U.S. DEPARTMENT OF STATE
DIPLOMACY IN ACTION

Executive Summary

Armed conflict broke out on December 15, 2013 in the capital city Juba between government and anti-government forces and fighting quickly spread to Unity, Upper Nile and Jonglei States. These areas remain highly insecure with repeated clashes between government and anti-government forces. Limited fighting has also taken place in Western Bahr el Ghazal, Warrap, and Western Equatoria States. The two sides are in negotiations to end the fighting but have not reached agreement on a permanent cease-fire or peace agreement as of the writing of this report.

The December crisis severely interrupted economic and development efforts across the country and many of the diplomatic missions and international businesses withdrew staff during the crisis. The violence and insecurity caused large-scale displacement, severe human-rights abuses, restricted humanitarian access, and disrupted trade, markets, and cultivation activities. The effects of the conflict and increased food insecurity resulted in significant humanitarian needs in the reporting period.

In response, the USG provided more than $622 million in humanitarian assistance to South Sudan in FY 2014. USAID's Office of U.S. Foreign Disaster Assistance (USAID/OFDA) provided approximately $120 million in humanitarian assistance to South Sudan for agriculture and food security, health, nutrition, protection, and water, sanitation, and hygiene interventions, as well as humanitarian coordination and information management, logistics support, and the provision of relief commodities. USAID's Office of Food for Peace (USAID/FFP) provided nearly $340 million in emergency food and nutrition assistance to support the needs of vulnerable populations in South Sudan. USAID's Africa Bureau (USAID/AFR) provided $28 million to support emergency education, protection, and water, sanitation, and hygiene activities countrywide. In addition, U.S. Department of State's Bureau of Population, Refugees, and Migration (State/PRM) contributed more than $134 million to support protection activities and multi-sector assistance for refugees and conflict-affected populations.

1. Openness To, and Restrictions Upon, Foreign Investment

Despite Republic of South Sudan (RSS) efforts to attract foreign investment in 2013, investors continued to face an extremely challenging investment climate. The State Department has issued a Travel Advisory strongly encouraging American citizens to depart South Sudan due to the violence. The World Bank's 2014 *Doing Business* report ranked the economy of Juba, South Sudan's capital, 186 among 189 economies on its "ease of doing business" scale. The legal framework governing investment and private enterprises remained underdeveloped in 2013. The 2009 Investment Promotion Act, the 2011 Insolvency Act, the 2012 Imports and Exports Act, and the 2012 Companies Act, several key pieces of legislation were drafted, and in some cases ratified by the National Legislative Assembly (NLA). However, a new labor law, public procurement bill, and several pieces of legislation related to land ownership that went before the National Legislative Assembly in 2012 have not yet been enacted. Laws and regulations are randomly enforced and are not well-publicized, creating uncertainty among domestic and foreign investors. Although the RSS continued to assert a commitment to judicial reform, the legal system is ineffective, underfunded, overburdened, and subject to executive interference. High-level government and military officials are often immune from prosecution in practice, and frequently interfere with court decisions. Parties in contract disputes are sometimes arrested and imprisoned until the party agrees to pay a sum of money, often without going to court and sometimes without formal charges.

Other factors inhibiting investment in South Sudan include limited physical infrastructure and a lack of both skilled and unskilled labor. Despite a 119 mile paved road to the Ugandan border, funded by USAID in late 2012, South Sudan has fewer than 313 miles of paved roads, and large parts of the country are inaccessible during the rainy season (April through October). None of South Sudan's three power plants is working at full capacity, and the country is almost completely reliant on diesel-run generators for electricity. According to the 2008 census, 94 percent of young people enter the labor market with no qualifications. The majority of South Sudanese work in non-wage jobs, often in the agricultural sector. The country's literacy rate is just 27 percent.

With the resumption of oil flows on April 6, 2013 (after a one year shutdown) the South Sudan economy rebounded strongly in spite of the fact that oil production, at an average level of 222,000 barrels per day, was 40 percent lower compared with 2011. GDP is estimated to have grown by about 25 percent in 2013. However, the outbreak of conflict on December 15, 2013 pushed oil production down further to an estimated 160,000 barrels per day (bbs/d). The GDP growth estimate for Q4 2013 was lowered to negative 3.2 percent. Poverty and food insecurity are on the rise and the UN has warned that more than a million are in risk of famine in the coming year. The annual rate of inflation peaked at 79.5 % in May 2012, but declined rapidly thereafter to an average of 1.7% in 2013. The year-on-year rate of inflation stood at negative 8.8% in early December 2013. Following the December 15 outbreak of violence, however, it began to accelerate. Long-term challenges include diversifying the formal economy, alleviating poverty, maintaining macroeconomic stability, improving tax collection and public financial management, and improving the business environment.

RSS domestic and foreign currency reserves are running very low and the RSS, due to severe budget cuts, has ceased paying many basic operating expenses. Failure by the government to pay for services is commonplace. Some private companies claim the government has reneged on or delayed payment for work under contract. Government benefits, which account for up to 50 percent of employees' take-home pay, were drastically reduced in July 2012, and not reinstated in 2013. The distribution of hard currency is tightly controlled by the government and limited to financing the importation of food, medicine, fuel, and building materials. There are credible reports of government-sponsored movement of hard currency to the parallel black market. Many companies cite access to hard currency and convertibility of profits as major problems.

The conflict that erupted in December 2013 led eventually to the shutdown of oil fields in Unity state. Remaining oilfields in Upper Nile state operate under threat of attack by anti-government forces. In the weeks following December 15, 2013 and until shortly before the signing of a cessation of hostilities (COH) agreement on January 24, 2014, most foreign-owned businesses closed, foreign businessmen self-evacuated, and normal economic activity all but disappeared. While there have been some improvements since January 24, the conflict has resulted in the disruption of petroleum flows, massive displacement of people and resources, the threat of famine, and widespread uncertainty, all of which have negatively impacted economic activity in South Sudan.

TABLE 1: The following table summarizes several well-regarded indices and rankings.

Measure	**Year**	**Rank or value**	**Website Address**
TI Corruption Perceptions index	2013	(173 of 177)	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation's Economic Freedom index	2013	Not ranked	http://www.heritage.org/index/ranking
World Bank's Doing Business Report "Ease of Doing Business"	2013	(186 of 189)	http//doingbusiness.org/rankings
Global Innovation Index	2013	Not ranked	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per capita	2012	$840	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

TABLE 1B - Scorecards: The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a 2012 per capita gross national income (GNI) or $4,085 or less. A list of countries/economies with MCC scorecards and links to those scorecards is available here: http://www.mcc.gov/pages/selection/scorecards. Details on each of the MCC's indicators and a guide to reading the scorecards, are available here: http://www.mcc.gov/documents/reports/reference-2013001142401-fy14-guide-to-the-indicators.pdf.

2. Conversion and Transfer Policies

The 2009 Investment Promotion Act guarantees “unconditional transferability in and out” of South Sudan “in freely convertible currency of capital for investment; payments in respect of loan servicing where foreign loans have been obtained; and the remittance of proceeds, net of all taxes and other statutory obligations, in the event of sale or liquidation of the enterprise.” However, many companies continue to have trouble accessing foreign currency and repatriating profits. Foreign exchange market rules and regulations remain highly restrictive.

Foreign currency is in short supply, and South Sudan’s lack of any significant non-oil exports limits the inflow of hard currency. The Central Bank closely regulates which companies and traders are allocated U.S. dollars, making it hard for foreign investors to repatriate their locally-generated income. At least one international company reported that it was on the verge of suspending operations in South Sudan in 2013, claiming that, despite promises at the highest levels to rectify the situation, they were unable to convert their SSP profit to USD in order to cover operating expenses outside the country. Foreign exchange is only available for fuel, food, medicine and limited building materials at the official rate of 2.95 South Sudanese Pounds to the USD, and is limited to approximately 16 million USD per week, facilitated through the banking system. The parallel market exchange rate fluctuated from 4.3 to 4.7 SSP to the USD over the course of 2013.

On November 11, the Bank of South Sudan (BSS), responding to a recommendation by the International Monetary Fund, adjusted the official exchange rate of the SSP to 4.5 SSP to 1 USD. The BSS declared that this adjustment was a critical component of macro-economic reform, aimed at ensuring price stability under a fixed exchange rate regime to unify the official and parallel exchange rates. On November 13, in response to pressure from the National Legislative Assembly (NLA), the BSS repealed the 2013 exchange rate regulation of November 12. There are reportedly 26 banks and approximately 79 foreign exchange bureaus in South Sudan; ten of the banks focus principally on foreign exchange transactions. The BSS reportedly distributes USD 1.3 million to each bank each week, of which USD 1 million is to be distributed to private businesses and USD 300,000 to citizens with children living and studying abroad. Reports suggest that only USD 400,000 of the allocated USD 1 million actually reaches businesses, as USD 600,000 is channeled to the parallel market. Similar reports claim that only USD 50,000 of the 300,000 allocated for families with children abroad is actually disbursed; USD 250,000 is steered toward the parallel market.

3. Expropriation and Compensation

South Sudanese law prohibits nationalization of private enterprises “unless the expropriation is in the national interest for a public purpose.” Neither “national interest” nor “public purpose” is defined in the law. Any expropriation must be in accordance with due process and provide for “fair and adequate compensation,” as determined by the court. In 2013 there was no known government expropriation of foreign-owned property in the private sector. Government officials frequently pressure development partners to hand over assets at the end of programs. While some donor agreements call for the government to receive goods at the close-out of a project, assets have been seized by local government officials even in instances where they were not included in a formal agreement.

4. Dispute Settlement

South Sudan became a member of the International Center for the Settlement of Investment Disputes (ICSID) in April 2012, but South Sudan lacks any dedicated legal framework for rendering enforceable court judgments on commercial matters, and instead focuses on very basic development of its judicial system with an emphasis on criminal cases. In the absence of commercial courts, businesses have to rely on informal, voluntary mediation to resolve disputes. For example, the South Sudan Chamber of Commerce (SSCC) has offered an alternative commercial dispute resolution mechanism to businesses since 2006. The voluntary mechanism allows two disputing parties to select a delegation of members from the all-volunteer SSCC Dispute Resolution Committee staff to mediate a mutually acceptable solution. The SSCC has mediated disputes not only between businesses, but also between business interests and government bodies. In August 2013, the SSCC was instrumental in resolving competing claims of authority over a market in Wau, Western Bahr-el-Ghazal state. While to date no Western businesses have requested mediation by the SSCC, dispute resolution committee members say they would welcome such cases.

South Sudan’s judicial system faces myriad challenges, including transitioning to a common law system and from Arabic to English language. Focus on basic challenges, such as developing criminal courts, and training of judges, has prevented the formation of dedicated commercial courts and the passage of an effective arbitration act for handling business disputes. The lack of official channels for businesses to resolve land or other contractual disagreements leads businesses to seek informal mediation, including through private lawyers, tribal elders, law enforcement officials, and business organizations. The lack of a unified, formal system encourages ‘forum shopping’ by businesses that are motivated to find the venue in which they can achieve an outcome most favorable to their interests. Business and government contacts lament the lack of an effective judicial system, but note that many disputes are resolved informally.

US companies seeking to invest in South Sudan face a complex commercial environment with relatively weak enforcement of the law. While major US and multi-national companies may have enough leverage to extricate themselves from business disputes, medium-sized enterprises that are more natural counterparts to South Sudan’s fledgling business community will need to play more by local rules. In the face of frequent land and other business disputes, the SSCC dispute resolution mechanism, along with other informal mediation options, may evolve into useful tools for US companies, particularly those organizations that partner with local businesses.

5. Performance Requirements/Incentives

Applications for fiscal incentives are made to the Ministry of Finance, Commerce, Investment and Economic Planning through the One Stop Shop Investment Centre (OSSIC). Tax exemptions and concessions on machinery, equipment, capital and net profits are approved for stated periods by the Ministry of Finance, at its discretion. Fiscal incentives also include capital allowances, deductible annual allowances and annual depreciation allowances. The minimum investment allowed to qualify for an Investment Certificate is USD 100,000. Some international investors maintain this figure should be higher, to keep out speculators.

The Government's fiscal and economic strategy sees government facilitating investment in economic priority sectors, in particular in agriculture, transport infrastructure, petroleum and mining, as well as energy, to unlock South Sudan's economic potential and boost diversified growth. On April 17, 2013 the then South Sudan Minister of Commerce, Industry, and Investment declared that, in less than two years since independence, the Republic of South Sudan had enacted 31 laws, adopted five regulations, updated the tax system, streamlined over 50 business procedures, registered 17,000 businesses, established the South Sudan Investment Authority, and attracted more than USD 200 million in private investment. Tax incentives include capital allowances (20-100%), deductible annual allowances (20-40%), other depreciation allowances (8-20%), duty exemptions and concessions for imports of machinery, equipment and agricultural products that boost food and cash crop production, and evolving land tenure policies. The Investment Promotion Act of 2009 in theory provides investor protections in seven key areas, including guarantees against expropriation, protection for intellectual property rights, and mechanisms for dispute resolution.

South Sudan currently maintains political and trade agreements with the African Union, the European Union, and the United States. South Sudan became eligible for the African Growth and Opportunity Act (AGOA) on January 1, 2013, and the Overseas Private Investment Corporation (OPIC) is open for business in South Sudan. Agreements are in process with the Common Market for East and Southern Africa (COMESA), and the East African Community (EAC). The South Sudan Investment Authority, established in 2011, began to operate more fully in 2013, providing centralized support for investors considering investing or re-investing in South Sudan. The Authority provided some measure of services, including: planning, research and information systems; proactive investment promotion; investor aftercare; and other investor services. The One-Stop Shop, also established in 2011, was formally opened in 2013 to issue necessary paperwork, including investment certificates, licenses, and permits, and to provide customer care services to facilitate meetings and arrangements with business and regulatory agencies. The government identified the following high-potential opportunities in priority sectors: agriculture (staple crops, export/cash crops, livestock and dairy, poultry and eggs, fisheries, forestry, inputs, gum acacia); petroleum (oil production, oil exploration, oil refineries and pipelines, oil services – audit laboratories, environmental assessment, data management, etc.); mining (mining opportunities in gold, copper, lead, zinc, uranium, marble, aluminum, iron, and diamonds, detailed geographical mapping and surveys, broader mining services such as lab testing and data management); infrastructure development (production of industrial materials, construction of 2,500 miles in new roads, construction and upgrade of regional airports and of the Juba International Airport, development of hydro-electric power projects along the Nile river, construction of a new national capital at Ramciel).

6. Right to Private Ownership and Establishment

Foreign and domestic private entities have the right to establish and own business enterprises and engage in all forms of remunerative activity, as well as freely establish, acquire and dispose of interests in business enterprises. South Sudanese businesses are given priority in several areas, including micro-enterprises, postal services, car hire and taxi operations, public relations, retail, security services, and the cooperative services. Under the investment law, the government of South Sudan leases land to foreign investors for limited periods of time, generally not to exceed 30-60 years, with the possibility of renewal. In the case of leases for mining or quarrying, the lease shall not exceed the life of the mine or quarry. Under the 2009 Land Act, non-citizens are not allowed to own land in South Sudan.

7. Protection of Property Rights

There was no progress in 2013 on South Sudan's plans to undertake comprehensive land reform. Laws on mortgages and the registration of titles have not been drafted. Under the Investment Act, the RSS or local authorities will provide land for investments in the priority sectors listed in the "Performance Requirements" section above. While the 2009 Land Act reaffirms that non-citizens can access land for investment purposes, clear regulations governing how a business acquires land were not available in 2013. Currently, some businesses lease land from the government, while others lease land directly from local communities. Under the Land Act, investment in land acquired from local communities must contribute "economically and socially to the development of the local community." Businesses will often sign a memorandum of understanding with the local communities in which they agree to employ locals or invest in social services in exchange for use of the land. Land negotiations with communities often require several months. Ownership of land is often unclear, with communities and government both claiming the same property. In some cases, multiple individuals hold registration certificates demonstrating sole ownership of the same piece of land. While the investment law includes an article on the protection of intellectual property rights, in fact laws on trademarks, copyrights, and patents have not yet been passed. South Sudan is neither a member nor an observer of the WTO, nor is it a member of WIPO.

8. Transparency of the Regulatory System

The South Sudan One Stop Shop Investment Centre (OSSIC) was officially opened in May 2012 with the support of the World Bank's International Finance Corporation (IFC), and began actual operation in 2013. The Shop published a "Guide for Investors" in 2013 that provides limited information to investors on how to establish a business in South Sudan. The private sector is governed by a mix of laws from Sudan, the pre-independence semi-autonomous Government of Southern Sudan, and the independent Republic of South Sudan. While the National Legislative Assembly (NLA) has made progress in passing new laws that will contribute to a more transparent regulatory system, including the 2012 Companies Act and the 2012 Banking Act, several key pieces of legislation are still under review by the NLA or in the drafting stage with the appropriate line ministry. Laws governing customs, imports and exports, leasing and mortgaging, procurement, and labor have not yet been passed. Bureaucratic procedures for opening a business are long and cumbersome, particularly for foreigners trying to navigate the system without the assistance of a well-connected national. Government officials claim registering a business and gathering all of the necessary certificates to begin operations should take a maximum of ten days. In 2013, some foreign companies reported spending less time registering, applying for work permits, and going from ministry to ministry to gather the necessary licenses and certificates than others did in 2012. The One Stop Shop, when fully operational, is expected to further reduce this time. Fee schedules for the licenses and certificates necessary to operate a business are often difficult to find and not always adhered to. Some companies complained of a duplicative and opaque tax system. Companies also complained that tax exemptions were applied unevenly. Tax incentives laid out in the investment act are unclear, and many businesses are unaware of their existence. At the end of 2013, potential exporters, utilizing the African Growth Opportunity Act (AGOA), were still unclear about government plans to tax AGOA products exported to the United States. The government procurement process remains unclear, and many business owners commented that tenders are not awarded to the best or least expensive bidder, but based on personal connections.

9. Efficient Capital Markets and Portfolio Investment

South Sudan’s financial system is small and offers few financial products. Of the over 100 foreign exchange bureaus and banks operating in South Sudan, the largest four hold approximately 70% of all assets. It is difficult for foreign investors to get credit on the local market due to the lack of accurate means of obtaining reliable figures or audited accounts, the absence of a credit reference bureau, and South Sudan’s failure to document land ownership properly. Banks are also unwilling to lend due to the lack of adequate laws to protect lenders and difficulties related to personal identification systems. Officials of one major bank said it lends only one percent of its assets. The oil production shutdown throughout 2012, and the government’s maintenance of an austerity period in response, led to a hard-currency shortage throughout 2013. Banks issued letters of credit to importers of food, fuel, medicine, and some construction materials, but the government controls who receive letters of credit and the Central Bank allocates just 1.3 million USD per week to each of the private banks (and 50 thousand USD to licensed forex bureaus). With considerable deposits of local currency, banks reported there is sufficient liquidity to enter and exit sizeable positions.

10. Competition from State-Owned Enterprises (SOEs)

The national oil company Nilepet remains the only explicitly state-owned enterprise in South Sudan. It is the technical and operational branch of the Ministry of Mining and Petroleum. Nilepet took over Sudan’s national oil company’s shares in six exploration and petroleum sharing agreements in South Sudan at the time of the country’s independence in 2011. The Petroleum Revenue Management Bill, which will govern how Nilepet’s profits are invested, was passed by the National Legislative Assembly, but had not been enacted by the date of this report. Domestic private businesses are often partially-owned by government or military officials, and many officials have partnered with foreigners incorporating a company partially as a result of a common misconception that businesses established in South Sudan by expatriates must be 31 percent locally-owned. There is currently no legislation in South Sudan that requires foreign businesses to be part-owned by South Sudanese, and foreign companies benefit from much lower fees than do domestic companies for certain services related to starting up a business. Companies owned in part or full by government or military officials are anecdotally more likely to win government contracts, regardless of the quality or price associated with a bid.

11. Corporate Social Responsibility (CSR)

The concept of corporate social responsibility is new in South Sudan, but the few large international firms operating in South Sudan often offer some basic benefits to local communities. Many foreign-owned companies are committed to hiring and training South Sudanese employees. These companies occasionally engage in projects which improve access to clean water, education, or health facilities, often as part of a memorandum of understanding with the local community that grants the company access to land. The 2009 Land Act requires investment activities carried out on land acquired from local communities to “reflect an important interest for the community or people living in the locality,” and to contribute economically and socially. In 2013, a well-known international company acquired land for its operations outside Juba after agreeing to construct a local clinic and hire specific numbers of locals, in addition to guaranteeing clean running water to the community.

12. Political Violence

South Sudan’s independence from Sudan came after many years of civil war between forces in the south and the Sudanese government in Khartoum, and the two countries have yet to resolve disputes over border demarcation, disputed and claimed areas, a demilitarized zone, the Abyei region, and other issues. In December 2013 a political crisis within the Sudan People’s Liberation Movement (SPLM) sparked a conflict between the Sudan People’s Liberation Army (SPLA) and forces under the leadership of a former Vice President that, as of early May 2014, has led to the deaths of thousands, laid waste to several major cities, and caused a major humanitarian crisis. Negotiations to end the conflict and form a transitional government of national unity were ongoing in Addis Ababa, Ethiopia as of early May 2014. At the time of writing conflict between the government and anti-government forces is concentrated in Unity, Jonglei and Upper Nile states. Though the nationality of the Abiye region is still under dispute and it is not formally a part of South Sudan, Abyei continues to be a source of political violence. Paramount Ngok Dinka chief, Kuol Deng, was killed by a Misseriya group, on May 4, 2013, and the potential for conflict remains high, especially during the Misseriya migration season through the Abyei Administrative Area.

13. Corruption

South Sudan has laws, regulations and penalties to combat corruption, but there is an almost complete lack of enforcement and considerable gaps exist in legislation. The South Sudan Anti-Corruption Committee (SSACC) was established in accordance with the 2005 Constitution and the 2009 SSACC Act. The five commission members and chairperson are appointed by the President with approval by a simple majority in the NLA. The commission is tasked with protecting public property, investigating corruption, and submitting evidence to the Ministry of Justice for necessary action, in addition to combating administrative malpractices in public institutions, such as nepotism, favoritism, tribalism, sectionalism, gender discrimination, bribery, embezzlement, and sexual harassment. All persons holding high public offices are subject to confidential formal declarations of income, assets, and liabilities to the SSACC. While the SSACC has no real knowledge of discrepancies in incomes and assets, it is allowed to check bank statements etc. without the permission of persons under investigation. The SSACC chairman confirms that the 2009 Act will be repealed (not amended) soon, and claims that the

2011 Transitional Constitution now in effect will grant the SSACC the authority to prosecute, once an enabling Act is in place. He explained that this is the primary reason for repealing and replacing the 2009 Act. The SSACC maintains records of complaints, investigations and persecutions by the Director of Public Prosecutions. These figures are normally published annually on December 9, International Anti-Corruption Day. According to the SSACC chairman, one hundred and fifty-three (153) complaints were made in 2011, but by November 2013 only 35 had been made. He claimed that five of these 35 cases were taken to the Ministry of Justice, and one of the five was subsequently withdrawn. The remaining four cases were not prosecuted.

On June 18, 2013 President Kiir issued two Presidential Decrees lifting the immunity of the Minister of Cabinet Affairs, Deng Alor Kuol, and the Minister of Finance and Economic Planning, Kosti Manibe Ngai, and forming a committee to investigate both ministers for corruption. The ministers were suspended for their alleged involvement in the transfer of 8 million USD to a company named Daffy Investment Group, Ltd, for the procurement of fire-proof safes for the RSS. Also in 2013 then Justice Minister John Luk Jok named a seven member committee to investigate controversial grain deals in which the government claimed to have lost 6.27 billion South Sudanese Pounds (SSP) five years ago. A World Bank team -- known as the Stolen Asset Recovery (STAR) – however examined 823 companies and, according to the Minister, established that the lost funds really stood at SSP 3.6 billion. The investigation remains open.

The government has yet to enact the Public Procurement and Petroleum Revenue Management Bills, both of which are critical legislative pieces to curb corruption. South Sudan is a member of the United Nations Conference on Trade and Development (UNCTAD), and the International Centre for Settlement of Investment Dispute (ICSID) convention entered into force for South Sudan on May 18, 2012. The country is not a signatory to the UN Convention Against Corruption (UNCAC), was not among the 40 countries that had ratified or acceded to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions by May 2013, and is not reported to be a participant in regional anti-corruption initiatives. U.S. firms are keenly aware of corruption, and several report they are careful to avoid engaging in corruption or the perception of doing so. However, they note that navigating the legal and bureaucratic process appears considerably longer and more complex than it is for less stringent firms. One well-known international company insists that having consistently resisted corrupt practices, the company is no longer subject to extortion or bribery attempts. Corruption appears to be pervasive at all levels of government and society. The regulatory system is poor or non-existent, and dispute settlement is weak and subject to influence.

14. Bilateral Investment Agreements

According to the U.N. Conference on Trade and Development (UNCTAD) website, South Sudan has not yet entered into any bilateral investment treaties.

15. OPIC and Other Investment Insurance Programs

The Overseas Private Investment Corporation (OPIC) has been “open for business” in South Sudan since 2012. South Sudan ratified its Investment Incentive Agreement (IIA) with OPIC in

July 2013. South Sudan is a member country of the Multilateral Investment Guarantee Agency. The official exchange rate of the local currency, the South Sudanese Pound, is fixed at SSP 2.95/USD, though the parallel rate in December 2013 was SSP 4.7/USD.

16. Labor

A Labor Bill widely seen as in line with international standards was submitted to the National Legislative Assembly (NLA) in 2013 and is still in the 2nd reading before the Assembly. According to officials at the Ministry of Labor, Public Services and Human Resources Development, the 2013 draft labor bill will require all businesses to employ locals for at least 80 percent of their staff. No new laws related to child labor were approved in 2013, but the NLA did ratify the United Nations Convention on the Rights of the Child on November 20, 2013. The State Department's 2013 report on child labor in South Sudan concluded that "while the government of South Sudan attempted to address part of the child labor problem the scope of existing programs is insufficient to address the magnitude of the problem, including in agriculture and armed conflict." A January to March 2013 study conducted in Juba, South Sudan, by the organization Confident Children out of Conflict (CCC), reported a very low level of knowledge of the South Sudan Child Act of 2008 in which child labor is defined as "work undertaken by a child that in some way harms or exploits him or her, whether physically, mentally, morally, or by preventing him or her from education." The study found that more than 60% of children reported being verbally abused at work, while 39% reported experiencing physical or sexual abuse. It concluded that there is widespread evidence that employers are violating the minimum age of employment in South Sudan.

The South Sudan Ministry of Labor, Public Service and Human Resource Development employed 10 labor inspectors in 2013, but there were no known labor citations or penalties issued in 2013. South Sudan has a shortage of both skilled and unskilled workers across most areas in the formal sector. According to the 2008 census, 84 percent of those employed are in non-wage work. Three out of five children joined the labor force by age 10, largely through cattle herding or subsistence farming. Unskilled labor in the service and construction sectors is often performed by immigrants from neighboring companies. South Sudan continues to operate under the 1997 Labor Act of (the Republic of) Sudan. Under that act, independent unions are permitted. The law is silent on the right to strike and bargain collectively, and does not explicitly prohibit anti-union discrimination or provide for reinstatement of workers fired for union activities. Despite ratifying the International Labor Organization's seven fundamental principles and rights-at-work conventions in November 2012, Government enforcement of preexisting labor laws remained practically nonexistent in 2013. Most small South Sudanese businesses operate in the informal economy, where labor laws and regulations are widely ignored. The Ministry of Labor thoroughly reviews all work permit applications in an attempt to determine whether a position could be filled by a South Sudanese national. Some foreign-owned companies reported long delays in receiving work permits for expatriate staff, and many expatriates are issued work permits for just one to three months, rather than the stated standard of one year.

17. Foreign Trade Zones/Free Ports

There are currently no duty-free import zones in South Sudan. On June 22, 2013 the government of South Sudan announced the construction of a 625 square km Juba Specialized Economic Zone (SEZ) about 30 km from Juba. It is intended to be an industrial area for business and investment activities. By the end of 2013 there had been no further progress in developing the site.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

There are no current statistics available on Foreign Direct Investment into South Sudan. The majority of foreign investment is in the petroleum sector. Major shareholders in the joint operating companies operating in active oil fields include the Chinese National Petroleum Company (CNPC), the Malaysian company PETRONAS, and the Indian company ONGC. The French oil company Total and Kuwaiti company Kufpec have an exploration and production sharing agreement in Block B, a geographic area covering most of Jonglei state and parts of several other states, but have not commenced operations. Work on the construction of two small refineries was interrupted by the outbreak of violence in December 2013. The South African brewing company SABMiller remains a mainstay of the non-oil economy, and United Beverage Company Ltd. (Coca Cola) committed to constructing bottling facilities outside of Juba. There are several Kenyan insurance companies; South African, Kenyan, and Ethiopian banks; and foreign-owned importers of agricultural and construction equipment. Much of the small-scale commerce is foreign-owned.

19. Contact Point at Post

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