly because of pressure from Khartoum oil is extracted too quickly from the oil fields. Therefore the amount of oil extracted is at least 10% smaller than it potential could have been if South Sudan would have taken the time and had invested more (NGO representative; November 2014, phone). From some fields only 25% of the available oil is extracted, this could have been 35% or 40% if done well. Patey (2010) explains that SPLM's war legacy translated into the demand to see financial rewards from oil now rather than later due to decades of poverty and civil war. The government had plans to invest heavily in order to take the extra 10% out when it became independent but it has never come so far as self-enrichment has taken priority over productivity (NGO representative; November 2014, phone). Chances are high that the oil companies in South Sudan are not willing to make these investments either, especially since the country has done the unthinkable - in oil terms at least (consultant: November 2014, Skype). That was not so much the civil war, but shutting down the oil industry in 2012 because of a dispute over the distribution of revenue with its northern neighbour. It is very unusual for a government to shut down the oil industry. The fact that the government told the oil industry to stop pumping oil must have damaged the relationship between the government and the oil companies (consultant: November 2014, Skype). The oil companies are likely to continue producing as long as it makes commercial sense but there will be little trust in the GoSS and they will probably not invest much extra money in South Sudan.

The oil companies operating in South Sudan do not have an easy job. The government safeguards their security not very well, keeps changing the rules and companies have to evacuate their staff so now and then (NGO representative: November 2014, phone). According to a NGO representative (November 2014, phone) it has happened that a minister decided that all Sudanese should be fired in the oil industry, because they have to be replaced by South Sudanese. This enlarged the tensions between the Sudans and the different ethnic groups living in the oil producing regions and has led to chaos and the loss of experienced staff members in the oil sector. Luke Patey (2014) outlines that, the insecurity and political instability Chinese CNPC and Indian ONGC faced in South Sudan have left a lasting impact on the companies. He explains that they made changes to their security policies based on their experiences of kidnappings, violence and theft in the Sudans. Thereafter, they took their own measures by installing early warning systems and carrying out security training for international staff in how to respond to kidnappings and other incidents. China was also engaged in mediating in South Sudan's peace talks in Ethiopia and has increased its

humanitarian aid budget²⁵. To get oil production back to the level prior to the war, investments are needed to reconstruct the damaged oil facilities. As the GoSS has not got the money to pay for those repairs, China is paying (consultant: November 2014, Skype). Chinese technicians are flown in to do the repairs but the work is going slow. The oil companies try to endure the accumulation of setbacks and harsh conditions as well as possible. Of course, they do not have much of a choice, as they do not call the shots in Juba. Therefore, they adjust as much as possible to the current vulnerable situation.

In the summer of 2008, South Sudan experienced the effect of oil shocks as a newborn exporter. Because of the country's heavy dependency on oil the impact of tumbling oil prices was enormous. "A suddenly cash-strapped government could not pay civil servant salaries for months and the Bank of Southern Sudan had to rescue the private Nile Commercial Bank after it was out of cash in April 2009" (Patey 2010, 6). Again, oil prices on international markets have dropped 60 percent since June 2014 (Deng 2015). Despite the past experience, the GoSS was ill-prepared to handle the effects of this sharp drop in price. The fact that the country still has no stabilization mechanism to protect itself from fluctuations in international markets has had a devastating impact on the economy. Challenges relating to the country's state-owned oil company – Nilepet - also exist. Nilepet is required by the Petroleum Act (2012) to release comprehensive audited reports on the company's finances, but it is yet to do so (Cust and Harding 2013). In addition, the company's CSR policy is either vague or unavailable. This is true for Nilepet as well as the three dominating Asian oil companies .

5.4 Implications of the resource curse

According to Patey (2010), it has been the failure of governance at multiple levels that has allowed the economic and political afflictions of the resource curse to take hold of South Sudan. He states that a 'multiplicity of institutions' beyond the national capital must be in place for the resource curse to be averted. This is something that the current (disintegrating) government of former fighters has not managed to establish. In the present neo-patrimonial system of governance, political office is commonly used for personal advantage and advantage of the SPLM in general. De Waal (2014, 348-349) distinguishes four features of this system:

"First, it is kleptocratic, as the functioning of the public authorities is determined by supply and demand instead of by laws and regulations. Moreover, national leaders use every opportunity to steal public funds. Second, it is militarized, as members of the elite at all levels use force or the threat of force as an instrument of bargaining. Third, governance transactions are highly monetized, and the cash flow to the ruler is the heartbeat of governance. Fourth, it is a dynamic and 'turbulent' system, in which patron-client relations are not stable but are constantly subject to renegotiation."

²⁵ Retrieved from <http://www.chinausfocus.com/foreign-policy/mission-possible-china-us-cooperation-in-resolving-the-south-sudan-conflict/>. Accessed on 6 Augustus 2015.

Meanwhile, it seems that the international development community is still not completely aware of the severity this system as they continue their partnerships with the government. The GoSS makes little effort to conceal the level of corruption in its ranks but foreign donors cannot be all that surprised when they consider how little the large inflows of aid have accomplished. It might be gullibility, but external actors might also benefit from continuing the cooperation, especially when they are interested in earning quick money. Insufficient international responsiveness is not just something that South Sudan experiences nowadays; the international community has often turned a blind eye to the human rights violations that occurred in Sudan in the past. Low international pressures on Sudan in the Darfur crisis in 2004 have been motivated by Chinese and Russian interest in oil supply and arms trade (Basedau 2005). Shanmugaratnam (2008) explicates that the hegemony of the neoliberal paradigm, the power of multinationals and the behaviour of countries like China with huge and urgent demands for oil are not so conducive to overcome the challenges of the resource curse in resource-rich, but politically and institutionally weak, countries such as South Sudan. Some multinationals and foreign governments have no compunction about collaborating with the South Sudanese government despite the fact that it has used violent means to evict people from their land for oil extraction and oil revenue to intensify the war (Patey 2010). This primarily maintains the kleptocratic system and allows low-intensity yet protracted conflict to continue in areas around South Sudan's oil fields.

The economic effects of the resource curse have driven high levels of oil-centred growth over the past decade without developing wider sections of the economy (Patey 2010). Added to this, South Sudan has made a bad deal with Sudan over the costs of using Sudan's pipelines to Port Sudan. The amount that South Sudan has to pay to Sudan was calculated according to oil prices in 2012, and no mechanism exists to adjust the rate to changes in the oil price (Deng 2015). This has resulted in an extra major financial setback for the country. As a response South Sudan is borrowing desperately to try to compensate for budget shortfalls, but little information is publicly available about the terms of the loans or how the money is being used (NGO representative; November 2014, phone). The economic crisis that South Sudan faces may ultimately cause as much damage as the war itself unless measures are put in place to control government spending, restrain corruption and ensure greater transparency and accountability over the use of oil revenue.

Conflict has been regarded as another symptom of the resource curse (Ross 2003a). Competition over the distribution of revenue has exacerbated political divides in and outside the SPLM, which increased the level of insecurity and has contributed to the outbreak of war in December 2013. According to Collier and Hoeffler (2004) this was to be expected as poverty and trauma from decades of civil war significantly increase the risk of protracted conflict. "Globally, oil-producing countries spend three times more on their militaries than developed countries and ten times more than underdeveloped countries" (Deng 2015, 2). The 56 percent of annual revenue that South Sudan allocated to military spending in the 2014-15 budget is a testament to this fact.²⁶ Deng (2015) expects that even now a peace agreement is

²⁶ Richard Nield (2014, July 18th). Retrieved from <http://africanarguments.org/2014/07/18/south-sudans-war-budget-by-richard-nield/>. Accessed on 29-3-2015

signed; there will be a strong incentive for the government to channel oil revenue to military forces.

The GoSS has failed to manage the damaging effects of the resource curse and “has done little to stem the tide of social instability and corruption brought on by the oil sector” (Patey 2010, 20). Political divisions within the government, widespread corruption, conflict and growing grievances among local communities threaten to deteriorate the already volatile situation in South Sudan. From the political centre in Juba to local tensions in oil-bearing areas, the oil-wealth has been allowed to negatively affect the country (Patey 2010). Hopefully this pattern is still open for change, even though institutions are extremely weak. Oil and aid can either revive the current war or be the basis for reconstruction, if government spending will be channelled towards development priorities. This is all the more reason to explore whether the EITI can help South Sudan to mitigate the effects of the resource curse in the next chapters. The trumps and limitations of the EITI will first be discussed in general, where after possible promises and obstacles for EITI implementation in South Sudan will be delimited.

6. EITI IN PRACTICE

This chapter depicts what EITI has accomplished up to date and describes the strengths and weaknesses of the initiative. It will explain why it is in the end positive for a country to implement the EITI, although EITI's mandate is quite small and its scope is limited. Most implementation obstacles can be overcome and there is much room for improvement along the way of the process. EITI has increased transparency, and it has got people seriously thinking about it. It provides essential information around natural resource revenues, creates discussion forums for related issues and raises awareness. The fact that the EITI concept is straightforward and therefore easy accessible has definitely contributed to the rapid growth of the initiative. The EITI is far from the whole thing, in terms of addressing the problems that resource wealthy governments face, but it is a move in the right direction. It is a convenient instrument to increase revenue transparency, whereby it reduces the room for corruption at that point. In addition, it can support governments in making budget plans and monitor whether they receive a fair share of revenue. However, EITI's impact on broader governance structures is restricted, as its reports do not cover corruption sensitive expenditure and it chooses to keep a distance from political issues. Meanwhile, dysfunctional systems of governance are maintained by the lack of political will to change when.

In general, the EITI discloses how much resource revenue governments receive on the basis of contracts, taxation and other agreements. As authorities indicate what they received, extractive companies must specify what they paid, which is then compared. Any discrepancies will be located and questioned. It is up to a country to act if it appears that agreements are broken or payments are incorrect. The EITI publishes the acquired information in a report, ensures that this report is distributed and tries to clearly explain what the enclosed information means. The initiative assists individual countries during EITI implementation by explaining how to interpret the EITI Standard. In addition, it explores how it could be used to improve the management of natural resources in a particular country. EITI identifies the striking issues and indicates how it can contribute to tackling them (EITI Board Member: November 2014, Skype). The initiative raises awareness about the importance of transparency and accountability and clarifies who has which responsibilities. An important part is to explain how citizens can scrutinize whether governments and businesses do what they should do. Citizens can, for example, play a role in monitoring environmental agreements, whereby the EITI could help to explore what this role entails (EITI representative: December 2014, Skype). EITI reports expose to local communities whether companies meet their payment obligations but can also make them realise that companies are not responsible for decisions about where the money goes (EITI representative: December 2014, Skype). For that citizens have to turn to the government.

6.1 Why countries choose to sign up

Countries choose to implement the EITI because of various reasons but perhaps primarily to improve their reputation as it is generally conceived as a good thing to be part of (academic: December 2014, Skype). In the early days, EITI focused on getting African countries to sign up (consultant: November 2014, Skype). For some African countries, such as Nigeria, a reason to get involved was the internal concern and suspicion that the oil companies weren't paying what they were meant to pay. The Nigerian government saw an important monitoring mechanism in the EITI.

There are quite a few corrupt countries taking part in EITI. For example, Afghanistan, Iraq and Yemen, which are among the eleven worst performers in Transparency International's corruption perceptions index.²⁷ They might have joined for the perception of being less corrupt or to improve their reputation. Countries want business and companies are more likely to come and invest in places that are seen as EITI favourable (Cust and Harding 2013). Of course, there are honest people that want to improve governance for the sake of the people living in that country, but more often than not it is for the sake of reputation (consultant: November 2014, Skype). One could question whether the EITI should accept corrupt governments who join for reputational reasons but in the end the reason to join the EITI might not be relevant as long as joining leads to increasing transparency (academic: December 2014, Skype). According to the EITI (board member: November 2014, Skype), any country that is able to take the required application steps and willing to work towards becoming an EITI Compliant country is more than welcome to join.

Most countries join the EITI voluntarily, but in some cases there is a little soft pressure of the World Bank or IMF behind it (EITI board member: November 2014, Skype). Bilateral governments can also condition to increase their assistance if a country implements the EITI. It is thus debatable whether all countries sign up out of their own free will. This can be problematic, as local ownership might be lacking in those cases. An active role of local governments is crucial to successfully implement the EITI. Countries where reformers inside the government are taking the lead of the implementation process are often most effective in enabling positive change.

If a country decides to take part in the EITI, it has to adhere to the Requirements and Principles of the EITI Standard. If countries do not comply, the EITI can suspend them, like they did with Guatemala. The EITI then puts on its website that the country is suspended and this does not look good (academic: December 2014, Skype). A suspension is the result of prolonged not meeting the requirements of the EITI, whatever the reason for this might be. Potential donors or investors can be scared away by the idea that a country does not stick to its agreements and does not respect its responsibilities in terms of transparency and accountability. The EITI thus has the most leverage on the consumer facing side. If a country is suspended from the EITI this says something about the way it does business, which could make companies determine not to invest there. Hence, there is a true incentive for countries to have a good reputation, investment climate and rule of law. An international standard – like

²⁷ Retrieved from <http://www.transparency.org/cpi2014/results>. Accessed on 21-10-2015.

the EITI - is based on incentives more than anything else (academic: December 2014, Skype). EITI mainly functions on a reputational basis. It does not have much leverage other than that.

If a country decides to implement the EITI, operating extractive companies have no choice but to follow. However, companies could possibly benefit from improved investment climates and increased reliability of their governmental business partners. EITI is also a way for them to show that they are actually paying what they are meant to pay and to communicate with people at the local level. In addition, companies can become international supporters of the EITI, which means that they have to endorse the EITI principles, contribute to implementation in candidate countries and make a voluntary financial contribution to the EITI secretariat. Countries can also become EITI supporters by making a clear public endorsement. Supporting countries usually provide political, technical and financial support to the initiative.

6.2 Main achievements

In order to ensure that the government budget is well spent revenue must end up in legitimate funds and not in someone's pocket. EITI can be a helpful instrument if this does not happen naturally (academic: December 2014, Nijmegen). In that case there is a lot of money to enable corruption, strengthen personal power and ultimately ruin a country. In order to prevent this, EITI can contribute to good oversight of the corrupt sensitive extractive industry. The main achievement of the EITI is exactly what it aims to do; in participating countries, there is now vastly more data available about revenue generated from extractive industries (consultant: November 2014, Skype). This data is available to both citizens and organisations in those countries and elsewhere and includes information about the amount, structure and origin of revenue. In some countries that information is set and has generated some change. Particularly in tax regimes as people saw how little income the government was generating. In addition, EITI raises awareness for the public need of governing natural resources in a responsible way for the good of society. It stimulates discussion around issues that might otherwise simply go unnoticed and enables civil society to demand more scrutiny (academic: December 2014, Skype). Beyond that, EITI reports can generate more informed debates when they are used by parliament. On the basis of real data policy can become more evidence-based. Several countries go even further by using the EITI to identify weaknesses in terms of policy and capacity (EITI representative: December 2014, Skype). Donors – like IMF and the World Bank - also use this analysis to enter into the discussion about where exactly they should support a particular government.

6.3 EITI Standard of 2013: beyond revenue transparency

The EITI has made quite a few improvements since it came into being some 20 years ago (academic: December 2014, Skype). The initiative has put some thought in how to ensure that its reports provide more intelligible, comprehensive and reliable information. Especially since

the EITI Standard²⁸ entered into force in 2013, the initiative tries to move beyond revenue transparency. The EITI (Board Member: November 2014, Skype) really wants to ground itself in national dialogue about natural resource governance. This means linking the EITI with wider government processes around tax collection, extractive policy and budget arrangements. Nowadays, the initiative is also involved in regulating small-scale mining, evaluating tax systems and establishing local consultation structures. Hence, it has become a forum for discussion between parties that otherwise probably won't get around the table together (EITI representative: December 2014, Skype). After an EITI report gets published people from the national EITI secretariat travel through the country to explain it. During these visits, meetings are organised where EITI representatives face all kind of questions, not all concerning EITI and well beyond revenue transparency. Those meetings are valuable platforms to discuss different issues around natural resources management.

In the new Standard, EITI has in some length expanded its mandate towards reporting on beneficial ownership, contract transparency and the geo-location of different licensed areas. These are not obligated requirements but are highly recommended to implement. Countries are requested to reveal under which circumstances contracts are sold and who benefits from this. Beneficial ownership means disclosing the ownership structures of extractive companies and thus exploring who receives (a share of) the profit. In case a government official decides which company to award with a tender but at the same time has shares in one of the contending companies this must be addressed. In addition, companies have to go beyond reporting one allocated number. This is a big improvement in the new Standard (academic: December 2014, Skype). Disclosing that a company has paid the government X amount of dollars and royalties is not incredibly helpful compared to disclosing how much they have paid per project and for what exactly.

The national EITI offices conceive the new standard differently, because it demands a considerable additional investment of time and capacity (EITI representative: December 2014, Skype). Since the new Standard is only two years old, most countries are still engaged in the implementation process. Just a few country reports have come out that are compliant with the new Standard. It often takes a long time to generate these reports, Nigeria has, for example, published its 'Solid Minerals 2012 EITI report' in December 2014 which it made compliant with the 2013 Standard.

EITI provides a standard but stimulates to translate it nationally by making adaptations or additions to cover local issues (EITI representative: December 2014, Skype). In Ghana, for example, forestry is also part of the EITI report, in Mali and the DRC artificial mining is included and in Mauritania they are applying the EITI principles in the fishery sector. Some countries link their EITI reports with social environmental impact assessments. Establishing sub-national EITI bodies happens differently everywhere, some countries have local information centres and others have fully functioning local multi-stakeholder structures with bimonthly meetings (EITI representative: December 2014, Skype). Those meetings, for example, discuss direct payments from extractive companies to local governments and

²⁸ The EITI Standard is the authoritative source on how to implement the EITI and is often conceived as the global transparency standard for improving governance of natural resources. After an extensive consultation process, the Standard was formally launched at the EITI Global Conference in Sydney on 22 May 2013.

citizens especially want to know how this money is distributed. How revenues are spent is not covered in EITI reports, but some countries nevertheless use EITI forums to discuss this. EITI reports can also form the basis for this discussion in parliament like it does in Congo-Brazzaville. There the parliament does not approve the budget before it is held against the EITI report (EITI representative: December 2014, Skype).

6.3.1 The role of civil society

The Civil Society Protocol explains the role of civil society in the EITI process and is part of the EITI Standard. The protocol covers a country's obligations towards civil society as it implements the EITI and states the rights and responsibilities of civil society itself. A revised and improved version of the protocol is effective since January 2015 (EITI Board Member: November 2014, Skype). EITI monitors whether all parties live up to their responsibilities concerning civil society. It has, for example, cracked down on countries like Equatorial Guinea that have not allowed civil society to sufficiently fulfil its role in the EITI process (consultant: November 2014, Skype). With these kinds of actions the EITI can make small but important steps to generate reform and slowly raise the bars to what is seen as normal expected practice. The EITI board consists of several international NGOs that support local civil society in the EITI process.

The EITI stakeholders are organised in constituencies of governments, companies and civil society. Bringing about change within the EITI is a difficult process because the government and company constituencies do not want to change too much, too quickly. Civil society, the main driver of change within the EITI, is increasingly facing friction. An EITI Board Member (November 2014, Skype) notes the extension of EITI's mandate towards accountability in the supply chain, beneficial ownership and contract transparency has enlarged the tension between the stakeholders as the leverage of civil society to ask uncomfortable questions had increased. Some companies and governments are not particularly keen about this and are passing NGO legislation that is restricting the role of civil society. Azerbaijan - previous seen as an EITI role model – has the highest rate of journalists in prison and has oppressed civil society in the EITI process (EITI Board Member: November 2014, Skype). To address this, EITI first warned Azerbaijan, then sent in a mission to evaluate the severity of the situation in September 2014, where after the country faced early validation in January 2015. In response to the published Validation report the EITI decided to downgrade Azerbaijan's status from 'compliant' to 'candidate' in April. This is not such a heavy penalty as Azerbaijan still counts as EITI member and can regain compliant status if it implements corrective actions within 12 months. If the country fails to do this it will face suspension. That Azerbaijan is not suspended right away may have to do with the fact that local civil society wants to protect the little space they have at the moment (EITI Board Member: November 2014, Skype). They might still achieve something in terms of increasing transparency at this stage, while they will probably achieve little to nothing if Azerbaijan is thrown out. On the other hand, it is important to send out a signal that these kind of oppressive practices are not approved. Whether or not to suspend a country remains a difficult issue.

6.4 Shortcomings and improvements

The first obvious gap of the EITI is that it does not go very far into trying to get information disclosed on how revenue is spent, which is precisely where most often the biggest abuses are located. Particularly in South Sudan, where 98% of the government's income derives from oil revenue, it could be such a crucial control mechanism for public spending. It would in many ways be useful for the EITI to expand its scope towards the expenditure side although this will be very hard to achieve (consultant: November 2014, Skype). The hazard is that all board members have to agree to such a change, and it won't be easy to persuade the bulk of the members to move in that direction. Conceptually, in terms of specifying data and data collection it could become very complex as well. This makes the consultant (November 2014, Skype) that I have interviewed conclude that it will probably be better to try to persuade more countries to come in and provide this basic data instead. National EITI secretariats that are willing and have the capacity can then pick up the task to go beyond this towards expenditure disclosure. That will probably work better than trying to make it a sort of perfect composition of all data in which nobody wants to participate (consultant: November 2014, Skype).

Secondly, companies and governments are willing to share some information and are less willing to provide other insights (academic: December 2014, Skype). This applies to the additional elements of the 2013 Standard, beneficial ownership and contract transparency. One of the problems with beneficial ownership is that it is incredibly complex. The ownership structures of extractive companies are really difficult to trace, BP, for example, has almost 1200 beneficiaries (academic: December 2014, Skype). Beneficial ownership is not about whose name is listed on the contract necessarily. In many cases the actual beneficiaries of closing an oil or mining deal are not listed on the contract and do not live in the jurisdiction of the resource abundant country. Tracing them can be quite hard and expensive. Many countries use this as reason to explain why they are heavily resisting forcing companies into it. However, there are several doubts about how time consuming it would be (academic: December 2014, Skype). Another reason for this resistance might be that extractive companies are closely linked to those in power. Countries could also be afraid to scare companies away, which would result in loss of revenue. Global Witness and other transparency organisations are insisting that the additional elements of the 2013 Standard are essential and that EITI implementation is hollow without it (academic: December 2014, Skype).

Thirdly, the role of civil society can be better anchored. Although the latest protocol is a great improvement, the technical implementation leaves something to be desired (EITI Board Member: November 2014, Skype). Azerbaijan is a case in point, but Niger is also setting a bad example. Last summer, when French President Hollande visited the country activists brought a few negative points in the publicity and were subsequently arrested (EITI Board Member: November 2014, Skype). The freedom of civil society in Niger is thus quite limited. Even with the new protocol, the gap remains big between civil society's role in the EITI process in theory and in practice.

Fourthly, the EITI faces some difficulties implementing the new EITI Standard; several countries have capacity issues at the operational level. Countries are mainly busy with meeting the new requirements while translating the EITI reports to key issues around reform, policy and investment climates remains a challenge (EITI representative: December 2014, Skype). The monitoring function of parliament, media and NGOs needs to be improved as well. A number of countries are taking the lead in this but many are staying behind. The EITI would like to see that its influence and reports are more often used to catalyse national reform (EITI Board Member: November 2014, Skype). The additional elements in the 2013 Standard have extended the scope and potential impact of the EITI but it would even be better if these elements would be obligated. At the moment, the EITI really has to lobby to ensure that governments implement all the encouragements instead of it being conceived as an integral part of the standard (EITI Board Member: November 2014, Skype).

The last shortcoming of the EITI that I would like to mention is the limited scope of the initiative. As it stands, EITI is unable to sufficiently realise its goals of promoting accountable management of natural resources and strengthening government systems. Increasing revenue transparency simply is not enough to tackle the more structural problems in extractive sectors, and more broadly, in government systems. The new EITI Standard attempts to move beyond revenue transparency, but is still not adequate to enable political reform and positive change in governance structures without political support. When a country chooses to implement the EITI this means that they are willing to disclose the required information in an EITI report. This does not necessarily mean that a country is eager to improve dysfunctional governance systems or that it will be possible to increase accountability. Therefore, the EITI should not only focus on safeguarding the role of civil society but also on ensuring that the government fulfils its task in a valuable manner.

However, there remain a great many snags regarding this kind of policies. International standards, such as the EITI, can only achieve so much and will not be very effective if imposed from the outside. One could question to what extent it is even possible to trigger change in government systems as external actor. Furthermore, international standards can hinder the development of strong domestic institutions and national regulations because the need for them decreases due to the existence of international alternative (Ginsburg 2005).

6.4.1 Possible negative effects

Up to date, EITI has experienced little to no adverse effects during implementation. On the long, the matter of the fair deal could arise (EITI Board Member: November 2014, Skype). It happens that countries realise, seeing the EITI transparency data, that they are underpaid for their natural resources which can lead to some negative sentiments. This is however, really 'down the line', a country must have been implementing the EITI for at least 5 years before it can produce reliable trend analyses to discover this.

Implementing the EITI could be a green washing type of thing; it could be an opportunity for a government to get favourable publicity, even when it is not particularly well deserved

(academic: December 2014, Skype). Implementing the EITI won't stop a country from committing human rights violations, but this does not mean that the initiative is meaningless, as one does not automatically correlate with the other. The EITI won't be able to end widespread corruption either. The initiative says something about revenue transparency - and to some extent about a larger part of the extractive industry – everything beyond that is not its mandate (academic: December 2014, Skype). It is not as if an EITI Compliant country is automatically not corrupt or free of human rights violations. It is important to realise that the potential impact of the EITI is limited and that it offers a transparency Standard and not a 'fair country' Standard.

6.5 EITI applied in other countries

It was an important step for the EITI that some developed countries came in. Especially after Norway, the UK and the US joined, there has been a shift towards being seen as a responsible extractive industry country if you are in (consultant: November 2014, Skype). It would, for example, be quite influential as Malaysia came in as well (consultant: November 2014, Skype). A lot of countries look at them with some respect as they largely managed to avert the resource curse.

Some countries that are implementing EITI are considered to be role models. For instance, the DRC, the Philippines and Senegal are positive examples, because they recognise the value of the EITI and make good use of it (EITI representative: December 2014, Skype). They conceive the EITI as a part of their government policy and have clearly defined how they apply it. The Philippines and Senegal are working towards their first validation to become a Compliant country. Azerbaijan has been depicted as one of the two, along with Nigeria, foremost national chapters of the EITI. Unfortunately, the country did not live up to expectations, as it nearly got suspended because of the human rights situation in the country and the lack of freedom for civil society.

Nigeria on the other hand still flourishes, as many authors regard Nigeria Extractive Industries Transparency Initiative (NEITI), which is a subset of the global EITI, as EITI's flagship programme (Shaxson 2009). Therefore the process prior and during implementation of the EITI in Nigeria will briefly be evaluated. Perhaps South Sudan could benefit from this example. In 2007, the Nigerian National Assembly passed into law the Nigeria Extractive Industries Transparency Initiative Act – hereby Nigeria became the first country that made reporting of payments by all extractive companies and revenues received by government legally binding under national legislation (academic: December 2014, Skype). In addition, this act created a government agency that is required by law to issue EITI reports. These reports are to include reporting on what extractive companies pay over a certain threshold to the government, in royalties, taxes and other costs.

There was a favourable political moment for the EITI in Nigeria. The Nigerian government was very committed at the time, and efforts to increase accountability in the country were ongoing (academic: December 2014, Skype). Different international NGOs were involved as well. The positive developments that took place in Nigeria in the last decade

cannot be attributed to the EITI alone. Most were likely to occur regardless of the EITI. NEITI made good use of the major reforms that were happening but did not drive these. Moreover, measured against EITI's broader goals of fostering better governance and accountability, Shaxson (2009) concludes that the initiative has not shown impressive results in Nigeria. Still a corruption scandal or misallocation of contracts comes out of the country ever few months.

To go beyond the implementation of the EITI and firmly anchor the initiative in national legislation, the government has to be in favour. In Nigeria there was a lot of support around it, it is doubtful whether this would be possible in South Sudan. Liberia and Nigeria are the only two members of the EITI where it is a legal requirement to report extractive industry revenue and where the EITI has been put into law (academic: December 2014, Skype). In other countries EITI implementation is done on a voluntary basis – leaving aside soft pressure from international donors.

Hence, the EITI alone won't be sufficient to substitute for weak institutions or to tackle corruption but it is a good start. The EITI is considered to be part of the toolkit to combat the resource curse by increasing revenue transparency. Whereby, it can make a small but important contribution. However, on its own it will not solve the more fundamental problems. That is why the next section will discuss possible additions or alternatives to EITI.

6.6 Alternatives or additions to the EITI

Especially in resource-rich countries it is essential to have a functioning governmental system and strong institutions in place to ensure that large inflows of revenue are spent effectively. This section explores what can be done when these are absent by evaluating alternative ways - in addition to the EITI - to combat problems related to resource abundance. Werker et al. (2012) found some innovative alternatives already occurring in South Sudan on the local level. There, informal practices got adopted to fill in gaps where formal institutions and policies were nascent or non-existent. Community leaders were, for instance, eager to attract fresh private agricultural investors, as many commercial farms were sold off in anticipation of independence because the substantially northern investors withdrew. At the same time, “communities in Upper Nile State have initiated their own effort to review and rent out land on a county-by-county basis rather than wait for the official passage of the national Land Act” (Werker et al. 2012, 19). However, official landownership can be an important tool for dealing with resource curse related problems. According to Boudreaux and Mennen (2014) landownership fosters the development of democratic institutions and a diversified economy. It gives citizens a stronger stake in local governance, while the central government preserves capital to provide needed services. If both risks and benefits of resource extraction would be tied to landownership, individuals and communities could weigh the tradeoffs of extraction and the government could assume a more natural role as regulator. In South Sudan, the seasonal grazing lands of the Nuer and Shilluk tribes have been turned into oil fields (Boudreaux and Mennen 2014). Arranging official landownership for these tribes could provide damage compensations and allow them to get their share of oil revenue.

Collier (2008, 64) emphasizes that “governance and economic policies help to shape economic performance, but there is an asymmetry in the consequences of getting them right and getting them wrong”. There is a ceiling to the growth rate that excellent governance and economic policies can achieve, while terrible governance and policies can destroy an economy with alarming speed. According to Collier (2008) export diversification in particular is essential to address the resource curse. He advises the diversification of exports into labour-using manufactures and services but, because this is the sort of thing that Asia is already doing, protection from Asia is needed. It is questionable, however, whether this form of export diversification is a realistic option for South Sudan as it are mostly Asian countries that are heavily involved in the country’s export market. They are not very likely to stimulate other export products that oil. South Sudan has hardly any revenue from other markets and this cannot be expected to change in the near future seen the instable political, security and economic situation. However, the government of South Sudan acknowledges the importance of export diversification. One of the primary focuses of the 2009 Growth Strategy was diversification of the economy, with special emphasis on expanding and modernizing agricultural production (Jacon et al. 2012). This development strategy can help to avoid the ‘Dutch Disease’. It is estimated that the agriculture sector engages 78 percent of the population but accounts for less than 15 percent of South Sudan’s GDP (Pedersen and Bazilian 2014). There is great potential for further growth in the sector, as only 4 percent of the country’s arable land has been cultivated. At the ‘South Sudan Investment Conference’ in 2013 - which was organised to attract foreign investment - the government presented its investment plans to expand the economy toward agriculture, financial services and fisheries. Unfortunately, little of those plans have been realised up to date.

Not only within resource-rich countries but also abroad something can be done to promote responsible management of natural resources. Namely, by changing national legislation in rich countries to the benefit of developing countries and by generating international norms that help to guide behaviour. The Dodd-Frank Act (2010), the financial reform bill of the US, and the EU Accounting and Transparency Directives (2013) are important examples. The Dodd-Frank Act includes a section on disclosure requirements for extractive companies, article 1504, which is based on EITI principles but is mandatory. The law says that any company that is listed on US stock exchange must disclose their payments to governments in all countries where they operate. The EU has passed similar legislation for companies listed in its territory. The EITI and mandatory disclosure do not stand in each other way. The US is, for example, implementing the EITI, as well as applying 1504. The disclosure laws can lead to more information being available in the home market, while the EITI ensures the information is made available in resource-rich countries. Furthermore, the EITI requires all operating companies to report – local, foreign, Asian state-owned or whatever - not just those that have chosen to be listed on the EU or US stock exchange. EITI also receives data from governments, not just companies, and establishes national secretariats to monitor and debate the information. The Dodd-Frank Act 1504, the EU Accounting and Transparency Directives and EITI are complementary tools in the toolbox for transparent and accountable management of extractive industries. The next chapter examines to what extent implementing the EITI in South Sudan could contribute to responsible management of the country’s oil sector.

7. EITI APPLIED IN SOUTH SUDAN

This chapter explores what implementing the EITI would mean for South Sudan, why it has not come so far yet and what the main obstacles for implementation are. The EITI could put South Sudan on track toward increasing transparency and accountability in its extractive industry. To implement the EITI, the point will primarily be to get binding from the Government of South Sudan (GoSS). The required commitment and capacity to complete the application process are lacking at the moment, not only from the side of the government but also within civil society. If South Sudan did sign up there would be a lot of external help to build capacity, increase knowhow and bring the quality of civil society up to a sufficient level. It is however doubtful whether civil society can be 'build' externally, as local ownership and intern reform will be key to bring around the required improvements. Peace is not a precondition for the EITI but it is not very likely that it will come to implementation in the current political climate and unstable situation. A regime change is probably needed first.

Efforts to involve South Sudan in the EITI were ongoing prior to and during independence (EITI representative: December 2014, phone). The outreaching committee of the EITI - which reaches out to potential new members - has undertaken several actions. People from the committee came in to communicate to the leadership what the EITI was, how it could be beneficial and why it is a good thing to join. They travelled to South Sudan for numerous times in the period between 2008 and 2011, called with South Sudan representatives once in a while and held workshops and conferences. Those workshops and conferences were meant to bring the EITI to the attention of a wider public and to create public support. Hence, President Salva Kiir announced in December 2011, that the GoSS was going to implement the EITI. At that time there was general optimism that South Sudan would join (EITI representative: December 2014, phone). Unfortunately though, this has not become reality.

Not only the EITI was involved in trying to encourage the leadership of what was going to be South Sudan to take a constructive approach towards responsible management of the oil sector in order to avoid resource curse issues. South Sudan was awash with IGOs, bilateral donors and NGOs prior to independence, many of them focusing on the extractive industry (consultant: November 2014, Skype). Among them were the World Bank, IMF and the European Coalition on Oil in Sudan (ECOS). Donor country Norway has been helping the GoSS technically, especially regarding the extractive industries and went to great lengths to promote EITI implementation (EITI representative: December 2014, phone). Norway has provided a number of resident advisers to the Ministry of Petroleum and Mining and the Ministry of Finance, Commerce and Economic Planning in Juba. By doing so, the country tries to invest in long-term capacity development. However, due to the deteriorating security situation in the country, no Norwegian advisers have been present in Juba since the end of 2013. Efforts are made to maintain support from abroad as long as this situation persists.

The oil shutdown in January 2012 did not only have devastating effects in the sense that it putted the country into economic and political turmoil, it also completely stagnated the

process of joining the EITI (EITI representative: December 2014, phone). After the oil production resumed in 2013, civil war broke out only a few months later, which deteriorated the situation even more. Although the EITI was prepared to welcome South Sudan in that period, the GoSS did not undertake any further action to implement the EITI and international support reduced to a low ebb. It is up to a government to take the four application steps that are required to be accepted as a candidate country, the government of South Sudan did not take those steps (EITI representative: December 2014, phone). Why not, will be further explored later in this chapter, together with other obstacles for implementation but first some promises of EITI implementation in South Sudan will be discussed.

7.1 Promises

“Nowhere will the transparency and accountability that President Kiir has promised be more important than in managing South Sudan’s abundant natural resources. We know that it will either help your country finance its own path out of poverty or you will fall prey to the natural resource curse, which will enrich small elite, outside interests, corporations, and countries, and leave your people hardly better off than when you started.”²⁹

If South Sudan would join the EITI it could benefit fundamental commitment of the EITI to the transparency of revenue. EITI Chair Clare Short (2011, December, 23th³⁰) states that “implementing the EITI standard ensures that all payments from oil and mining operations in South Sudan will be published in an annual EITI report for all South Sudanese citizens to see what they are receiving from their natural resources. The report can be used to recommend how South Sudan can better manage the revenues from its resources”. This is desperately needed because the country fails to implement its strongly designed regulatory framework and mismanagement in the oil sector is a growing concern. Revenue Watch (2013) notes that South Sudan releases “almost no data on the oil industry” resulting in a failing score of 17 out of 100 in the category ‘reporting practices’ of the Resource Governance Index. Meanwhile, dubious concessions are sold at a time of crisis. In a recent report of Global Witness (2014) question marks were placed around an oil deal between the South Sudanese government and oil company Star Petroleum, which is being negotiated behind closed doors and through a loophole in the law - section 100 of the Petroleum Act. “Despite there being reasons to ask questions about Star Petroleum, the government is employing an interpretation of Section 100 that removes a critical transparency mechanism from the deal” (Global Witness 2014, 6). Star Petroleum has faced no competition from other companies in its negotiations for the concession. In addition, no information about who owns Star Petroleum is available to the public. Instead the company’s shareholders are all other companies registered in tax havens or unknown jurisdictions. At the same time, South Sudan’s state oil company Nilepet - which

²⁹ Quote from former US Secretary of State Hillary Clinton, made at the International Engagement Conference for South Sudan in Washington, DC on December 14th, 2011. Retrieved from <http://www.state.gov/secretary/20092013clinton/rm/2011/12/178833.htm>. Accessed on 4-8-2015.

³⁰ Retrieved from <https://eiti.org/news-events/president-south-sudan-commits-global-transparency-standard>. Accessed on 6-8-2015.

holds a 5% stake in the country's three existing oilfields - sells crude oil on behalf of the government. How much the company exactly sells and earns remains undisclosed.³¹ EITI could increase transparency around these matters. Although good oversight is essential, there are currently very few questions asked by media, civil society and in parliament about the signing of shady oil deals and the lack of transparency (EITI Board Member: November 2014, Skype). EITI could help to raise public awareness around these issues.

In the 2013 EITI standard, a direct link is made between revenue transparency and where these revenues appear in the general budget. In theory, this could create a better idea about how revenue is spent. However, in practice it is at least doubtful whether this will provide much new information, as the government's expenditures almost never match the budget allocations. Large amounts of revenue, sometimes in cash, are wasted or back channelled. For example, by the Minister of Defence, who spends half of the entire state budget in his sole discretion (EITI representative: December 2014, phone). Implementing EITI can have some 'collateral benefits', as it generally creates more trust among stakeholders, is a great budget planning tool for parliament and facilitates well-informed debates (NGO representative: November 2014, phone). South Sudan could gain from the consultation structures between the government, companies and civil society, which can be useful at both the local and the national level. For instance, to inform the public about how much exactly comes in and also to temper expectations (EITI representative: December 2014, Skype). This is important to ensure that one is not already calculating the profits or even spending them while the actual revenues could be disappointing, especially in this era of tumbling oil prices.

Another advantage of the EITI is that it only costs a little. Implementing the EITI in South Sudan will call for strong investments in capacity building, which could have some implications for the costs. Countries can however apply to, for example the World Bank for multilateral funding, so financing the EITI generally is not an issue. Building the required capacity will be more difficult. A country like South Sudan has to consider the budgetary implications and has to apply for financial support but will probably get the financing they need in grant form in order to implement (EITI representative: December 2014, phone).

The Asian oil companies active in South Sudan - Malaysian Petronas, Chinese CNPC and Indian ONGC - are not active supporters of the EITI but when they are involved in countries that are participating in the EITI, they do provide the information that they are required to provide (consultant: November 2014, Skype). Normally, they do not have a choice; if a government decides to join they have to make the required information available. They will probably not actively promote EITI implementation but they won't actively try to prevent South Sudan from joining either (consultant: November 2014, Skype). If the GoSS decides to implement the EITI, the oil companies will have to participate in the Multi-Stakeholder Group. The EITI has - for example in Indonesia where a lot of small businesses are - experienced that companies refused to disclose information (EITI Board Member: November 2014, Skype). In that case EITI managed to bring about positive change by using a great

³¹ Retrieved from <https://www.globalwitness.org/blog/safe-pair-hands-change-top-south-sudans-national-oil-company/>. Accessed on 6-8-2015.

amount of public pressure. Public pressure has worked so far to convince companies to publish what they pay.

7.2 Limitations and obstacles

Between 2006 and 2012 there was a good political momentum for the EITI in South Sudan but that momentum is lost now (academic: December 2014, Nijmegen). Circumstances have only deteriorated since the initial hopes after independence, as the political situation exploded resulting in civil war. The country has to sort out its government and needs to have a reasonable level of political stability and safety. Those need to reach a minimal level first but it does not have to be perfect (EITI representative: December 2014, phone). Just look at countries like Afghanistan and Iraq, which are not particularly stable and are members of the EITI. Only with large investments and a lot of successful capacity building it might in the end come to implementing the EITI in South Sudan (EITI representative: December 2014, phone). However, before that happens many obstacles must be conquered. “First some kind of commitment from the government is required because there is no point in preparing everything for them just to sign, that is not going to lead anywhere” (EITI representative: December 2014, phone). Once they demonstrate a genuine interest in joining the EITI and once there is a reasonable security situation, there can be expected to be external help for everything. There will be help for the government to prepare the application process and for civil society to reach a sufficient level that allows them to play their role. According to the EITI (representative: December 2014, phone), it should not hold South Sudan back that it might take quite a period to do this well. South Sudan does not need to have capacity in place to apply because capacity building can go alongside implementation. When South Sudan draws out its work plan for EITI implementation it has to explain its capacity building strategy. It will at least take 2 years in any case for the country to become compliant.

The speech of December 2011 in which President Kiir announced to implement the EITI was written by some foreign advisor who also wrote the EITI into legislation (EITI representative: December 2014, phone). This brings to question to what extent the GoSS seriously considered to implement the EITI. The remark in President Kiir’s speech seems to be the result of external incentives since there are huge donors who want to see South Sudan implement the EITI. A Board Member of the EITI (November 2014, Skype) rightly notes that it is quite tricky that they are behind most efforts made, as a result it is uncertain whether there is enough local support for the EITI. The initiative is never going to work if internal motivation and capacity are lacking, especially with the government and civil society being extremely weak. Political reform - which is required to make EITI implementation successful - is only likely to happen from within and cannot be forced from outside (Collier 2008).

7.2.1 Capacity of the government

South Sudan does not have a very solid foundation, it is not a state that has legitimated itself and it does not have leadership that is working on better governance, accountability and transparency (academic: December 2014, Nijmegen). The majority of the leadership has no experience at all with being in power and citizens are unaware of their mandate to call their government to account. This is partly caused by the lack of certain systems, because people do not pay taxes they are less interested in where the money goes. Leite and Weidmann (2002) explain that this is often the case in countries where economies are dominated by natural resources, as rulers do not need to tax their citizens because they already have a guaranteed income from natural resources. The management of South Sudan's oil sector is run by a complex net of bodies and actors. Responsibilities and tasks are often not clearly defined and several of these actors lack capacity and means to play an efficient role (Cordaid 2014). Furthermore, what often happens is a promotion of the dumb and corrupt civil servants over the bright and honest resulting in 'the good' choosing to leave (Collier 2008). This selection by intrinsic motivation can explain why President Kiir began reorganising the senior leadership of his government, party and military in an unprecedented scale in a response to rumours about a planned coup in 2012. The civil service of South Sudan can be depicted as broken: far from being a vehicle for development, it is a vehicle for looting. Capable people are fired at ministries and are replaced by people who know very little but are from the right clan, ethnicity or party. Moreover, there is concern that officials at the Ministry of Petroleum and Mining has relatively poor knowledge and suffer from a 'war legacy' that reduces the efficiency of their oversight of the oil sector (Patey 2010).

When implementing the EITI a national EITI secretariat and a Multi-Stakeholder Group (MSG) must be established and there needs to be someone in that office. In Nigeria there are sixty people at the national secretariat, but in other countries it is a lot smaller. It could be ten people but these ten people need to have some degree of expertise on every aspect of the EITI Standard (academic: December 2014, Skype). For example, there needs to be expertise on oil contracts in order to know on what content of the contract to report. Geospatial analysis training for the licensed areas that are geo-coded in the reports is needed as well. People working at the EITI office should not get involved for the public positions, these people should be technocrats. Having or wanting ties with the government could paralyze the functioning of the EITI, as it could then become an instrument to cover up corruption rather than expose it. It is fine if people are coming from the oil industry as long as there is not conflict of interests there (academic: December 2014, Skype). Hence, it is essential that people at the secretariat are independent and have a neutral stance. It is up to the members of the MSG to represent their constituencies of company, government and civil society stakeholders. In order to do so, they need to be qualified and need to have enough room for manoeuvre to be critical and take joint responsibility at the same time. Because of the lack of capacity in the government, setting up an EITI secretariat with all the technical details that are essential might take some years. Foreign assistance is needed for a variety of things ranging from legal and accounting advice to very practical matters.

Foreign assistance is not only required for establishing a national secretariat, South

Sudan is going to need a lot of external help in general to be able to implement EITI (consultant, November 2014; NGO representative, December 2014; EITI representative, December 2014). The country's strong regulatory framework could have increased transparency by itself if it would have been implemented decently but unfortunately this is not the case and Ministries do not have enough staff to implement the regulatory framework and pay attention to the EITI at the same time (EITI Board Member: November 2014, Skype). External actors are keen to help overcome the big capacity challenges that are present at all levels of governance. Several organisations like Open Oil, Global Witness and PWYP have experience with building capacity and implementing the EITI in other countries and are more than willing to share their experience with South Sudan (EITI Board Member: November 2014, Skype). Cordaid, together with Justice Africa, has a development programme in South Sudan that aims to build capacity and institutional integrity. The programme seeks to induce a certain level of confidence in the departments of finance and petroleum, which is not there yet (NGO representative: December 2014, Skype). However, it is doubtful whether those efforts are very effective as they assume that "either a nascent institutional, rule-governed system existed, or that South Sudanese leaders were genuinely seeking to establish such a system" (De Waal, 2014, 367). According to De Waal (2014) this is no longer possible to believe.

An EITI representative (December 2014, phone) believes that South Sudan has not implemented the EITI yet, because it is no priority for the leadership at the moment. Using oil money to finance the military apparatus and the neo-patrimonial system of governance seems to be a priority (De Waal 2014). Therefore, the last thing the leadership probably wants is an initiative that aims to increase accountability and transparency around those revenues. Inducing institutional change and having a foundation for good governance in place are essential prerequisites to ensure that EITI implementation is successful in a country (Hilson and Maconachie 2009). Hence, it is very unlikely that South Sudan will be able to successfully implement EITI until political reform takes place.

7.2.2 Capacity of civil society

There are not so many local NGO's present in South Sudan; traditionally foreign assistance mostly focused on providing humanitarian aid and basic needs because of ongoing civil war. "Ten years ago, a school was hard to find when you would leave Juba, people were very poor and there were few facilities" (academic: December 2014, Nijmegen). Basic services for the poorest were nearly absent, let alone that civil society was existing. At that time, the church was the main partner for providing emergency relief coming from abroad (academic: December 2014, Nijmegen). The SPLM included the church in a kind of consultation structure around the distribution of aid. However, the church could only counterbalance the SPLM to a certain extent, humanitarian issues remained subordinate to political and military interests. For the emergence a 'well-capacitated' civil society, it is important that a country has an educated and economic middle class, which is not really there yet in South Sudan (academic: December 2014, Nijmegen). Although South Sudanese civil society is far from functioning smooth, this does not necessarily mean that implementing EITI is impossible - in

theory at least. NGOs like Natural Resource Governance Institute and Publish What You Pay, which are EITI board members, commonly assist and advice local NGOs (EITI Board Member: November 2014, Skype). They, for example, support local organisations with capacity building via workshops and peer-learning events. This assistance will be available to South Sudan. However, it is doubtful whether a strong and well-functioning civil society can be established when it is created by external actors. This namely involves the risk that local ownership is lacking, structural problems will be looked over, and local civil society becomes everything but local. Hence, these hazards – which will be further explained in this section - reduce the chances for successful implementation of the EITI in South Sudan.

EITI implementation can only be successful when civil society is well-functioning, because it has to be part of the Multi-Stakeholder Group and has a central role in monitoring the EITI process. This can be problematic as civil society in the newborn county is still very weak, confidence is limited, and the quality is at a critical level (EITI representative: December 2014, Skype). De Waal (2014, 369) confirms this and adds that “many national advocates for peace and human rights are embedded in foreign donor patronage networks that limit their potential for political mobilization of this kind, or are aligned with Western lobby organisations such as the Enough! Project, which are very uncomfortable with taking any robustly critical stand against a government that they worked so hard to bring to power”. Even though there is enough help from external actors available, this kind of support is often not very effective and can even be risky. Belloni (2001), who investigated the international effort to build civil society in Bosnia and Herzegovina, highlights that although the focus on civil society is often well intended, it makes local development dependent upon international presence. This results in a failure to address structural problems that affect a country and hinders, rather than fosters, the formation a healthy civil society. Quite often, a conception of civil society gets adopted that is at odds with the local context and history. This can be a risk in South Sudan because the only thing traditionally present – that can, in some way, be linked to the ‘Western’ idea of civil society - is the church. It therefore seems questionable whether civil society can, and perhaps should, really be ‘build’. If so, it might take decades before South Sudan’s civil society would be healthy and 'well capacitated’.

Many improvements are needed, not only to increase knowhow of the oil sector, but also simply to learn how to behave in a meeting, how to debate and negotiate, and how to represent a particular party. In many countries that implement EITI it appears that those who sit at the table above all represent themselves (EITI representative: December 2014, Skype). Competition between NGOs presenting themselves in front of donors is quite common as well. This (and other factors) makes coordination and cooperation within civil society difficult. This is further complicated by the fact that civil society actors sometimes work for the government at the same time, which means that conflict of interest is constantly lurking in the background (EITI Board Member: November 2014, Skype). In South Sudan, there are people within the government who run a number of civil society organisations (CSOs). A certain degree of intertwining between the government and civil society is perhaps inevitable. However, in South Sudan this interconnectedness is so strong that it is doubtful whether civil society still is an independent party that represents its own constituency. This could result in

civil society defending political rather than social interests.

Working in the complex extractive industries as CSO means acquiring technical knowledge and experience (NGO representative: December 2014, Skype). It takes time and a lot of commitment to build a good case that can be used for advocacy. If capacity development will have a chance to work it must be a process and not just a one-time event. Especially because there is a lot of turnover at civil society organisations, although this might to some extent be true for every profession. People go from one organisation to another based on opportunism, which makes building capacity even harder. It happens that people simply move on to the next subject after being educated for six months on the extractive industries (NGO representative: December 2014, Skype). Nothing stops them from moving on to another job - which might be less demanding or pays better - as soon as the training is done. International organisations also have a hand in taking staff away from local organisations (NGO representative: December 2014, Skype).

The government has gotten more repressive towards civil society in South Sudan since the outbreak of war in December 2013. Civil society has become quite polarized and freedom of movement is seriously limited compared to how it was (NGO representative: November 2014, phone). The work environment for NGOs deteriorates as the SPLM acts more suspicious and keeps a close watch; especially advocacy on human rights issues is tricky at the moment. The conflict allows the government to arrest people without charges which is often used against members of civil society organisations who oppose the government. This has increased the fear among CSOs. They are cautious with working on sensitive issues, and revenue transparency possibly is sensitive, giving the financing role that oil plays in the conflict and the proliferation of corruption within the government (NGO representative: December 2014, Skype).

7.3 When to implement?

The EITI is continuously ready to reach out to South Sudan but they won't do so currently. Although, the EITI outreaching committee informs its board from time to time on the situation in South Sudan, the ball is now in the court of the GoSS. An EITI representative (December 2014: phone) states that "a small signal of commitment from the government would be sufficient". There has not been any recent communication between South Sudan officials and the EITI. According to the EITI (representative: December 2014, phone), peace is not a precondition to take the application steps but is has to be safe to travel to Juba as they won't put their staff into a dangerous situation.

Security is one thing, but it is not the only thing that is required before the application process can start. Even if it would be safe enough to travel to Juba, the political situation is likely to remain very unstable. There is no climate for good governance or institutional integrity at the moment. The current government has no interest in increasing transparency and accountability since its neo-patrimonial system of governance merely functions on corruption (NGO representative: November 2014, phone). That is why chances are high that as long as the political situation stays unchanged, it won't come to EITI implementation. Yet,

ministries are largely functioning as before and continue to produce regulations for parliament despite the conflict (NGO representative: November 2014, phone). Especially around the oil contracts and financial agreements, the situation is currently driven by day-to-day changing priorities. There is little more to strategy, it is all survival mode for the government. These practices enlarge the importance of increasing transparency only further.

While a regime change seems a precondition for EITI implementation, it is unclear who could possibly take over. There are only a few others ready, and a next generation must be educated first (academic: December 2014, Nijmegen). Qualified people might come back from abroad but this can cause tensions. They do not always have enough legitimacy and natural authority towards the population. The current leaders have natural authority, but only within their own identity group and not over the whole state (academic: December 2014, Nijmegen). General elections were scheduled to be held in South Sudan by 9 July 2015, the first since independence. However, in light of the ongoing conflict, the date has been postponed. Possibly up to 2018, as the South Sudan parliament voted in April 2015 to amend the country's transitional constitution (2011) to extend the presidential and parliamentary term until 9 July 2018. Independent of when, or if, elections are going to be held it will be very hard to crack the current kleptocratic system. Whether the EITI will have a chance to help substitute for South Sudan's weak domestic institutions will mainly depend on this.

A consultant (November 2014: Skype) that I have interviewed rightly predicted that the most likely peace scenario for South Sudan would be some sort of deal between the current elites. She notes that this might generate a whole lot of cosmetic actions in order to give a fresh impetus to foreign investment. The current leadership has to reposition itself and image building could be part of this, which may well mean that the GoSS might get renewed interest in EITI. However, it seems like the government does not even bother about its reputation. Hence, the right moment for EITI implementation has not yet begun. All the EITI can do at the moment is insist and keep insisting that it has to happen someday and be ready when the time comes (academic: December 2014, Nijmegen).

8. CONCLUSION AND DISCUSSION

8.1 Conclusion

There is plenty of evidence of countries having deteriorated economically following the discovery of large deposits of natural resources, but only a small group has managed to avoid the consequences of the resource curse. In these cases, institutional quality has proven to be paramount as it shapes the policy and governance setting in a given country. Common characteristics of a weak institutional environment include unproductive policies, political instability, poor commitment and capacity, weakness in rule of law, and lack of accountability. The reality in oil-rich South Sudan reflects many of these features.

When South Sudan gained independence in 2011, hopes were high that the newborn country would be able to avoid some of the resource curse issues by establishing solid institutions. The country attempted to do so, but succeeded only to a limited extent as much of the thoughtfully designed legislations remain unimplemented and institutional quality is lacking. As a result, South Sudan is rather underdeveloped, lacks administrative experience and democratic traditions, has a weak economy and a kleptocratic political elite - most of them being ex-combatants of the SPLM/A who suddenly had to rule a country all together. This has led to the emergence of a militarized neo-patrimonial system of governance, widespread corruption, grievances among local communities, political instability, insecurity and ultimately conflict. The combination of weak institutions and the failure of governance at multiple levels and has allowed the resource curse to take hold of South Sudan.

To address these problems related to resource abundance, South Sudan's weak institutions must somehow be substituted for as they are essential for the country's chances to escape the curse. Giving the state of the current political system, South Sudan is not capable of accomplishing this on its own. Help from external actors to compensate for those domestic institutions is required. Transparency and accountability initiatives (TAIs) are an up-and-coming way to support resource-rich countries in this process. The Extractive Industries Transparency Initiative (EITI) is a promising example of such a TAI that can help to compensate for weak institutions by disclosing data about natural resource revenue.

President Kiir of South Sudan must have seen benefit in the EITI, when he announced to implement it in December 2011. Unfortunately though, no further steps are taking since. The main obstacle for EITI implementation is the lack of commitment of the government. To obtain the necessary commitment political reform seems to be required. When this happens a momentum for the EITI will hopefully emerge. However, poor capacity, the absence of a healthy civil society and the nature of the political system can turn out to be great drawbacks for EITI's possible impact. Although international NGOs are lined up to help implement, it can be problematic when efforts to build capacity of both the government and civil society are highly dependent on foreign assistance. Structural problems can be overlooked and local support might be neglected. South Sudan's high-quality regulatory framework, which came about with international support but is poorly implemented, is a testament of this fact. The

problem is not just the lack of capacity but also the lack of good governance. If this does not improve, EITI will face the same implementation obstacles as the regulatory framework.

Implementing the EITI has a number of advantages but the possible impact of the initiative is limited. In general, EITI raises awareness for the public need of responsible management of natural resources, enables civil society to demand more scrutiny and stimulates discussion around resource curse issues. Potentially, the initiative could put South Sudan on track toward increasing transparency and accountability in its extractive industry, which can help to change the pay-offs from being engaged in corruption. This is much needed as corruption is widespread and oil accounts for 98% of the government's budget. By implementing the EITI South Sudan would ensure disclosure of revenue, which could generate more reliable budget plans. Although, this does not guaranty that expenditures are allocated towards development priorities. At best, the EITI could have a positive effect on the management of the oil sector but the governance system around it will just be as bad. Hence, most of South Sudan's problems related to resource abundance are far too big for the EITI to solve.

EITI functions on the principle that increasing transparency will lead to better informed citizens that can hold their governments to account which in turn fosters accountability of rulers and responsibility management of extractive industries. This mechanism can however break down on the fact that citizens are not always capable of holding their governments to account. Most often, resource-rich governments do not rely on the support of their citizens because they generate income from natural resources instead of tax collection, and if citizens complain they have enough means to suppress them. As the example of Nigeria shows, EITI can increase transparency in the extractive industry by creating revenue transparency, but it cannot put an end to corruption. Although the Nigerian EITI is considered to be a textbook example there are still plenty of corruption scandals in the country. Hence, EITI is successful in accomplishing its smaller goal of increasing revenue transparency - in implementing countries there is now vastly most data on extractive industries available. However, the results of its broader objectives of fostering better governance and accountability are staying behind. In the end, it is beneficial for a country to implementing the EITI, although one should be aware that EITI's possible impact is limited.

Therefore, the EITI alone won't be sufficient to substitute for weak institutions or to tackle corruption. The initiative is considered to be part of the toolkit to combat the resource curse. EITI can address certain features of weak institutions related to the lack of transparency by creating a more open climate but fails to address unproductive policy, political instability, poor commitment and weak rule of law. Moreover, it cannot compensate for all aspects of fragile institutions, because some weaknesses are intertwined with the political system and are exactly what makes a corrupt system tick. The influence of EITI is therefore restricted. The initiative is not able to deal with the more structural problems related to resource abundance.

If a country has the opportunity to create strong institutions before the discovery of resources, a responsible extractive industry can be built on principles of accountability and transparency. Contrary, if natural resources have the chance to ruin a country first, external actors can only help to compensate for weak institutions to a limited extent afterwards. In that case, a country has the opportunity to develop into a rentier state that functions on a corrupt system of

governance, as in South Sudan. When that happens, external actors can address symptoms of the resource curse but will prove inadequate to tackle the causes of the problem. The institutional elements that are essential to avoid the resource curse cannot be imposed from outside. Externally imposed formal institutions such as laws and regulations are not always adequate because they do not reflect local realities. How institutions are shaped varies depending on existing norms and traditions in society. If external actors put forward potential substitutes that do not fit in this reality their chances of success are limited, especially if local support for them is deficient. As a result, it is not easy to escape the resource curse when institutional quality is lacking. In an institutionalized system of governance, corruption and patronage are disturbers of the system while in an institutional weak country, corruption and patronage *are* the system. In latter case, external actors can only induce change to a certain extent as gained progress does not outweigh the kleptocratic operation of the broader system. That is why initiatives like the EITI can only partly compensate for weak domestic institutions. They can create a small ‘space of integrity’ but cannot change dysfunctional governance structures. The availability of international alternatives, may contribute to the maintenance of weak institutions by eliminating the need to improve them. Because fragile institutions frequently serve the objectives of kleptocratic elites, the larger challenge will thus be to align the incentives of the elites or to limit their power.

Examining the role that the EITI can play in assisting South Sudan to combat problems related to natural resource abundance has shown that the initiative can compensate for certain aspects of institutions such as transparency but fails to address the larger causes of the resource curse. Herein, institutional quality and governance structures remain key deterrents. To conclude, external actors can only help to compensate for weak domestic institutions to a limited extent. The possible impact of external actors is restrained by the circumstances in a particular country; they can help to replace certain institutional components but not a whole decayed system of governance. Hence, external help to compensate for domestic institutions in order to combat the resource curse can only be effective in the right political climate.

8.2 Recommendations

It should not be taken for granted that South Sudan is simply cursed because of the combination of resource abundance and weak institutions and that there is nothing we can do. It would be meaningful to find out whether a practical policy advice for South Sudan could be generated to address the main obstacles that this thesis exposes. It seems like it won’t come to implementing the EITI anytime soon because of the lack of commitment. In the meantime, the requirements set forth in the Petroleum Act and the Petroleum Revenue Management Bill could provide a strong foundation on which to begin building a transparent and accountable oil sector. One should focus on pressurizing the government to actually implement existing regulations as well as the recent peace agreement and execute serious political reform. The current so-called ‘transitional government’ needs to work on transferring power to a new generation of leaders. Despite whether it will ever come to implementing the EITI in South

Sudan, it would be worthwhile to explore how to improve the country's governance structure and institutions and how to increase capacity within the government and civil society.

Awareness of the fact that the system itself is often the main issue in resource abundant countries also seems to be important. In South Sudan, external actors commonly operated under the wrong impression that the government genuinely intended to build working institutions and that corruption was merely an abuse of the system instead of the system itself. It would therefore be good to explore if aid could be provided more effectively. Direct transactions just increase the inflow of public revenue, which has reverse effects in resource-rich countries. However, providing assistance via other channels than the government – such as the church – will not be a very useful solution. This can work perfectly to distribute relief or to resolve local disputes but not to address the resource curse. External efforts that attempt to improve institutional quality without involving the government won't work, if the government simultaneously tries to oppose this. It is therefore impossible to successfully combat the resource curse unrelated to politics. Influential international actors should use their power to engage in advocacy, while increasing capacity and building institutions must be done locally. Hence, external support will need to be a combination of diplomacy, advocacy and empowering local initiatives to develop institutions. Still, it remains to be seen whether external actors will have much influence.

Theoretically, it would be interesting to explore what would be needed to compensate for the political institutions, which external actors fail to replace. This concerns broken governance structures and corrupt political systems in particular. There should be a way to proactively tackle related problems, instead of just to wait until a kleptocratic system blows apart or reform takes place. This kind of research would belong to the resource curse stand that focuses on natural resources having antidemocratic properties.

Now we know that institutional quality determines when and where the resource curse strikes, it would be valuable to find out what kind of institutions are paramount. One could explore differences between institutions in different countries or examine how to induce institutional reform that can contribute to combating the resource curse. Because external efforts are not always effective, it will be important to explore what can be done from the inside. My research perspective was that of an outsider. It would be interesting to conduct comprehensive research in the country itself to be able to include local perspectives.

Next to being cursed by resources, South Sudan seems to be trapped by conflict, therefore an extensive conflict analysis must be carried out. In order to work towards a peaceful future it will be key to understand why the country is prone to conflict. Such an analysis can then reflect on what is needed for reconstruction and reconciliation. Furthermore, one could come up with many other interesting entries for research on the situation in South Sudan or the resource curse in general since our knowledge on the subject is far from being complete.

8.3 Practical remarks

A major shortcoming of my research is that I have not been able to travel to South Sudan myself. Currently, my data is mainly based on information from foreign experts, a more extensive South Sudanese perspective would have been a welcome addition. In that case, I could have included the opinions of both ordinary citizens and people working in the oil sector and for the government. It would have been good to have witnessed firsthand how poor the capacity of the government and the quality of civil society actually is. Especially since I, as an anthropologist, attach great importance to understanding the context and local perspective. This would have enabled me to determine what citizens identify as the major impediments of natural resource abundance, what they put forward as possible solutions and how they conceive the role of institutions. Going there could also have reduced the risk of bias.

I'm aware of the fact that a 'Western' point of view has become inherent to this study. I have frequently used Western conceptualisation of terms as civil society, institutions and corruption. Not because I assume that this necessarily are the most accurate definitions, but simply because a local alternative was not at hand. The existing literature on the resource curse in South Sudan is not substantial enough to extract feasible local perspectives from there. Therefore, it would be fruitful to conduct further research to local conceptions. Feikema (2015), for example, did this for corruption. How corruption is assessed and measured in rankings like the ones of the World Bank and Transparency International are based on how the Western world thinks that a society should function. Non-Western societies, such as South Sudan, could have a different outlook since their institutional context is based on other traditions and values. In societies that are less individualistic than ours, informal family relationships can sometimes be more important than formal legislation on conflict of interest. Therefore, there could be several ways to explain why a country like South Sudan is listed so high on corruption rankings. Feikema (2015) points out that, instead of instantly assuming that this is the result of deliberate behaviour, an explanation should rather be sought in the mismatch between the Western way of measuring corruption and the non-Western way of conceptualising it in many high-ranked countries.

The fact that South Sudan has to cope with ongoing war, made me question the relevance of discussing the value of accountability and transparency while the population is primarily busy surviving and needs to worry about food shortage, violence and rape. However, it is too easy to say that relief is the only kind of assistance that is required at the moment. It would be a waste of time if we have to wait for peace before we can start to think about development and reconstruction again and focus on things like responsible management of the oil sector. Moreover, in most cases there is no clear line between war and peace. South Sudan has signed a peace agreement but there are still daily manifestations of violence in Unity and Upper Nile State. Does this mean there is war or peace, or maybe both? A country with such a long history of being plagued by atrocities will not be as peaceful as Norway overnight. Chances are high that local violence will continue as there is a lot of trauma in society and basic services are lacking. Emergency relief will thus remain desperately needed, just like

emphasizing the importance of accountability will. Even in times of crisis or perhaps especially than, as corruption thrives well in the current climate. There is a strong correlation between the shady practices in the oil sector, political instability, insecurity and local grievances. In this sense, promoting transparency and accountability is an important part of peace building but certainly not the only part.

It would be valuable if lessons from my case study of South Sudan can be drawn and applied in other countries that face the resource curse. Thereby, it is important to take into account that circumstances in countries can be quite different. For example, it would be a mistake to draw parallels with countries that have strong institutions. The only safe lesson that can be extracted from my analysis of EITI's possible impact in South Sudan is about the effectiveness of increasing transparency in the country itself – and perhaps in some other resource-rich but institutional weak states. Natural resource abundance often creates political environments in which the authorities have inexhaustible assets and citizens have little influence. Countries that are not rich in resources commonly do not feature this kind of circumstances. In the latter case, the causal link between transparency, accountability and system of governance is likely to be entirely different. Moreover, the fact that promoting transparency and accountability does not seem to have the desired effects in South Sudan, does not mean it cannot work elsewhere. Increasing transparency may take many years to bear fruit, and it may simply be too early to draw firm conclusions. Especially because South Sudan has only become a state in recent years, has many challenges on its plate and has to cope with extremely weak institutions. Consequently, one should not immediately jump to conclusions that all external attempts to compensate for weak institutions are likely to fail.

Although numerous symptoms of the resource curse are prevailing and external efforts to combat them are falling short, it would be too pessimistic to conclude that South Sudan is thus doomed to be cursed. In contrast, we must continue to explore - academically as well as policy wise - how to deal with the resource curse and how to utilize natural resources to the benefit of the people.

BIBLIOGRAPHY

- Adiebo, K., Bandiera, L. and Zacchia, P. (2013). *Public expenditures in South Sudan: are they delivering?* South Sudan economic brief (2). Washington, DC: World Bank.
- Autesserre, S. (2010). *The Trouble with the Congo: Local violence and the failure of international Peacebuilding* (Vol. 115). Cambridge University Press.
- Auty, R. (1993). *Sustaining Development in Mineral Economies: The Resource Curse Thesis*. London, UK: Routledge.
- Basedau, M. (2005). Context Matters– Rethinking the Resource Curse in Sub-Saharan Africa. Working Papers 1: May 2005. Hamburg, German: Overseas Institute (DÜI).
- Belloni, R. (2001). Civil Society and Peacebuilding in Bosnia and Herzegovina. *Journal of Peace Research*. 38(2): 163-180.
- Boudreaux, K. and Mennen, T. (2014). Reverse the Curse: How Can Oil Help the Poor. *Foreign Affairs*, 93 (182).
- Brunnschweiler, C.N. and Bulte, E.H. (2008). The Resource Curse Revisited and Revised: A Tale of Paradoxes and Red Herrings. *Journal of Environmental Economics and Management*, 55: 248-264.
- Cascão, A. E. (2013). Resource-Based Conflict in South Sudan and Gambella (Ethiopia): when water, land and oil mix with politics, In Dias, A. M. (ed.) *State and Societal Challenges in the Horn of Africa: Conflict and processes of state formation, reconfiguration and disintegration*. Center of African Studies, University of Lisbon.
- Cabrales, A. and Hauk, E. (2011). The Quality of Political Institutions and the Curse of Natural Resources. *The Economic Journal*, 121 (551): 58-88.
- Cling, A. D. (2009). Reasons, regresses, and tragedy: The epistemic regress problem and the problem of the criterion. *American Philosophical Quarterly*, 333-346.
- Collier, P. and Bannon, I. (eds.) (2003). *Natural Resources and Violent Conflict – Options and Actions*, Washington, DC: The World Bank.
- Collier, P. and Hoeffler, A. (2004). Greed and grievance in civil war. *Oxford Economic Papers* 56 (4): 563-596.
- Collier, P. (2008). *The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done About It*. Oxford University Press: New York.
- Collier, P. (2014). *Fragile African States: What Should Donors Do?* FERDI, Working Paper P95 of March 2014.

- Cordaid. (2014). Oil production in South Sudan: Making it a benefit for all. Baseline assessment of the impact of oil production on communities in Upper Nile and Unity states. The Hague: Cordaid.
- Cust, J. and Harding, T. (2013). *Oil in South Sudan. Implications from International Experience*. Working Paper October 2013. London, UK: International Growth Centre.
- Deng, D. K. (2015). Oil and Sustainable Peace in South Sudan. A Working Paper of February 2015. Juba, South Sudan: South Sudan Law Society.
- de Waal, A. (2014). When kleptocracy becomes insolvent: Brute causes of the civil war in South Sudan. *African Affairs*, 113 (452): 347-369.
- Erdmann, G. and Engel, U. (2006). *Neopatrimonialism revisited: beyond a catch-all concept*. GIGA Working Paper No 16 . Hamburg, Germany: GIGA.
- Extractive Industries Transparency Initiative (EITI) homepage, www.eiti.org/, accessed multiple time but last on 28-10-2015.
- EITI (2013). The EITI Standard. Edited by Bartlett, S. and Rogan, D. Oslo, Norway: EITI International Secretariat.
- EITI Business Guide (2013). How companies can support implementation. Oslo, Norway: EITI International Secretariat.
- EITI Secretariat (2014). Candidature assessment of Ethiopia (4 February 2014). Oslo, Norway: EITI International Secretariat.
- Feikema, L. (2015) *Still not at Ease: corruption and conflict of interest in hybrid political orders*. Unpublished doctoral dissertation. Utrecht University, the Netherlands.
- Gaventa, J., and McGee, R. (2013). The impact of transparency and accountability initiatives. *Development Policy Review*, 31(s1), s3-s28.
- Ginsburg, T. (2005). International substitutes for domestic institutions: Bilateral investment treaties and governance. *International Review of Law and Economics*, 25(1), 107-123.
- Global Witness (2012). Blueprint for Prosperity: how South Sudan's new laws hold the key to a transparent and accountable oil sector. London: Global Witness.
- Global Witness (2014). Will Star Shine for South Sudan? Scrutinising South Sudan's first post-independence oil deal. London: Global Witness.
- Gomm, R., Hammersley, M., and Foster, P. (eds.). (2000). *Case study method: Key issues, key texts*. London, UK: Sage.
- Gridneff, I. (2014, July 9) China Sells South Sudan Arms as Its Government Talks Peace.

- Bloomberg*. Retrieved from: <http://www.bloomberg.com/news/articles/2014-07-08/norinco-sells-south-sudan-arms-as-chinese-government-talks-peace>. Accessed on 30-1-2015.
- Gylfason, T. (2001). Natural resources, education, and economic development, *European Economic Review (Elsevier)*, 45 (4-6): 847–59.
- Hansohm, D. (2007). Oil and Foreign Aid: Curse or Blessing? The Case of Sudan, In Wohlmuth, K. (eds.) *Reconstructing Economic Governance after Conflict in Resource-rich African Countries. Learning from Country Experiences*. IWIM: University of Bremen.
- Harrell, M. and Bradley, M. (2009). Data collection methods. Semi-structured interviews and Focus groups - DTIC Document. Santa Monica, USA: RAND National Defence Research Institute.
- Havro, G., and Santiso, J. (2011). *Benefiting the resource-rich: how can international development policy help tame the resource curse?* IDS working paper 355. London: Institute of Development Studies.
- Hilson, G. and Maconachie, R. (2009). The extractive industries transparency initiative: panacea or white elephant for sub-Saharan Africa? In: Richards, J.P. (Ed.), *Mining, Society and a Sustainable World*. London: Springer.
- Hochschild J. L. (2009). Conducting Intensive Interviews and Elite Interviews. Workshop on Interdisciplinary Standards for Systematic Qualitative Research [Internet].
- Human Rights Watch (2014). South Sudan's new war. Abuses by Government and Opposition Forces. August 2014 Report. USA.
- Humphreys, M. (2005). Natural Resources, Conflict and Conflict Resolution, *Journal of Conflict Resolution*, 49: 508-37.
- Huntington, S. P. (1965). Political development and political decay. *World Politics*, 17(03): 386-430.
- Hutchinson, S. E. (1996). *Nuer Dilemmas: Coping with Money, War, and the State*, Berkeley, CA: University of California Press.
- Hutton, L. (2014a). South Sudan: From Fragility at Independence to a Crisis of Sovereignty. CRU report. The Hague: Netherlands Institute of International Relations Clingendael.
- Hutton, L. (2014b). Prolonging the agony of UNMISS: The implementation challenges of a new mandate during a civil war. CRU report. The Hague: Netherlands Institute of International Relations Clingendael.

- International Crisis Group (2015). Sudan and South Sudan's Merging Conflicts. Africa Report N°223. Brussels, Belgium: International Crisis Group Headquarters.
- International Monetary Fund. (2007). Regional Economic Outlook: Sub-Saharan Africa. *World Economic and Financial Surveys April 2007*. Washington, DC.
- Jacon, C.C.P., Tavares, L.R., Ferreira, M.P. and Juacaba, R.S. (2012). Nation-building in South Sudan: past struggles and current challenges. In: Mendonca, B. et al. (Eds.), *Confianca entre paises Respeito entre Pessoas*.
- Johnson, D. H. (2003). *The Root Causes of Sudan's Civil Wars*, Oxford: James Currey.
- Karl, T. (1997). *The Paradox of Plenty: Oil Booms and Petro-States*, University of California Press, Berkeley.
- Keohane, R. O. (1988) International Institutions: Two Approaches. *International Studies Quarterly*, 32: 379-396.
- Kitchin, R. and Tate, N. (2013). *Conducting research in human geography: theory, methodology and practice*. Routledge, New York, USA.
- Klitgaard, R. (2004), The elephant is peace and freedom. A visit to Southern Sudan. doi: www.cgu.edu/include/The_Elephant1.pdf
- Knopf, K.A. (2013). *Fragility and State-Society Relations in South Sudan*. The Africa Center for Strategic Studies, Washington, DC.
- Kulish, N. (2014, January 9). New Estimate Sharply Raises Death Toll in South Sudan. *New York Times*. Retrieved from <http://www.nytimes.com/2014/01/10/world/africa/new-estimate-sharply-raises-death-toll-in-south-sudan.html>. Accessed on 6-11-2014.
- Larsen, E. R. (2005). Are rich countries immune to the resource curse? Evidence from Norway's management of its oil riches. *Resources Policy*, 30(2):75-86.
- Larson, G., Ajak, P. B. and Pritchett, L. (2013). *South Sudan's Capability Trap: Building a State with Disruptive Innovation*. HKS Working Paper No. RWP13-041.
- Le Billon, Ph. (2001). The political ecology of war: natural resources and armed conflicts. *Political Geography*, 20:561-584.
- Le Billon, Ph. (2004). The Geopolitical economy of 'resource wars'. *Geopolitics*, Taylor & Francis.
- Le Billon, Ph. (2006). *Fuelling War: Natural Resources and Armed Conflicts*. Adelphi Paper 373, IISS and Routledge.

- Leite, C. and Weidmann, J. (2002). Does Mother Nature corrupt? Natural resources, corruption and economic growth, In Abed, G. and Gupta, S. (eds.) *Governance, Corruption, and Economic Performance*. Washington, DC: IMF.
- Longhurst R. (2010). Semi-structured interviews and focus groups. In Clifford, N., French, S. and Valentine, G. (eds.) *Key Methods in Geography* (pp. 103-115). London: Sage.
- Mehlum, H., Moene, K., and Torvik, R. (2006). Cursed by resources or institutions? *The World Economy*, 29 (8):1117-1131.
- Molfetas, M. (2012). FPC Briefing: Resource Curse and Peace Building - A Tale of Two Sudans. London: The Foreign Policy Centre.
- Norman, C. S. (2009). Rule of Law and the Resource Curse. *Environmental and Resource Economics*, 43 (2): 183–207.
- North, D. C. (1990). *Institutions, institutional change and economic performance*. Cambridge University Press.
- Nour, S. (2011). Assessment of the Impact of Oil: Opportunities and Challenges for Economic Development in Sudan. *African Review of Economics and Finance*, 2(2): June 2011. Grahamstown, South Africa: African Centre for Economics and Finance.
- Oberschall, A. (2000) The manipulation of ethnicity: from ethnic cooperation to violence and war in Yugoslavia. *Ethnic and Racial Studies*, 23 (6): 982-1001.
- Ölcer, D. (2009). *Extracting the maximum from the EITI*, OECD Development Centre: Working Paper No. 276.
- Oosterwegel, E. and Wesselink, E. (2008). *Sudan Whose Oil? Sudan's oil industry, facts and analysis*, Utrecht: IKV Pax Christi.
- Patey, L. A. (2010). Crude days ahead? Oil and the Resource Curse in Sudan. *African Affairs*, 2010: 1–20. Oxford: Oxford University Press.
- Patey, L. A. (2014). *The New Kings of Crude: China, India, and the Global Struggle for Oil in Sudan and South Sudan*. Oxford University Press.
- Patey, L. A. (2014, November 24th). An Interview with Luke Patey on China's Oil Interests in Sudan and South Sudan. School of Public Policy at Central European University.
- Pedersen, A. and Bazilian, M. (2014). Considering the impact of oil politics on nation building in the Republic of South Sudan. *The Extractive Industries and Society*, 1(2): 163-175.
- Revenue Watch Institute. (2013). The 2013 Resource Governance Index. A measure of transparency and accountability in the oil, gas and mining sector. Retrieved from

http://www.revenuewatch.org/sites/default/files/rgi_2013_Eng.pdf accessed on 05-04-2015.

- Robinson, J. A., Torvik, R. and Verdier, T. (2006). Political Foundations of the Resource Curse. *Journal of Development Economics*, 79: 447-468.
- Ross, M. L. (2001). Does Oil Hinder Democracy, *World Politics*, 53 (3):326-61.
- Ross, M. L. (2003a). The Natural Resource Curse: How Wealth Can Make you Poor, In Bannon, I. and Collier, P. (eds.) *Natural Resources and Violent Conflict Options and Actions*, Washington, DC: The World Bank, p. 17-42.
- Ross, M. L. (2003b). Oil, Drugs, and Diamonds: The Varying Roles of Natural Resources in Civil Wars, In Ballentine, K. and Sherman, J. (eds.) *The Political Economy of Armed Conflict – Beyond Greed and Grievance*, Boulder: Lynne Rienner.
- Sachs, J. and Warner, A. M. (1995). *Natural Resource Abundance and Economic Growth*, NBER Working Paper No. 5398.
- Scott, W. (1995). *Institutions and organisations*. Thousand Oaks, CA, USA: Sage.
- Shankleman, J. (2011). Oil and State Building in South Sudan. United States Institute of Peace, Special Report:282.
- Shanmugaratnam, N. (2008). Post-War Development and the Land Question in South Sudan. doi:http://www.umb.no/statisk/noragric/publications/shan_lectures/shan_southsudan_1_andquestion.pdf .
- Shaxson, N. (2009). Nigeria's Extractive Industries Transparency Initiative. Just a Glorious Audit? London: Chatham House.
- Smith, B. (2007). *Hard Times in the Lands of Plenty: Oil Politics in Iran and Indonesia*. Cornell University Press, Ithaca/London.
- Tiitmamer, N. (2014). South Sudan's Mining Policy and Resource Curse. Policy Brief April 22. Juba: The Sudd Institute.
- Tsui, K. (2005). *More Oil, Less Democracy? Theory and Evidence from Crude Oil Discoveries*. Job Market Paper. Chicago: University of Chicago.
- U.S. Energy Information Administration (2014). Country Analysis Brief: Sudan and South Sudan. Washington, DC.
- Vines, A (2010). Resurgent continent?: Africa and the world: thirst for African oil. IDEAS reports-strategic updates, In Kitchen, N. (ed.) *SU004 LSE IDEAS*. London, UK: London School of Economics and Political Science.

- Vickers, E. (2013). EITI in South Sudan: The case for caution. London, UK: Global Witness.
- Werker, E., Wyett, K. and Ding, S. (2012). South Sudan: The Birth of an Economy. *Innovations: Technology, Governance, Globalization* 7(1): 73-90.
- Wetherell, M., Laflèche, M., and Berkeley, R. (Eds.). (2007). *Identity, ethnic diversity and community cohesion* (Vol. 3). Sage.
- World Bank, The. (2013). Interim Strategy Note (FY 2013–2014) for the Republic of South Sudan. Washington, DC.
- World Bank, The. (2014). CPIA Africa. Washington, DC. Available at: <http://datatopics.worldbank.org/cpia/>. Accessed on April 8, 2015.
- Yanow, D. (2007). Interpretation in policy analysis: On methods and practice. *Critical Policy Studies*, 1(1): 110-122. London, UK: Routledge.

Laws and regulations

- Dodd-Frank Wall Street Reform and Consumer Protection (2010). Public Law No: 111-203 (07/21/2010). H.R.4173 - 111th Congress. Washington, DC.
- EU Accounting and Transparency Directives (2013). Directive 2013/50/EU of 22 October 2013 and Directive 2013/34/EU of 26 June 2013. Brussels, Belgium: The European Parliament and the Council of the European Union.
- The Petroleum Act (2012). Juba: Ministry of Justice.
- The Petroleum Revenue Management Bill (2012). Juba: Ministry of Justice.
- Transitional Constitution of the Republic of South Sudan (2011). Juba: Ministry of Justice.

APPENDIX 1: LIST OF INTERVIEWEES

Name	Organisation	Function	Date interview
Amrit Naresh	Formerly OpenOil	Research Consultant	December 3rd, 2014
Wouter Biesterbos	EITI	Regional Director	December 9 th , 2014
Marinke van Riet	Publish What You Pay	International Director and Board Member of the EITI	November 28 th , 2014
Egbert Wesselink	PAX for Peace	Programme Leader Extractives, Conflict and Human Rights	November 28 th , 2014
Jill Shankleman	Owner of independent consulting firm	Consultant and former senior fellow at USIP	November 27 th , 2014
Benjamin Ochiengh	Justice Africa, Juba office	Program Advisor - Extractives	December 6 th , 2014
Jürgen Reitmaier	EITI	Special Advisor	December 11 th , 2014
Prof. Jan Pronk	Former Dutch Minister of Development Cooperation and former SRSG of the UN for Sudan		December 4 th , 2014

APPENDIX 2: INTERVIEW PROTOCOL

Introduction me and my research

First of all I want to thank you for giving me the opportunity to speak with you. To introduce myself; my name is Suzanne Smeets and I'm a student of the Human Geography master specialisation conflict, territories and identities. This interview is part of my master's thesis research, which is about the Extractive Industries Transparency Initiative in South Sudan.

Do you mind if I record our conversation in order to transcribe it later for my analysis? You are also welcome to request to turn off the recorder if you would like to say something off the record. Please let me know if you prefer not to answer a particular question or if questions are unclear.

Introduction questions

First of all I want to know a bit more about your professional background and fields of expertise.

- Can you tell me something about your current job responsibilities?
- In what ways are you involved in/familiar with the EITI/South Sudan?

Framing the EITI

I want to shed light on the achievements and results of the EITI. Currently there are 48 countries implementing the EITI of which 17 candidate countries and 31 countries fully compliant with the EITI.

- Why do you think these countries have chosen to adopt the EITI?
- Can you elaborate on the functioning of the EITI?
- What has been the main achievement of the EITI so far?
- In your opinion, is the EITI applicable worldwide?
 - Why (or why not)?
- How does the initiative make sure that all countries adhere to its principles and requirements (rules)?

Improvements:

- Could you identify any shortcomings of the EITI?
- Do you have any suggestion how to improve the EITI?
- Do you know important alternatives of additions to the EITI?

EITI as remedy for the Resource Curse:

- Are you familiar with the concept of the ‘resource curse’?
- To your opinion, is South Sudan a victim of the resource curse?
 - If so, which features of the curse can be identified?
- What is causing the curse to appear?
- What would be crucial to combat it?

Context South Sudan

- To what extent are you familiar with the context of South Sudan?
 - And with the current conflict?
 - How do you estimate the future to develop?
- What is needed for peace and stability in South Sudan?
 - Do you see this happen in the (near) future?
- To what extent does oil influence the current conflict?
 - Can you give an example?

What could the EITI achieve in South Sudan?

- Is the EITI applicable in South Sudan?
 - Why or why not?
- In your opinion, is the EITI a potential remedy to combat the resource curse there?
 - Why or why not?
- Are there other countries that might serve as a role model for South Sudan regarding the implementation of the EITI?

Benefits, pitfalls and impact

- Can you name some possible benefits of implementing the EITI in South Sudan?
 - Can you give examples?
- What negative effects could implementing the EITI have?
- What might its impact be if the EITI would be implemented in South Sudan?

Obstacles for implementation of the EITI

- Can you identify obstacles for implementing the EITI in South Sudan?
- To which extent is the current conflict situation an obstacle?
 - Is it possible to implement the EITI despite the current unrest or would it be better to wait until the dust has settled?
 - When do you see this happening?

I want to look into the perspective of the government, civil society and oil companies as the EITI is focusing on these three stakeholder groups

The role of civil society

- How would you characterize civil society in South Sudan?
 - Can you identify actors that could play a role in the implementation process of the EITI in South Sudan?
- How much public support does the EITI currently have?
 - Should this, and if so, how, could this be enlarged?
- Is South Sudan's civil society sufficiently strong to act as watchdog?
 - Is there enough freedom (of speech/organisation etc.) for the civil society to function effectively?
- How would you describe the relationship between the government and civil society?

The role the government

- How could the EITI generate the needed political will for the implementation of the EITI in South Sudan?
- Does the current government have the capacity to implement the EITI?
- How could the capacity of the government be increased?

The role of the Asian oil companies

Over 80 major oil, gas and mining companies have to date expressed their support for the EITI Principles. The three biggest oil producers in South Sudan; Malaysian Petronas, Chinese CNPC and Indian ONGC are not on that list.

- Might they be willing to sign up in support of the EITI in the future and would this be a good idea?
- How would you describe the relationship between the South Sudanese government and the oil companies active in South Sudan before the conflict?
- How could the oil companies be engaged in the EITI in South Sudan?

This was my last question. Is there anything else you think is important for me to know about which I did not ask yet?

- Are you interested in receiving the results of my research?
- Do you have any suggestion who else I could interview about this subject?

I want to thank you for your time and interesting comments.