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SOUTH SUDAN PRIVATE SECTOR MAPPING

THIS PUBLICATION WAS PRODUCED FOR REVIEW BY THE UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT. IT WAS PREPARED BY MANAGEMENT SYSTEMS INTERNATIONAL (MSI), A TETRA TECH COMPANY.

SOUTH SUDAN PRIVATE SECTOR MAPPING

Contracted under AID-I-668-13-00001, Task Order # 72066818F00001

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ACRONYMS

BSS	Bank of South Sudan
CAMP	Comprehensive Agriculture Master Plan
CIA	Central Intelligence Agency
CPA	Candidate Partnership Area
DG	Director General
DRC	Democratic Republic of Congo
ETC	Equatorial Teak Company
FAO	Food and Agriculture Organization of the United Nations
F/CFA	Food/Cash for Assets
FGD	Focus Group Discussion
FX	Foreign Exchange
FY	Financial Year
GDP	Gross Domestic Products
HPF	Health Pooled Fund
IMF	International Monetary Fund
KCB	Kenya Commercial Bank
KII	Key Informant Interview
MoA	Ministry of Agriculture
MoE	Ministry of Education
MoH	Ministry of Health
NGO	Non-Governmental Organization
PfRR	Partnership for Recovery and Resilience
PSE	Private Sector Engagement
R-ARCSS	Revitalized Agreement on the Resolution of Conflict in South Sudan
SAB	South Africa Breweries
SSP	South Sudanese Pound
US	United States
USAID	United States Agency for International Development
WB	World Bank
WFP	World Food Program

EXECUTIVE SUMMARY

Private Sector Engagement (PSE) is a strategic approach to planning and programming in international development through which USAID consults, strategizes, aligns, collaborates and implements with the private sector for greater scale, sustainability, and effectiveness of development or humanitarian outcome. During September 2019, MSI undertook an exercise in mapping out the macroeconomic situation in South Sudan, via desk review, and then drilled down to the main technical sectors covered by USAID and relevant to significant private sector involvement, specifically Health, Education, Agriculture.

The team examined Candidate Partnership Areas (CPAs) under the Partnership for Recovery and Resilience (PfRR) to understand how, specifically, the national economic situation has affected the area and what, if any, activity is happening in the private sector in the relevant areas. The information gathered will inform USAID/South Sudan to assess potential strategic engagement and collaboration with the private sector to allow it to expand its reach and impact. Given the constant changes in the South Sudan economy in the recent years, USAID/South Sudan must first understand the current environment and identify inherent risks and existing gaps that pose opportunities for collaboration.

The threat from an economy that has become or is, as in the case of South Sudan, dependent upon one resource, oil, is to neglect the promotion of growth in non-oil sectors. Oil production in South Sudan is led by foreign operators and their supporting services and does not readily lend itself to diversification, creating additional products that increase value at the national level. The 'resource curse' can be seen to impact the economy in terms of the macroeconomic deterioration through exchange rate vulnerability and fiscal volitivity often driven by deep seated political issues and insecurity while maintaining a continuing disproportionate public sector. Despite some evidence that the worst of the crisis is easing, the banking sector faces serious challenges due to the high inflation and strong currency depreciation. The parallel market premium has been rising since the relapse into conflict in July 2016, which led to further macroeconomic instability and almost a complete loss of foreign exchange reserves.

Broadening private sector growth faces major challenges in South Sudan, challenges mostly beyond the control of a nascent private sector, namely those of political instability, patronage, corruption and economic uncertainty. However, other constraints related to poor infrastructure in all its forms (power, roads, telephone and IT coverage), access to finance and high transaction costs exacerbated by unclear or uncertain regulations impact the competitiveness of the private sector. In summary, investments in power and transport (predominantly roads) are critical to growth in rural areas. The use of solar power at the personal level is increasing, and investigation into the use of renewable resources for power generation is needed. Further, inattention to the provision of public services, especially health and education leaves a growing population ill equipped to fill upcoming higher skilled labor opportunities.

Opportunities for growth and investment in South Sudan remain, given its plentiful fertile lands and large expanses of forest. In all interviews conducted with government ministries and agencies in Juba, when asked where a donor would gain traction with the private sector, the response was to start small and examine what was happening in the former states, thus leading to the Candidate Partnership Areas.

Studies within the seven CPA towns of Aweil, Bor, Rumbek Torit, Wau, Yambio and Yei revealed that the continued decline in the purchasing power of the South Sudanese Pound (SSP) and the lack of foreign exchange were hugely influential on private sector businesses. This continues to heavily impact trade in general as the spending power of the populace is eroded. The present lack of confidence affects the ability to obtain finance, influencing investment in raw materials, equipment and productive technologies. The lack of infrastructure and services further compound the situation.

Yet within a reported improving security situation a degree of optimism exists. Critically the political timetable of the Revitalized Agreement on the Resolution of Conflict in South Sudan is seen as significant. In discussions many positive plans for 2020 were highlighted and a general pro-business attitude of local government was noted. Thus, overtime engagement with a growing private sector is possible although with a cautious approach, not raising expectations. Notwithstanding the Chamber of Commerce in Juba highlighted the lack of effective regulations to ensure enforcement of amendments to law. The Secretary General noted that there had been a working group comprised of the public and private sector that worked hard in drafting laws for commerce; however, funding ceased prior to the establishment of regulations for the laws to be finalized. He mentioned this means that while there may be over 20 laws for commerce, many are unenforceable as they lack the requisite regulations to do so.

The results of this initial study highlight some areas of initial engagement. These include the 'low hanging fruit' inclusion of private sector into public awareness campaigns- the report highlights the issue of Ebola Virus Disease warning posters not circulated to private clinics. The use of the PfRR mechanism to encourage integration and inclusion of the private sector should continue. Although few larger companies exist, most that do offer some level of Corporate Social Responsibility (CSR) support to communities.

Three main areas of assistance in improving the overall enabling environment are more time consuming and demand resources, including skills training, access to finance and infrastructure development including power generation and improved access to markets.

Private sector data can be very sensitive, and throughout data collection the team did experience some resistance to provide information that deviated from general conditions and status. Seemingly proactive investors have been sanctioned for roles in the conflict of South Sudan. The hope is this paper will serve as a starting place for guiding future studies on the private sector in South Sudan, which continues to change and develop as circumstances evolve in the country.

INTRODUCTION

USAID and its development partners are looking to the private sector as a key partner for achieving sustainable development results, recognizing private firms as sources of innovation, expertise, and finance to be harnessed in addressing development challenges. In order to accurately do this, USAID must first understand the constantly evolving landscape of the private sector in South Sudan. South Sudan has faced repeated conflict and economic crises, the most recent being the relapse into war in late 2013 and again in mid-2016, which has caused considerable market upheaval and macro-economic turmoil, with inflation reaching 550% in September 2016 and a 20+% decline in GDP from 2016 through 2018 (IMF 2019).

Private Sector Engagement (PSE) is a strategic approach to planning and programming in international development through which USAID consults, strategizes, aligns, collaborates and implements with the private sector for greater scale, sustainability, and effectiveness of development or humanitarian outcomes. The private sector includes for-profit commercial entities and their affiliated entities and foundations, financial institutions, investors and intermediaries; business associations and cooperatives; micro, small, medium and large enterprises that operate in the formal and informal sectors; and American, local, regional, and multi-national businesses and for-profit approaches that generate sustainable income (e.g., a venture fund run by a non-governmental organization (NGO) or a social enterprise).

The private sector is playing an unprecedented role in creating and shaping opportunities that improve the lives of the people and communities USAID supports. The private sector creates nine out of 10 jobs in the developing world, providing the best pathway out of poverty. It is the driving force behind innovations that solve development problems. Its scale and resources match the complexity of the challenges that countries face on the journey to self-reliance at the same time, emerging markets have become increasingly attractive to private businesses and investors as places to sell their products, invest their money, and do business. Enterprise driven-development means aligning with the private sector as co-creators of market-based solutions with shared risks and shared reward. Engaging the private sector can shape solutions that achieve sustained impact and carry forward long after USAID's support has ended.

SCOPE

The exercise started by mapping out the macroeconomic situation via desk review, and then drilled down to the main technical sectors covered by USAID and relevant to significant private sector involvement, specifically Health, Education, and Agriculture. The research team looked at the Candidate Partnership Areas (CPAs) of the Partnership for Recovery and Resilience (PfRR) namely (1) Torit, (2) Yambio, (3) Wau, (4) Aweil, (5) Rumbek, (6) Bor and (7) Yei from a high level view to understand the specific effects of the national economic situation on each area and what, if any, activity is happening in the private sector in the relevant areas.

MAPPING PARAMETERS

The mapping exercise specifically focused on the below parameters:

1. Summarize the major macroeconomic situation and overall forces at work that impact private sector activity.
2. Describe the overall state of the relevant sectors (Financial, Agriculture, Education, Health) and how the current state of the economy is affecting them, specifically focusing on the points below.

a. Document the perception/perspectives on the current prevailing business environments (enablers and barriers) (by locality and sector)
b. Determine the enabling business environment and the existing policies that enhance business opportunities (by locality and sector)
c. Determine any existing partnership, support, or collaboration (by locality and sector).
d. Explore and assess the viability of opportunities for USAID and other partners to collaborate in development efforts in the areas mentioned above.

PURPOSE

The private sector mapping exercise will assist USAID/South Sudan to inform and enable strategic engagement and collaboration with the private sector to allow it to expand its reach and impact. Given the constant changes in economics South Sudan has experienced in the recent years, USAID/South Sudan must first understand the current environment and identify inherent risks and existing gaps that pose opportunities for collaboration. Knowing the current situation in South Sudan, how macroeconomic forces are affecting the private sector, and understanding the enabling environment and barriers to it, will help USAID formulate its rules of engagement in line with the Private Sector Engagement Policy.

The primary audience of this mapping report will be the USAID Mission in South Sudan which will use the report to review its private sector strategy and ensure it is aligned with USAID private sector engagement policy.

METHODOLOGY

The eight selected areas for this mapping have been pre-selected based on USAID footprint and PfRR activities. The mapping team conducted data collection: Juba, Wau, Aweil, Torit, Yambio, Yei, Rumbek, and Bor. The main data collection methods used were:

- Desk review
- Key informant interviews (KIIs)
- Group discussions

The approach taken by the mapping team during fieldwork was based upon an analysis of existing literature (desk study) guided by the mapping questions. Purposeful and snowball sampling was used to identify key informants for interviews.

LIMITATIONS

Given the geographic distribution and timeframe for this activity, as mentioned in the methodology, a broader qualitative lens was used. As such, this report is expected to serve as a starting point to identify other areas of interest for deeper study and not as a census of private sector activities in all areas. For example, while agriculture was looked at from a broad lens, individual sub-topics, such as veterinarian services, were not explored in detail. Indeed, future assessments could focus on individual sub-sectors.

Private sector data can be very sensitive, and throughout data collection the team did experience some resistance to provide information that deviated from general conditions and status. Data available for this paper varied by area and respondent as attitudes towards sharing and accessing information varied highly by area and individual. As such, some data may be more complete for some

CPAs than others. In the context of South Sudan, in-depth verification of individual actors must be undertaken before any engagement is undertaken.

A more rigorous, mixed methods, or targeted approach can be guided by the findings of this activity but should not be expected from the data collected within. The hope is this paper will serve as a starting place for guiding future study on the private sector in South Sudan, which continues to change and evolve as circumstances evolve in the country.

BACKGROUND

THE MACROECONOMIC CLIMATE

As the youngest nation currently in existence, South Sudan has suffered a tumultuous period after declaring independence in 2011. A series of crises and relapses into civil war in 2013 and 2016 have undermined progress in development of the government and financial institutions necessary for a stable economy. These interruptions and inconsistency have led to changing or unenforced government policies and increased vulnerability to rent seeking by various actors.

FIGURE 1 FLUCTUATION OF OIL PRICES PER BARREL

Source: CIA 2019

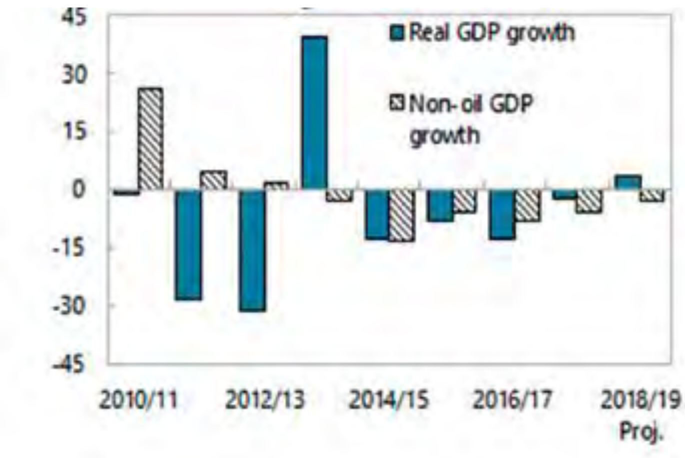
The South Sudan economy is heavily dependent on oil production, with 80% of GDP and 98% of government revenues originating from oil production (CIA, 2019). Due to this dependence, South Sudan has suffered from falling oil prices since the outbreak of conflict in 2013, deteriorating by 70% from a peak of $118 per barrel in 2013 to a low of $36 a barrel in February 2016. Real GDP has been in steady decline, with a 2.4% decrease in 2017/18 adding to a roughly 22% cumulative decrease in the last three years Estimates of overall real disposable income have decreased by 70% since independence in 2011, increasing the amount of people living under the international poverty line from 50% in 2012 to 82% in 2016 (IMF, 2019; WB, 2018).

The threat from an economy that has become or is, as in the case of South Sudan, dependent upon one resource, oil, is to neglect the promotion of growth in non-oil sectors. Oil production in South Sudan is led by foreign operators and their supporting services and does not readily lend itself to diversification, creating additional products that increase value at the national level. The 'resource curse' can be seen to impact the economy in terms of the macroeconomic deterioration through exchange rate vulnerability and fiscal volitivity often driven by deep seated political issues and insecurity while maintaining a continuing disproportionate public sector.

The signing of the Revitalized Agreement on the Resolution of Conflict in South Sudan (R-ARCSS) in September 2018 improved the outlook for lasting peace and the cessation of hostilities allowed for some of the oil wells damaged by the conflict to be reopened and export oil production to increase from 120,000 barrels per day in 2017/18 to 145,000 barrels per day in February 2019.

Moreover, moderation in money growth due to constraints in government spending and central bank financing helped mitigate inflationary pressures, bringing inflation down from 550% in September 2016 to 40% in December 2018 (IMF, 2019).

FIGURE 2 EVOLUTION OF GDP GROWTH (PERCENT CHANGE)

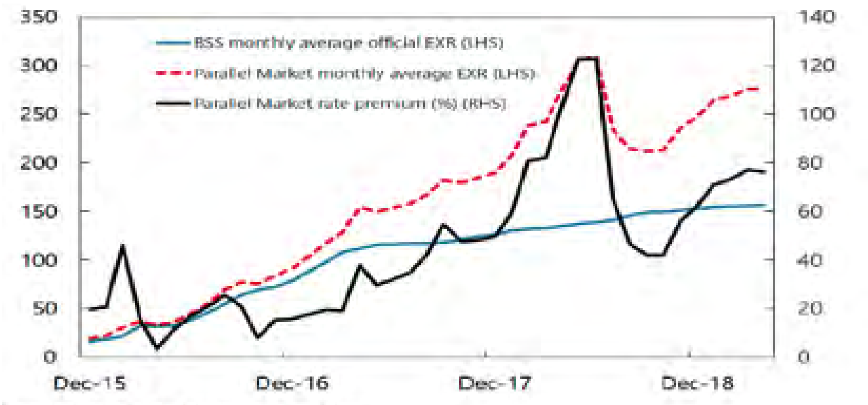


While the economy has seen some slight improvements since the signing of the R-ARCSS, continued economic improvement is highly dependent on continued improvement in peace and stability. Implementation of the R-ARCSS has been postponed by 100 days past the November 2019 deadline. Additionally, there is a need for the focus of government spending to shift away from a focus on defense. Security, accountability, public administration, and rule of law spending have accounted for over 70% of the total government budget in the three fiscal years of 2016-2018. In contrast, the only sectors to underspend their original budgets in FY2018 were health and education (around 6% of total government spending) (WB, 2018).

THE PRIVATE SECTOR ENVIRONMENT

Despite some evidence that the worst of the crisis is easing, the banking sector faces serious challenges due to the high inflation and strong currency depreciation. The parallel market premium has been rising since the relapse into conflict in July 2016, which led to further macroeconomic instability and almost a complete loss of foreign exchange (FX) reserves. Meanwhile the bilateral real official exchange rate has appreciated over the last two years, as the crisis deepened, and FX restrictions were put in place. The real appreciation of the official (indicative) exchange rate accelerated in April 2017 to roughly 80% by the end of 2018. This appreciation was driven by the decision in 2017 of the Bank of South Sudan (BSS) to abolish FX auctions and the new requirement of commercial banks to surrender FX purchased from "special account" holders at the official (indicative rate), though banks have been allowed to repurchase up to 25% of the funds from the BSS.

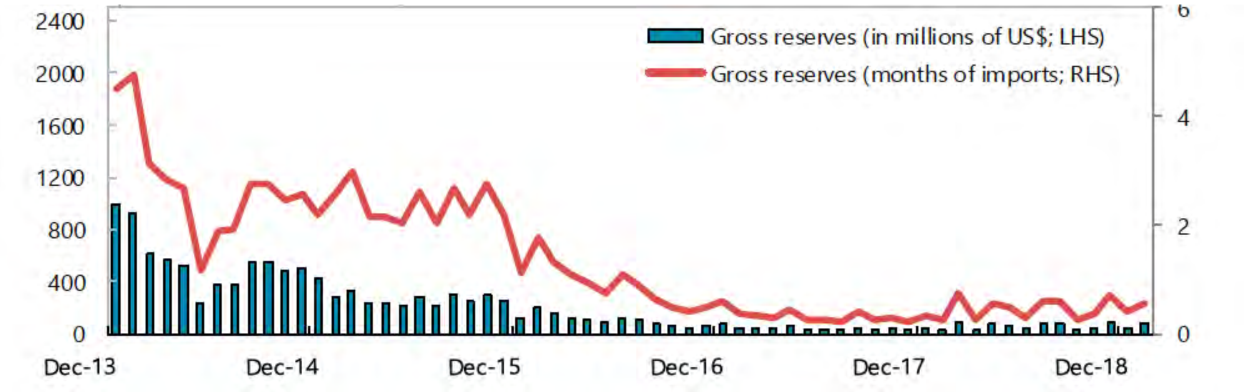
FIGURE 3 SOUTH SUDAN: EXCHANGE RATE DEVELOPMENT (SOUTH SUDANESE POUNDS PER USD)



Source: South Sudanese authorities.

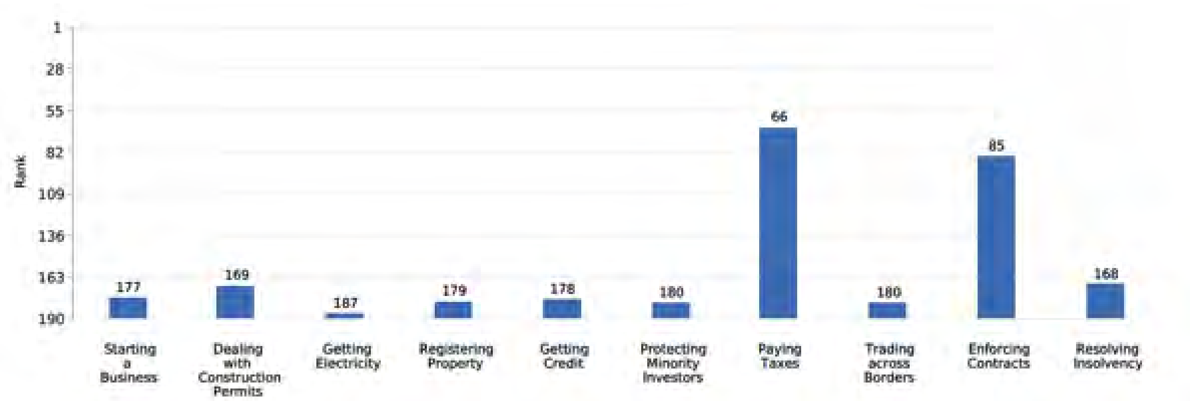
Only a limited number of transactions on the official FX market occur at the banks' market rate. These include FX sales by commercial banks from the 25 percent repurchased from the BSS special account holders' funds and from sources other than special accounts. The difference between the official (indicative) rate and the freely determined banks' market rate is similar to that of the official (indicative) rate and parallel market rate, and both spreads remain very high. The large differences between exchange rates lead to multiple currency practices (MCPs); furthermore, the fact that the BSS prioritizes FX provision for government payments and payments of essential commodities becomes a de facto new exchange restriction. This environment has led to a decline in FX inflows. Current FX reserves are the equivalent of only 1-2 weeks of imports, which is extremely low for a country that is highly dependent on oil exports and the importation of most goods for domestic consumption. The IMF has stated that in the medium and long-term a cover of four months would be the most appropriate (IMF, 2019)

FIGURE 4 GROSS FOREIGN EXCHANGE RESERVES
(MILLIONS OF US DOLLARS)



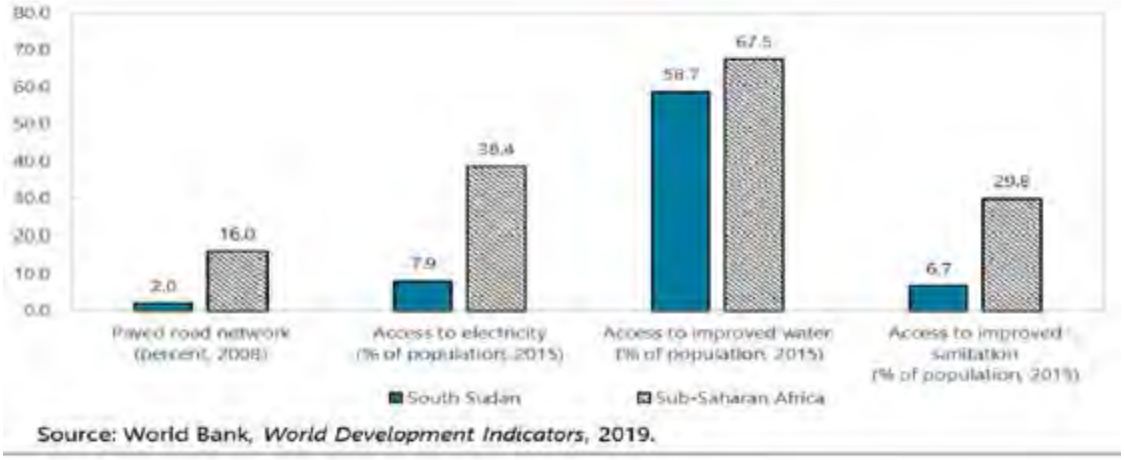
While the new rankings by the World Bank on the Ease of Doing Business report have South Sudan two spots higher than last year, it still remains at 185 out 190, and some of its increase in the ranking can be traced to a decrease in performance of other countries, all of which demonstrate a difficult environment in which to conduct business. Of note is the lowest ranking on all criteria (187) is on the ease of obtaining electricity (WB, 2019). Infrastructure remains a large problem within South Sudan; according to the recent IMF Chapter IV report "Lack of infrastructure is a common

FIGURE 5 RANKINGS ON DOING BUSINESS TOPICS - SOUTH SUDAN



issue across the non-oil sectors. Considering the population density and natural resource locations, investment in roads, especially in southern part of South Sudan should be prioritized. The prolonged internal conflict has squeezed budgets and left almost no resources for economic and social development in South Sudan." (IMF, 2019) As can be seen in the figure below, access to paved roads and electricity in South Sudan remain far below the rest of sub-Saharan Africa.

FIGURE 6 SELECTED INDICATORS FOR INFRASTRUCTURE SERVICES



Source: World Bank, *World Development Indicators*, 2019.

Broadening private sector growth faces major challenges in South Sudan, challenges mostly beyond the control of a nascent private sector, namely those of political instability, patronage, corruption and economic uncertainty. However, other constraints related to poor infrastructure in all its forms (power, roads, telephone and IT coverage), access to finance and high transaction costs exacerbated by unclear or uncertain regulations impact on the competitiveness of the private sector. In summary, rural areas investments in power and transport (predominantly roads) are critical to growth. Further, inattention to the provision of public services, especially health and education leaves a growing population ill equipped to fill upcoming higher skilled labor opportunities.

THE NATIONAL LEVEL/JUBA BASED CONTEXT

At the national level, commercial banks complain that revenue from oil does not circulate within the system, creating hard currency liquidity problems. For banks to satisfy customer demands, they import US Dollar cash and report that the cash is immediately exported in one form or another (unsurprising for a country that imports 90% of its needs) (CIA, 2019). Prior to the outbreak of fighting in late 2013, one of the market leading banks, Kenya Commercial Bank (KCB) had several branches around the country. Initially Bor, Malakal, and Bentiu were closed due to the unrest. Subsequently the business restructured and branches in Yambio, Kuajok, Torit, Yei and Rumbek closed, leaving only Wau, Aweil and Nimule as trading branches outside Juba. Yei, Torit and Rumbek branches, in buildings owned by KCB, have been mothballed for future reopening. At the time of interview, the reopening of the Rumbek branch was foreseen.

Although the banks report small signs of improvement, the market is both erratic and uncertain. They report business as slow and cautious, but those banks interviewed continue to enjoy support from their overseas headquarters. Following considerable unrecoverable loan debt incurred from 2013 and 2016, banks are still offering loans but based upon a rigid assessment of security and ability to repay and notably at high interest rates. While land titles are recognized by banks as a form of collateral, albeit only after title and value are carefully examined, it is the ability to repay that is the critical determinant. Such rigidity within the banking sector reduces private sector access to finance.

South Sudan has considerable opportunities for investment outside of the oil sector. The investment environment before 2013 was encouraging. Several events to encourage investor entry took place from 2010 onward, culminating in an investor conference in late 2013.

The 2013 Conference in Juba had in excess of 1,000 attendees with a similar number requesting details online. But hopes were dashed as the disturbances in late 2013 brought about a nosedive decline in investment interest due to the political instability, economic deterioration and insecurity.

Those seen to invest post-2013 were predominantly from the neighboring region, especially Uganda, Somalia, Eritrea, Ethiopia and Kenya. However, the term investor seems to be used loosely as many are general traders.

As the conflict continued, the impact on the very few remaining productive investors was dire. A notable case is that of the sole 100% foreign investment, the SAB Miller-owned brewery. The brewery closed in early 2016 as its bottom line was eroded due to rising exchange rates, its lack of access to foreign currency to import raw materials, and with its close relationship to the Garang family potentially bringing political pressure to bear. The lack of access to FX also killed off the potential investment in a Coca Cola factory. A smaller investment was forced to close after providing successful competition that impacted an established company.

Within some sectors, alliances between different nationalities have resulted in market domination. Within Juba, water lifting, filtration and transport, water bottling and sewage collection is dominated by Eritrean nationals, while the bulk supply of fuel is predominantly organized by Somali nationals. Regional foreign nationals also maintain a large market share in the hospitality sector.

Opportunities for growth and investment in South Sudan are many given its plentiful fertile lands and large expanses of forest. At the time of this report, the central Ministry of Agriculture listed knowledge of only one foreign private sector investor in agriculture production. The organization, Green Horizons, had operations around Jebel Ladu, north of Juba and around the city of Torit, although the Ministry believes the Torit operation has subsequently closed. It is understood this enterprise was being used as a cover for other nefarious and illegal activities.

Currently the Ministry sees itself as the monitoring arm for national agriculture, working closely with the FAO in the implementation of predominantly donor driven projects. There are a considerable number of farming cooperatives nationwide, often unable to raise enough funds from members to become viable. Limited access to mechanization[1] and lack of infrastructure to transport production to market hampers further expansion.

The Ministry of Agriculture Comprehensive Agriculture Master Plan (CAMP) states that private sector involvement in agricultural development "should be the engine of growth" but "that it is generally unprepared to take the necessary steps due to poor enabling environment and lack of investment finance."[2] Assuming peace is maintained, the Ministry still sees the revitalization of former productive projects as an avenue for private sector entry. Tea in Upper Talanga, coffee in Obbo, sugar production around Mongalla, were given as some examples. The map below offers the reader some idea of its potential.

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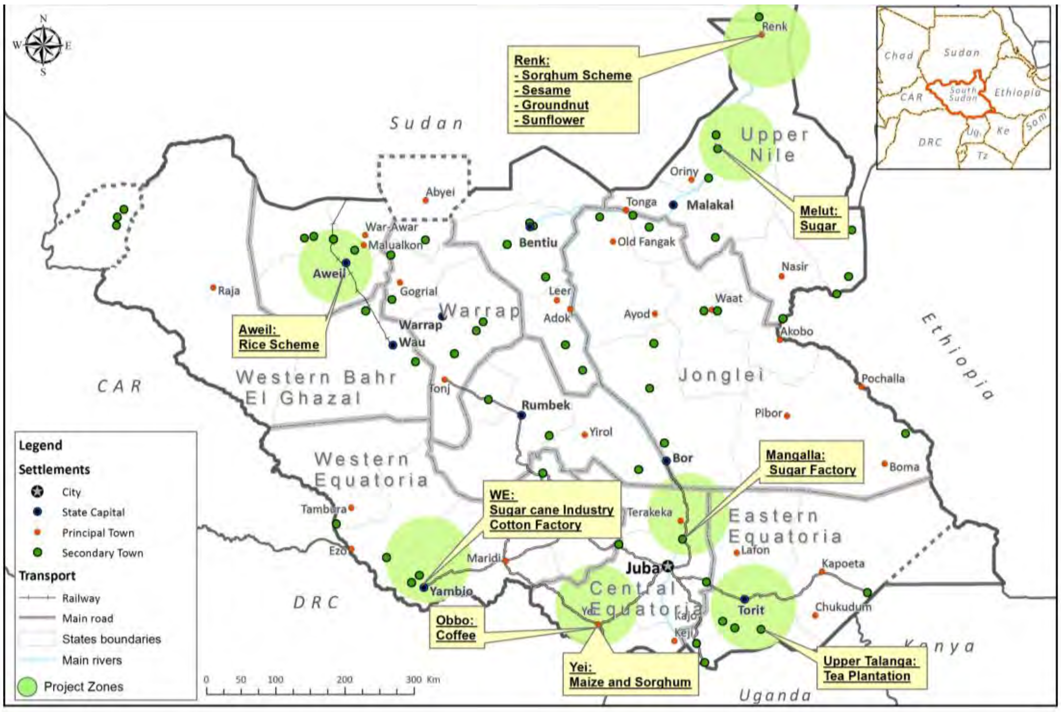
[1] Ministry reported the provision of 1000 tractors at the time of independence. The tractors were poorly specified and were unsuited to the predominant soil types in South Sudan. There was no provision for operator training, fuel in rural areas or spare parts. Most lie dormant or broken down.

[2] Comprehensive Agriculture Master Plan 2016, Executive Summary Page xvi

Figure 7 Agriculture Project Location to be Revitalized



From interviews within the capital, areas of current growth and investment were highlighted as the private health care sector and services including property development and hospitality (hotels, restaurants). The growing private healthcare sector is buoyed by the provision private healthcare insurance, with providers reporting inspection of facilities to ensure a level of service is delivered. While growth in property development and the hospitality sector has slowed, with the ensuing increased competition, rents charged have witnessed a decline. Notwithstanding the sector still remains a major source of income. Increased access to internet provision and mobile telephone networks including mobile payment facilities has been rolled out. However, several blackspots still exist nationwide, negatively impacting those in rural communities.

The Chamber of Commerce noted that the South Sudan business forum, a public-private working group that developed policies and laws for government, had ceased operating. Having processed some 22 amendments or laws, the changes lack the regulations necessary to ensure enforcement This was noted as a considerable area of concern.

Overall, the areas of investment listed contrast with investment approach and areas the central government wish to focus on, namely infrastructure, education and agriculture. In all interviews conducted with government ministries and agencies, when asked where a donor would gain traction with the private sector, the response was to start small and examine what was happening in the former states, thus leading to the CPAs.

THE CANDIDATE PARTNERSHIP AREAS

As mentioned in the scope, the private sector mapping exercise was primarily focused on mapping private sector activity in the seven CPAs that were previously identified as part of the Partnership for Resilience and Recovery (PfRR) activity, initiated in 2018, as a multi-donor mechanism to work with local government to build the local resilience and recovery in an inclusive manner. The seven partnership areas are: Aweil, Bor, Rumbek, Torit, Wau, Yambio and Yei.

This section will discuss overall barriers and enabling factors as encountered across multiple sectors (including three of USAID's priorities: Health, Education and Agriculture) and CPAs.

OVERALL BARRIERS

ROAD NETWORK AND INFRASTRUCTURE

The road network was cited often as a serious barrier for business. Issues with the road network include poor infrastructure quality and maintenance, lack of needed tertiary roads, such as feeder roads to agriculturally productive areas, insecurity on the roads, and fees for transport of goods on the roads, both formal and informal, and the relatively high cost and timeframe required for transport of goods.

In every key informant interview (KII) in Yambio, roads or infrastructure was mentioned as a barrier to operating. Only the headmaster of a primary school didn't mention roads specifically as they are not directly relevant to schooling, but mentioned the infrastructure of the school, as they are using buildings original to 2008 when the school opened, and it is now insufficient to meet the needs of the school. They have constructed temporary shelters and were doing some repairs during our visit as it was over school break, but infrastructure remains a significant issue for them. The issue with infrastructure was reiterated in education KIIs in other CPAs, such as Rumbek and Yei.

In Yambio, the need for more feeder roads and the high cost of transportation was mentioned by KIIs in agriculture as a significant obstacle to bringing goods to market. They mentioned that even when it is possible the cost of transport is high, which often eats into the margins and cooperatives are often unable to distribute enough back to their farmers to cover the costs, much less turn a profit. This issue is exacerbated by some of the macroeconomic conditions, which will be covered in the sections below.

In addition to whether roads are present or not, the overall condition of the roads, such as the Juba – Yambio road, causes issues. This road, while relatively safe, is in poor condition and has many military check points, which, according to a KII with the Chamber of Commerce in Yambio, often require fees each time goods pass through. The road is so poor that pharmaceutical companies fly in drugs from Juba rather than transport them via road.

The use of air distribution was reinforced in an interview in Juba with the Health Pooled Fund (HPF) team. HPF provides a portfolio of 98 drug items to 804 health units, so transport is a major consideration. Procurement is made three times a year and once drugs have reached Mombasa they are transported by an international carrier to the Ministry of Health in Juba. Local bids are sought from transporters, both road and air, to complete the onward delivery to the local county hospital or the County Health Department or Partner. According to the HPF team, air freight is often far cheaper than delivery by road.

Insecurity, while in general improving in many areas, still plays a role in the road network. While in Yambio, the team learned that due to an attack on a Congolese driver, many trucks were stopped at the border and Congolese drivers were refusing to continue to drive the goods in until they were assured of their safety. In Yambio, goods imported from Uganda cannot come directly to Yambio, but instead must be transported from Uganda to the Democratic Republic of Congo (DRC) and then from DRC to Yambio, which is very close to the DRC border. Because of this, goods can take many months to reach Yambio, causing supply delays, and often arrive in damaged condition. Goods are also subject to more customs controls and fees when having to pass through a third country to arrive at its destination. The KII with the Chamber of Commerce revealed that they recently had 20 trucks stopped at the border, where fees of 1,800 USD were being assessed per truck. The KII said that with intervention of many players and the government they were able to lower the price to 200 USD per truck, but fees like these were common.

In Torit, insecurity is also an issue. While not as bad as it was during the 2016 crisis, when one KII characterized transporting goods from Uganda or Kenya not only risky, but also a matter of life and death. According to him the risk of armed robbery is decreasing drastically, though he noted that pockets of insecurity are re-emerging on some roads, and that internal markets are also affected as shops face a lot of break-ins, in spite of persistent police presence on night patrols to protect shops.

In Yei, it was noted that the Yei-Kaya road is now open and that there has been an easing in transportation, but still noted insecurity, with the KII from the Ministry of Finance mentioning the effect of inter country roads insecurity effecting transport on the roads out of Yei.

In Wau it was noted that insecurity made access to markets that were possible previously, now inaccessible. This has led to a reduction in the labor pool, as previously labor was coming from neighboring areas to work on farms. All the above incidents noted have a significant impact on prices of commodities reaching their final destination. In the current climate it will be sometime before roads are improved and freedom of movement established.

ACCESS TO FINANCE

Another common refrain heard from across sectors was the lack of access to capital. Due to the fragility of South Sudan's economy and political stability, most traditional lending institutions have either left the areas outside the capital city or have ceased to offer loans.

In Yambio, both Equity Bank and KCB Bank left during the most recent period of insecurity. Currently there remains Ivory Bank and Kush Bank, with Kush Bank only starting operations in spring of last year. When speaking to the branch manager at Kush Bank, he explained that when they started operations, he had to work very hard to undo some of the mistrust of banking that had occurred during the period when the other two banks shut down. There had been liquidity issues at those banks, which made the people of Yambio 'untrusting' of keeping their money in the bank.

The manager explained that, with the help of the Chamber of Commerce, he met with businessmen and helped explain that they were committed to making sure deposits were available when the client needed them, that their money was safer in the bank (risk of fire or theft keeping large quantities of cash at home) and that to have a truly viable business that was capable of growth, a bank account was necessary.

While the manager said that initially they were offering loans, this was suspended in the middle of last year due to the risk environment. The manager explained with inflation the risks that the borrower would end up with a failed business but still carrying the loan made them feel that loans wouldn't be in the best interest of their clients.

It was mentioned that there was no microfinance in Yambio; the one registered microfinance business was no longer active. In addition, the agricultural cooperatives, the main way of organizing farming, all mentioned that the amount of money that can raise via member contributions is insufficient to fund activities, while in terms of investment it takes a long time to raise enough funds to make capital investments.

One cooperative union that covers five payams mentioned that they had both a tractor and a shelling machine, but that these were both given to the union by the government and WFP respectively. The mentioned that they have 500 tailors under the cooperative, but only three sewing machines, far too few for the number of people.

Even in areas where demand seems to be high, such as private sector, the owner of the only other in-patient facility other than the hospital said that he wanted to have an x-ray machine to help with diagnoses, but that the machine, which must be sourced from Uganda, was too expensive to buy outright and there was no way for him to finance the purchase at that point.

MACROECONOMIC AND POLITICAL FACTORS

As outlined in the above section, there are a number of macroeconomic and national political factors that play into how the private sector operates at a local level. It is estimated that 90% of goods in South Sudan are imported, the devaluation of the South Sudanese Pound (SSP) against the dollar and the relative difficulty in sourcing hard currency inside the country has contributed to the overall inflationary environment and to serious obstacles in doing business in South Sudan.

Yambio, which lies only 37 kms away from Congo, imports many products from both Congo and Uganda. All KIIs mentioned that inflation, particularly the devaluation of the SSP against the dollar, has caused significant hardship on them in terms of business costs. Many costs, such as transport from Uganda, must be paid in dollars. Many KIIs said that by the time they receive the goods they need and sell them in the market, the SSP has lost so much value it is often not enough to recover the costs. When the goods are raw materials needed for manufacture, offsetting the increased cost can make pricing the good uncompetitive.

KIIs reported that obtaining hard currency is an issue. The de facto source of hard currency in the market are UN employees, which have a large presence in Yambio and some of the other CPA areas. The head of a school in Yambio said he and other foreign teachers are supposed to be paid in dollars, but as it's not possible to obtain them easily, he is instead paid the equivalent amount in SSP based on the current market rate.

Another common statement on barriers to business cited was the necessity for peace and security to enable the private sector to grow and develop. KIIs acknowledged that things have been improving in terms of security, but stress that the continuing improvement of the situation is key. While many seem generally optimistic that things will improve, the governor of Yambio and other KIIs stressed that the private sector, like everyone else, is paying attention to the scheduled government transition due in mid-November for this year.

SUPPLY CHAIN GAPS

Another common barrier mentioned by KIIs were the gaps in the value chain that effected their ability to produce or bring products to market. For example, Yambio is a highly agricultural area; however, there is no processing ability for their production that would add value or extend the market. One example cited was juicing facilities. The DG of the department of Commerce, Trade and Investment of the Ministry of Finance mentioned that a juice factory is looking to come into Yambio in early 2020, however, in spite of being rich in mango and pineapple, there is no functionality to transform these goods into other products, such as juice or dried fruit.

Another example is packaging. One KII who makes soap and chalk locally, not only has to source his reagents from Uganda, but also his packaging for the products as that also cannot be produced locally. The same KII, who sources palm oil from Yambio, an area well known for production, must still import the palm kernel oil as the machinery for producing it is unavailable locally and manual production is too labor intensive to be cost efficient.

As mentioned above, the lack of various wholesalers causes a serious barrier. Pharmacies and clinics must import their drugs from Uganda and DRC or fly them into Yambio from Juba, a costly and often time-consuming endeavor. The KII making soap and chalk is producing goods that would otherwise have to be imported but is himself dependent on the reagents and chemicals needed that have to be sourced from outside the country, taking valuable time. Due to these issues, he is currently not producing soap as he is waiting for his next shipment of reagents.

LACK OF EDUCATION/CAPACITY

A lack of capacity and education was also often mentioned by KIIs. In many cases, the lack of capacity was directly related to business skills and entrepreneurship. Though in the case of Agriculture, the Ministry of Agriculture in Yambio stressed the need for better technical capacity of the cooperatives, which are dependent on extension workers, but there is no agricultural institute to send the extension workers to for training. Thus, it is very difficult to ensure that the workers remain up-to-date or to train new workers and build farming technical capacity. This issue of a need for increased technical capacity in more advanced agricultural practices was re-iterated in the other CPAs.

One KII in Yambio, who has multiple streams of business, has recently starting a computer training center to help train youth in basic office use of computers to help increase their employability and has said that demand is extremely high for this type of training. The KII mentioned that he was inspired to help graduating youth from his own experience. He hoped that they would not struggle to find gainful employment, the way his cohort did when they finished school.

The DG of the department of Commerce, Trade and Investment of the Ministry of Finance in Yambio mentioned that an institute (Stafford International) is expected to open in Yambio in January of 2020.

OVERALL ENABLING FACTORS

Like the overall barriers, there were some common themes that emerged across sectors and sometimes regions, on what factors were enabling of private sector business. The most common ones are outlined below.

LOCAL ATTITUDES AND OPERATING ENVIRONMENT

When asked what factors were enabling of business, key informants mentioned the local attitudes of resilience, and the general attitudes towards business.

In Yambio, many KIIs mentioned that the respective ministries under which they fell were supportive of them. Registration was characterized as an easy and straightforward process. This sentiment was echoed by the Chamber of Commerce KII in Torit.

The government in Yambio has a pro-investment and pro-business attitude and the DG of Commerce, Trade and Investment mentioned that they were looking to create a government cooperative that works with businesses and partners with investors. It was envisioned that they would also be the central point for business registration, rather than having it 'divvied up' across all the ministries.

Local taxes in Yambio were mentioned by many to be high, however, Equatorial Teak, while recognizing the high level, was supportive on how the revenue helped create a stable state environment and the Governor of Yambio attributed local taxes raised as helping the state invest in infrastructure, such as the governor's offices. He further mentioned that, as opposed to subsidies offered elsewhere, fuel prices in Yambio reflect the market price in order to avoid fuel shortages that have occurred in other parts of the country.

In Torit, the Ministry of Agriculture mentioned that Fridays were introduced by the government as cultivating day for all civil servants and public officials, which enhances and increases local agricultural food production. They also cited the continuous support of FAO and WFP, which has incentivized farmers to remain in the sector.

In Aweil, a KII in education noted that the Ministry of Education (MoE) has a coordination office for private schools, which organizes term to term interactions with private institutions. It was mentioned that meetings were held with officials from both state and national Ministries of Education to discuss development, challenges and any misunderstandings within the education sector.

In Wau, the KII at the Ministry of Health mentioned that the government tries to help facilitate health trade in medicine and can sometimes grant tax exemptions.

GEOGRAPHY AND CLIMATE

A common enabler mentioned by KIIs were those that dealt specifically with the geography of the location, such as the case of Yambio, which has favorable climate for agriculture, adequate rain fall, and proximity to DRC. This was also seen in other locations, as some regions, such as Aweil, have proximity to Sudan for trade or Wau, which sits at crossroads to many different areas in South Sudan.

As much of the land in South Sudan is arable land suitable for agriculture (estimated around 70%), this was a common refrain as a key enabler for private sector business across many regions.

The lack of power is cited as a major barrier to growth in rural areas. However, in Yambio, which receives lengthy periods of sunshine, solar energy is widely used but on a personal basis. The central generator (donated by Egypt) has not operated for some time.

Given the cost of fuel and maintenance, power generation from renewable resources in South Sudan is an area that needs attention.

GENERAL ENVIRONMENT

Certain aspects of the general environment were also cited as enabling factors, such as the fact that security has stabilized. One KII in Yambio mentioned that there have not been gun shots heard in town in six to seven months. All attribute a more business enabling environment to increased security and, thus, an increased freedom of movement and ability to do business.

KIIs also mentioned that the demand for goods and services is present, even if they can’t always capitalize on it completely due to lack of capital for growth, there is a general feeling that the market demand exists.

Lastly, many KIIs talked about there being a cooperative business environment. Many KIIs in Yambio discussed having good relationships with the Chamber of Commerce, other businesses in the sector, and the Ministries overseeing their work. While formal partnerships and collaborations are rare, there was a general sense of coordination and community conveyed in various KIIs.

PRIVATE HEALTH CARE SECTOR

It was noted that private sector health care is a growing industry across South Sudan, with a strong and stable demand for services. Some of this can be attributed to the insufficient public health care system and a growing number of insurance companies providing health insurance in South Sudan. In

Aweil, a key informant from the Ministry of Health (MOH) commented on how there is high demand for health services and even though it's relatively easy to access public health services, they are of a lower quality than those found in the private sector.

In Yambio, where over 70 private health care businesses are registered with the MOH, a FGD with KIs for pharmacies and clinics in the area estimated that 75% of the demand for health care services was in the private sector, though this seemed to be a feeling by the group and not a verifiable number. Most KIIs commented that clients always come to them first and only go to the hospital if referred to them by the clinic if the case is too complex for them to treat. One KI mentioned that even after they have been referred clients often came back as they had trouble being seen in the public hospital, and the clinics would have to insist they go as their case was beyond their ability to treat.

PHOTO 1 PHARMACY AT CHRISTIAN MEDICAL CENTER IN YAMBIO

In terms of things going well in the private sector health, in Yambio, an in-patient clinic, the only other in-patient facility opened a month ago. The relationship with the MOH was characterized as good, and the FGD said that they use the MOH cold-chain when necessary. The MOH specified that while any businessman can open a pharmacy, there are requirements for them to be staffed by certified medical personnel like Clinical Officers or Certified Nurses. When asked about inspections, he acknowledged that they should be happening yearly, but did not confirm whether or not this was actually the case. It was also noted that relationships between the businesses were good and the head of the in-patient clinic is also the chairman of the pharmaceutical association. It was mentioned that they refer clients to other clinics or pharmacies when they don't have the needed treatment at their location.

The FGD did note that insurance agencies do come to inspect, and that insurance is accepted by the businesses. If a client doesn't have insurance and is in a poor financial state, KIs mentioned that treatment on credit could happen if there is an existing relationship and understanding with the client. Others mentioned payment plans or sliding scale fees based upon the situation of the family.

The FGD mentioned issues with the effectiveness of drugs they import, commenting that often they don't work well, and patients fail to improve the way they are expected to. Some theories are that the drugs could have been compromised in transit due to high temperatures while stored. Transport of pharmaceuticals is a large issue for all participants in the FGD. As there are no local wholesalers, all drugs must be either imported from Uganda, DRC, or flown in from Juba. Sourcing the pharmaceuticals is expensive and time consuming as it can often take months for drugs from Uganda to make their way to Yambio. The devaluation of the SSP against the dollar has exacerbated the cost of transport. This is also the case in Torit, which used to have pharmaceutical wholesalers, but all closed down during the 2016 crisis according to the MOH.

The FGD also mentioned recruiting enough qualified staff and capacity building of existing staff as an issue. Unless the private business owner decides to obtain training for their staff, none of the staff members have received any pharmacy specific training. They mentioned that there is a relatively new health institution in the area, but they are generally training clinical officers and midwives. There is a lack of specialties in the area. Some clinics like the hospital will treat basic dental issues, but should someone need glasses, they must go to Juba to see an optometrist.

PHOTO 2 LABORATORY AT AKASIA PHARMACEUTICAL IN YAMBIO

Participants noted that growth is generally inhibited by a lack of funds. They mentioned that they lack large machines for diagnostics, which causes them to have to refer. The one in-patient clinic mentioned that while they do have an ultrasound, they need an x-ray machine, but the cost to bring it in from Uganda is prohibitive without financing.

These barriers were reiterated by KIIs in Rumbek, with the MOH stating that the private sector was not in good shape due to the closing of private facilities that failed to meet standards.

Business KIIs mentioned similar issues as in Yambio and other CPAs, such as high taxes, difficulty obtaining drugs due to road insecurity, inability to recruit qualified staff and serious capital problems. KIIs said they are basically operating in a survival mode, despite the fact that the market for services is present. Even though Rumbek has wholesalers for pharmaceuticals, they face many of the same issues as other CPAs that do not, like Yambio. In Torit, similar issues abound, with health KIs mentioning the additional cost of providing private security due to higher levels of insecurity and theft. In Wau it was mentioned that looting occurs in pharmacies in the market due to a lack of security.

Also, of note, when asked about public awareness raising (Yambio is close to the DRC border, hence there is a strong awareness of Ebola) and public health tracking, the clinics said that unless they had a friend with connections that could get them posters, they are mostly ignored from a public health perspective. They aren't consulted in surveillance of communicable diseases and there does not seem to be a mechanism for them to easily report such cases other than to refer them to the public health care system.

PRIVATE EDUCATION SECTOR

Private sector education was also found to be growing significantly in South Sudan, though unlike private health care, there does seem to be more integration with the public sector.

Indeed, in Yambio, the Director of Finance and Administration estimated that 60-65% of schooling was met by the private sector. When conducting an KII with a head of a private primary school with 1,800 students, he mentioned that they had government teachers that had been seconded to the school. For the most part, in Yambio, it seemed that the private sector education was supporting a public sector school system that was too small to fit demand.

When asked why there were so few public schools in Yambio Town, the director thought that what had happened was very fast population growth within the town due to conflict and a tendency for new school construction, often funded by international donors, to take place in the more unstable rural areas, which left Yambio Town with a serious need to more schools that the private sector then filled.

It was noted by the Director that private schools must follow the same schedule and curriculum as public schools, and the head of the primary school noted that they were forced to add a Primary 8 year to their school, primarily a review year, at the insistence of the ministry, even though their students were capable of passing the exam to secondary after Primary 7.

PHOTO 3 NURSERY ROOM IN GARCIA NURSERY AND PRIMARY SCHOOL IN YAMBIO

It's noted that private schools generally have better scores on exams, and the head of the school visited noted that they had some of the highest scores and pass rates in Western Equatorial State. The director noted that one school, Mpungo, which is technically a public school, is located within a refugee resettlement and completely run by United Nations High Commissioner for Refugees. This school had a 100% pass rate for their students, which made some parents wish to take their kids out of private school and send them there, but that this school was an anomaly.

In Rumbek, the outlook for private sector education was characterized as dire, with KIIs mentioning schools closing due to the economic hardships experienced in the country. Most commented on similar issues as those in Yambio, such as sourcing qualified teachers, lack of infrastructure for schools, and the increasing costs associated with running the school. The only enabling factor commonly mentioned was the positive relationship between the MOE and the school community, from which they receive support to continue operating.

In Aweil, private schools are suffering from the macroeconomic crisis, primarily in the form of parents unable to meet school fees. However according to a KI, this is somewhat offset as some parents are bringing their children back to South Sudan from overseas schools due to the economic hardships they are facing. KIIs also mentioned difficulty in retaining qualified teachers; one KI mentioned the inability to retain teachers they had from other East African countries due to the lack of hard currency. KIs did indicate there is high demand for education in spite of the financial hardships in financing it.

In Bor it was mentioned that the economic hardships have caused students to leave school due to being unable to afford fees. A lack of proper meals both at home and school has also caused performance issues with students. One KI mentioned that integration of schooling curriculum in Bor has been difficult as some students used the Arabic system prevalent in the northern part of the country while others used the East African English system more common in the southern part of the country.

In Wau, education KIs mentioned rising school fees causing students to leave school, with some schools going so far as to put school fees in hard currency, something parents cannot generally afford or source. One KI mentioned dropouts of pupils in high school, particularly girls, often due to pregnancy. Another school mentioned that the increasing costs of operation caused their school to finish the term early. All mentioned challenges with infrastructure for the schools and the difficulty recruiting and maintaining qualified teachers.

PHOTO 4 CLASSROOM IN GARCIA NURSERY AND PRIMARY SCHOOL IN YAMBIO

In Torit private schools face similar challenges, with KIs noting that teacher development programs are not available for private schools. Like in other CPAs, they also noted the soaring cost of scholastic materials and the struggle to provide food to students, with no school feeding program due to lower enrollment caused by children leaving school.

Other than primary and secondary, it was noted that there weren't many options in terms of vocational or tertiary education. The Ministry of Agriculture in Yambio and Torit mentioned the need for an Agricultural institute and one of the KII businesses in Yambio was operating a computer training center for youth. It was noted that a private university in Yambio (Mikese) exists, and a relatively new health institute as well. The DG of the Commerce, Trade and Investment department of the MoF noted that another institute (Stafford International) was expected to come to Yambio in January of 2020.

The lack of capacity was also mentioned in Rumbek and Torit in most sectors, including health, education and agriculture as a major obstacle for private sector growth. In Aweil, one of the KI businesses does offer tertiary education in the form of short courses via various international examining bodies, however the KII at the MOE identified tertiary education as the weakest area of education in Aweil.

AGRICULTURAL AND OTHER BUSINESSES

In terms of Agriculture, as South Sudan has such a high level of arable land, much of the focus is on agro-pastoral livelihoods and businesses. In Yambio there are over 290 cooperatives, many multipurpose, though their main focus is agriculture.

The cooperatives said that the struggle with the high costs of transport of goods to market, the difficulty storing food, as only granary style storage is available, and the inability to raise sufficient funds from members in order to make capital investments to increase yield. The Ministry of Agriculture (MOA) acknowledged that WFP is maintaining some feeder roads, but that access to market remains a major obstacle for businesses in Yambio.

The MOA mentioned that there are opportunities in fresh fish as Yambio has no major rivers, as well as livestock, however sourcing feed, particularly fish and poultry feed is difficult and must be imported. They said if they had the necessary machines, the feed could be produced locally. In Bor, the Chamber of Commerce KII mentioned the establishment of river transport to supply fish and onions along the river.

The MOA in Yambio also mentioned issues with seed distribution. Currently only Gaius exists in the area, and their activity decreased with the reduction in donor support. The KIs mentioned that current seeds being distributed seem to have been procured from the market rather than specifically cultivated for distribution. Examples given were mixed sorghum seeds of various varieties (all which mature at different times) and the failure of crop in Remenze based on donated seeds.


PHOTO 5: MIYE MULTIPURPOSE COOPERATIVE IN YAMBIO

This is in contrast to Torit, which according to the MOA has a group organized under progressive farmers that play a significant role in agricultural shows by displaying their goods and products annually and plays a key role in a seed fair, that is providing and indirectly distributing seeds to farmers. The MOA in Torit also mentioned the interventions by FAO and WFP providing tools and seeds to vulnerable farmers. He did mention that while some farmers have access to seeds, others lack enough seeds for extensive cultivation, which makes market competition and access uneven.

In Yei, a lot of the issue with agriculture has been attributed to increased insecurity in rural areas, which has caused many people to abandon their farms. The MOA KII also mentioned a lack of cooperatives and that inflation has made it hard for farmers to afford seeds from the market. Similar insecurity issues were mentioned in Bor, where agriculture KIs mentioned the conflicts with the Murle people.

A noticeable gap is in the value chain production of agricultural goods. It was mentioned that there are no manufacturing plants to take the produce and change it into other products, such as juice, preserves, etc. A KI mentioned that often times when something comes to harvest, such as tomatoes, the market cannot accommodate the entire yield and as the excess cannot be transformed (such as canned) or transported to another market easily, the farmers become discouraged and produce less the next year. It was mentioned by the DG of Commerce, Trade and Investment that a juice company that will make mango and possible pineapple juice is planning to come to Yambio in 2020. They have committed to 75% of staff being local, with expats there primarily for capacity building and training. This issue of a lack of processing facilities was also noted by KIIs in Yei and Torit.

The MOA mentions a lack of agro-dealers in Yambio, which makes it harder for farmers to source many products and it can be hard to source as an individual or even a cooperative when it must be imported. Torit, on the other hand, has active agro-dealers, one of which is in partnership with the MOA according to a KII. A KII with an agro-dealer discussed some of the issues facing farming in Torit, such as reluctance by farmers to move away from traditional farming methods and crops, such as sorghum.

However, the MOA in Torit did note that there have been changes in technological capacity and farmers have started using tractors and ploughs, which has increased production. Areas in Magwi were said to have mechanized farming due to the increase in technologies available and that farming has created increased employment opportunities for youth in the area.

In Aweil it was noted that local production was a source of major income for an agro-business that purchases from local producers at the beginning of the harvest and stores and sells them when prices were higher in the market. A KI commented that there is a high demand in the area for agro-consumables such as livestock products, and the relative peace in Aweil was cited as enabling factor, however the area also mentioned similar issues with roads, inflation, and a lack of more advanced technical knowledge and machinery necessary for large scale farming.

In Wau similar issues in reaching markets, primarily due to road insecurity, were mentioned. Wau was mentioned to be a market hub, but KIs noted that market weakness has made it hard for farmer's produce to be absorbed locally and transport to neighboring counties is weak. As in the other CPAs, KIs also mentioned difficulties obtaining tractors, supplies for irrigation, and pesticides for treating crops as barriers.

One thing that was noted to be helping in Yambio was the advent of the market started by WFP. WFP has worked to buy produce locally from farmers, aggregates it and then uses it for school and other feeding activities.

Another area that has potential as mentioned by the Governor is honey. Yambio is well known for honey production, however the Governor mentioned he is trying to organize the growers so that the honey can be made for export (he mentioned interest from Japan). The upside of honey is there is relatively little investment required to produce it.

A large presence in the agricultural area in Yambio is the Equatorial Teak Company (ETC). ETC started operations in South Sudan in 2006 and immediately integrated with the community. It was mentioned by many KIs that most youth in Nzara (97% according to the governor), where ETC operates, didn't go to the bush when the conflict broke out like the youth in Yambio did. The prevailing belief is because the youth in Nzara were gainfully employed unlike in Yambio.

ETC is a big part of this as they went from 100 to over 1,000 employees. The KI mentioned that they took members of the community with no business background and trained them to where they are now managing over 200 employees.

ETC attributes community integration as a large part of their success and started a community development fund, where $5 per block of timber produced is set aside as a community share, which accrues on a monthly basis. These funds are managed by the community with technical support by a local NGO called Humming Bird for Peace, that helps them develop proposals based on work plans. Community project proposals based on this work plan are then presented to the committee, which is comprised of representatives for all payams.

ETC also works with local farmers, allowing them to grow non-permanent crops on land they cleared and then buying the produce from them. The DG of Commerce, Trade and Investment discussed how they have been working with ETC to diversify out of just teak production to other crops such as coffee. The government gave ETC 5km^2 for coffee production and currently 265,000 seedlings are ready for planting.

The MOA in both Yambio and Torit mentioned climate change and environmental effect and are aware of the unsustainable practices that happen in the area. Teak logging is very hard on the environment, though there are now efforts to plant back what is cut away. The MOA in Yambio emphasized a need for environmental training for farmers so that they can better understand and mitigate the negative effects their farming has on the land. The MOA in Torit said climate change has played a role in weakening agricultural productivity and cites it as a barrier for business.

PHOTO 6: SOAP MOLD TRAYS USED BY TR COMPANY IN YAMBIO

In Rumbek, most KIIs were highly negative about the state of Agriculture in the region, citing similar issues to the other CPAs, but commenting that the economic crisis affected the agricultural areas so much that the sector became practically non-existent. There is, however, notable effort to foster the sector, with the MOA working to provide licenses to those that meet requirements. The MOA also mentioned efforts to promote resources locally, particularly in Rumbek east where in the counties of Aduel, Akot, and Paloch there will soon be more than 30 operating institutions next year and the MOA is now in the process of approving their licenses. A KII also noted the WFP Food/Cash for Assets (F/CFA) program has motivated local farmers. They also noted local NGOs sometimes buy their products, though it isn't regularly done.

In terms of other businesses, as a Chamber of Commerce KI in Yambio pointed out, there are ample water sources, so why should they continue to import from Uganda? Yet the difficulties are considerable. We spoke to TR Company, which produces local soap and chalk, the raw materials for which have to be imported from Uganda. Hence the transport cost and SSP devaluation issues still exist, just in a different part of the production line. One of the multipurpose cooperatives mentioned similar issues in sourcing fabrics to the clothes and other things they produce for their 'locally made' shop, trading for supplies with Uganda as the quality is better.

Even when inputs can be sourced locally, there often remains a lack of technology and machinery required to make them productive. In the case of the TR company, while he uses locally made palm oil, he has to import palm kernel oil because machinery required to produce the oil is not available locally and manual production is too labor intensive.

OPPORTUNITIES AND CHALLENGES

Taken together, the findings outlined above across sector and CPA suggest several opportunities and challenges within the private sector that USAID should consider exploring as they seek to operationalize and implement the private sector engagement strategy.

1. Infrastructure, particularly power generation through renewable resources and road infrastructure and maintenance, remain a ubiquitous and difficult issue for all regions and sectors of the private sector. While a large barrier to address, USAID would be tackling the enabling environment in a way that would help address the most common barriers cited by the private sector. Options could include partnering with state government or local entities with capacity, such as ETC, to work on increasing productivity and access to markets.

2. Macroeconomic instability remains a key driver in causing barriers to accessing finance for private sector growth. The lack of stable lending causes even relatively high demand industries such as private sector health to have difficulty offering all the services required. Investing in microfinance or helping commercial banks offer currency hedged lending options may be an avenue for USAID to pursue to help free up financial capital for growth.

3. The PfRR is an initiative that includes all the seven CPA areas, though it is more well developed in certain CPAs than others. In the case of Yambio, it is well known and supported by government and local actors. It provides a framework for engaging at the local level with communities and, potentially, the private sector. The PfRR may be an easy way for USAID to explore implementing their private sector engagement strategy. Given the momentum, Yambio may serve a good pilot location, with approaches that could then be adapted and refined to the other six CPA areas.

4. There exists some "low hanging fruit" in certain areas, such as private sector health, where inclusion of private sector staff in pharmacy training happening at the hospital or better coordination on public health monitoring and support could by pursued. Incorporating the private sector more in public sector efforts or working with existing supply chains for public sector pharmaceuticals, such as Health Pool Fund II, to establish access to less expensive but higher quality wholesalers for private pharmacies may be an option.

5. The need and demand for tertiary and vocational training and capacity building is present. An institution is already set to come into Yambio in 2020. There is a new medical institution in the area, but only trains Clinical Officers, Nurses and Midwives (no pharmacy training). Most actors have stressed the need for business skills training and one company in Yambio focuses on basic business computer training for youth. All CPAs commented on a lack of technical capacity in the sectors as well, with a lack of capacity in Agriculture, Health, and Education being a common theme among the barriers to private sector business. Supporting increased business training and working with existing entities to increase knowledge of financial management, perhaps through commercial banks, could be one way to bridge the business capacity gaps. Partnering with existing institutions in each of the sectors to explore extended technical capacity training options could be another.

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