



International Alert.

# TRADING WITH NEIGHBOURS

Understanding  
Uganda–South Sudan  
business community  
trade relations

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## **Understanding Uganda–South Sudan business community trade relations**

October 2014

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## Abbreviations

<b>CPA</b>	Comprehensive Peace Agreement
<b>DRC</b>	Democratic Republic of Congo
<b>EAC</b>	East African Community
<b>FDC</b>	Forum for Democratic Change
<b>GoSS</b>	Government of South Sudan
<b>JARUT</b>	Joint Action for the Redemption of Traders in Southern Sudan
<b>KACITA</b>	Kampala City Traders' Association
<b>KCB</b>	Kenya Commercial Bank
<b>LRA</b>	Lord's Resistance Army
<b>MoU</b>	Memorandum of Understanding
<b>MTIC</b>	Ministry of Trade, Industry and Cooperatives
<b>NGO</b>	Non-governmental organisation
<b>NRM</b>	National Resistance Movement
<b>PSFU</b>	Private Sector Foundation Uganda
<b>SPLA</b>	Sudan People's Liberation Army
<b>SPLM</b>	Sudan People's Liberation Movement
<b>SSCCIA</b>	South Sudan Chamber of Commerce, Industry and Agriculture
<b>SSIA</b>	South Sudan Investment Authority
<b>SSP</b>	South Sudanese pound
<b>SSPS</b>	South Sudanese Police Services
<b>UAE</b>	United Arab Emirates
<b>UCOSS</b>	Uganda Community in South Sudan
<b>UEPB</b>	Uganda Export Promotion Board
<b>UIA</b>	Uganda Investment Authority
<b>UNCCI</b>	Uganda National Chamber of Commerce and Industry
<b>UNRA</b>	Uganda National Roads Authority
<b>UPDF</b>	Uganda People's Defence Forces
<b>USD</b>	United States dollar
<b>USSTDs</b>	Uganda South Sudan Trade Development Strategy
<b>UTASS</b>	Uganda Traders' Association of South Sudan

## Executive summary

This study is the result of a fact-finding mission to South Sudan's capital city of Juba in November 2013, led by International Alert and including representatives from the Uganda National Chamber of Commerce and Industry (UNCCI). It is also based on information gathered from a separate field study conducted by a lead consultant in northern Uganda (Arua, Koboko and Nebbi districts) and at Arua Park in Kampala City in January 2014. The impetus for the study emerged from previous media reports of business malaise, which included constant harassment and unfair treatment of Ugandan traders in South Sudan. The report provides an overview of the trade activities, actors, opportunities and challenges involved, along with an insight into the impact of the current South Sudan conflict and the proposed interventions to harness business for peace.

## Context

The signing of the Comprehensive Peace Agreement (CPA) in January 2005 between the government of Sudan and the Sudan People's Liberation Movement/Army (SPLM/A) resulted in a large influx of people into Sudan. This influx included nationals, foreign development workers and traders from neighbouring countries such as Uganda, as well as Eritrea, Ethiopia and Kenya, among others.

During the period 2005 to 2010, Uganda and South Sudan experienced a trade boom. However, this was also accompanied by trade conflicts between trading communities, particularly involving Ugandans and local partners on issues such as contract breaches. In addition, Ugandan traders raised several complaints against the Southern Sudanese authorities, such as the police and army, regarding claims of harassment, rape, torture, imprisonment, looting and confiscation of properties.

The Ugandan traders started to agitate for compensation from the Government of South Sudan (GoSS). This culminated in the blocking of the Kampala–Juba road by traders as well as bus and truck drivers. The Ugandan media took centre stage to report on the grievances of the affected traders. Despite these conflicts, informal exports to South Sudan grew enormously during this period, from USD 9.1 million in 2005 to USD 929.9 million in 2008. Formal exports increased, but less dramatically, from USD 50.5 million in 2005 to USD 245.9 million in 2008. In 2008 and 2010, Uganda and the GoSS signed a bilateral agreement and a Memorandum of Understanding (MoU) to safeguard the interests of both countries.

During the period 2011 to 2013, trade took another turn. The increased market competition and fear of conflict after independence reduced the trade volume and revenue.

On 4 November 2013 the Uganda Traders' Association of South Sudan (UTASS) summoned five members of the East African Community (EAC) – namely, Burundi, Kenya, Rwanda, Tanzania and Uganda – before a regional court, seeking to block South Sudan's application for entry into the bloc. The traders argued that South Sudan did not meet the requirements expected of states applying to join the EAC. Media reports of this incident fuelled tensions between the two countries.

On 15 December 2013 a new military conflict erupted in the South Sudanese city of Juba, which quickly spread to northern states in South Sudan. Disruption to trade was inevitable and direct losses of property and trading opportunities increased rapidly.

## Study methodology

The consultant used several methods to gather information for this study, such as literature reviews, face-to-face interviews, physical visits and observations in market places as well as roundtable meetings. Quantitative and qualitative data were collected using a questionnaire issued to randomly selected respondents. As part of the debriefing strategy, the consulting team held roundtable meetings with key government officials from Uganda and South Sudan in Juba. A stakeholder consultative workshop was held in Kampala, Uganda and attended by officials from the Private Sector Foundation Uganda (PSFU), the Ministry of Trade, Industry and Cooperatives (MTIC), the Uganda Human Rights Commission, the Office of the President, the Ministry of Foreign Affairs, UTASS, the Kampala City Traders' Association (KACITA) and the Uganda Community in South Sudan (UCOSS). Other private sector actors also attended the workshop, including Ugandan media representatives.

## Study objectives

The objectives of this study are as follows:

- To gain an understanding of South Sudan's national investment and trade policies and programmes, investment opportunities and potential for strategic partnership arrangements;
- To gather and analyse findings on investment and trade-related conflicts involving Ugandans and other foreign investors;
- To assess the immediate impact of the current South Sudan military conflicts on the business communities of the two countries; and
- To develop possible interventions to promote growth and development opportunities that are peaceful.

## General findings

### Size of Ugandan population in South Sudan

Overall, trade between Uganda and South Sudan has been going well, but there have been some major challenges and constraints. The exact number of Ugandans running different businesses and services in South Sudan is unknown. According to UCOSS records in 2008, there were about 900,000 registered Ugandans in the 10 states of South Sudan, which dropped to about 500,000 in 2009. The Ugandan Embassy estimates that about 1.5 million Ugandans are present in South Sudan, while unconfirmed reports from the South Sudanese Ministry of Interior estimate that there are about three million Ugandans inside South Sudan. Efforts by the Ugandan Embassy to register Ugandans operating businesses in South Sudan were not very successful as only 40,000 turned up for registration in 2012.

### Occupations and enterprises of Ugandans in South Sudan

According to field data collected in Juba, Ugandans living in South Sudan engage in a variety of occupations such as accountancy, management and project officer jobs. Other occupations include those of medical service providers, mechanical and electrical service providers, hairdressers, general merchandise retailers, fresh food retailers, motor vehicle retailers, commission agents/brokers, transporters, casual labourers and food vendors. Ugandans also work as hawkers, roadside retail vendors, sex workers, bars and restaurant tenders, event organisers, car hire service providers, spare-parts retailers, motel/lodge operators, timber importers and retailers, civil and engineering works providers, among many other jobs.



## Challenges for trade relations

A policy framework has been put in place to guide investment and trade in South Sudan, and the country has embarked on the development of institutions to support investment and trade activities. The Ugandan Embassy has continued to provide support to Ugandans in South Sudan, including to UCROSS. However, there are a number of challenges in this area, in particular:

- Financial – the high cost of foreign exchange, the problem of double taxation and the lack of financial support for investment;
- Cultural – differences in cultural practices, such as the Ugandans' belief in written contracts in contrast to the South Sudanese's belief in verbal agreements;
- Logistical – the poor infrastructure, especially road networks, and issues surrounding investment in land ownership;
- Organisational – weak community organisation as well as mistrust and disunity among Ugandans, and weak (Ugandan) government institutional support; and
- Other challenges – such as negative media campaigns, a lack of adequate entrepreneurship skills, the *Khartoumism* theory<sup>1</sup> and the imprisonment of innocent Ugandans.

## Economic impact of recent South Sudan conflict

The recent South Sudan military conflict has had a negative impact on investment and trade relations between Uganda and South Sudan, especially in northern Uganda. The districts of Arua, Koboko and Nebbi, as well as Arua Park in Kampala City, are representative of this negative impact. The conflict has led to loss of sales revenue and income, increased unemployment, loss of property and reduced market opportunities. As a result, some of the respondents have failed to repay their loans and others have difficulty in repaying their monthly loan instalments. Indirectly, the conflict has resulted in a growth in psychological problems among war victims, increased household hardship in terms of increased domestic violence, food shortages, lack of funds for children's education and a general increase in cost of living. The reduction in sources of revenue has also affected access to health services. On the other hand, traders dealing in food products and other relief items have gained enormously due to the high demand for these products in South Sudan as well as for passenger transport services.

## Business development and growth opportunities

Despite these challenges, there are opportunities to improve the capacity of Uganda's engagement in investment and trade in South Sudan – for instance, by promoting partnership business ventures, developing strong distributorship network linkages, establishing financial services to support traders, expanding networking among Ugandans, and formalising businesses in accordance with investment and trade policy.

South Sudan remains a strategic trading and investment partner for Uganda and trade has enormous benefits for both countries. South Sudan's economy and business environment have changed dramatically in the periods 2005–2010 and 2011–2013. The two phases of transformation brought different benefits, challenges and constraints. During the period 2005 to 2010, Uganda benefited considerably from the business boom (especially in 2008 to 2009); however, some Ugandan traders also faced huge losses due to several factors, as outlined above.

Following the attainment of independence in 2011, South Sudan embarked on institutional reform and development. As a result, the level of trade and investment activities has improved in the country and the types of challenges faced by Ugandan traders have changed from those constraints experienced in the first phase (2005–2010).

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<sup>1</sup> The belief that Sudanese agents continue to clandestinely operate in South Sudan against Ugandans and Ugandan interests.

However, Uganda's trade volume is steadily reducing due to stiff competition from other countries such as China, Eritrea, Ethiopia, Kenya, Somalia and the United Arab Emirates (UAE). The South Sudan business environment leaves a lot to be desired especially with regard to disseminating information to participants, increasing transparency regarding the implementation of government investment and trade policies, protecting the property and lives of foreign investors and traders, instilling a culture of treating foreign investors as strategic partners, and enforcing contracts as well as law and order.

## Recommendations

Based on the findings of this study, and with the aim of improving the business environment between Uganda and South Sudan and thus reducing trade conflicts, the following interventions are worth considering:

### **Business associations and traders should:**

- Promote partnership businesses or limited liability companies to ease the establishment of formal businesses;
- Strive to strengthen and build the capacity of business entities and groupings such as UCOSS throughout its branches in South Sudan;
- Conduct periodic joint trade fairs and business-to-business conferences; and
- Support the establishment of accessible cultural education centres to supplement investment information dissemination.

### **Civil society should:**

- Support business associations (UNCCI and the South Sudan Chamber of Commerce, Industry and Agriculture (SSCCIA)) to organise joint capacity building and training programmes for business communities;
- Support business associations to develop sensitisation and reconciliation programmes; and
- Counsel Ugandans and South Sudanese affected by recent conflict in South Sudan.

### **Ugandan financial institutions should:**

- Explore opportunities in South Sudan and open branches to facilitate the financial needs of the Ugandan business community in South Sudan.

### **The governments of Uganda and South Sudan should:**

- Convene regular joint government meetings between Uganda and South Sudan to strengthen inter-governmental linkages;
- Conduct a review of Uganda's investment and trade policy framework for the South Sudan regional market (Ugandan government);
- Support and expedite infrastructure upgrade and development to facilitate cross-border movement (Ugandan government);
- Mandate and support the Ugandan Embassy in South Sudan to issue travel documents and national identity cards to Ugandans in South Sudan (Ugandan government);
- Support the development and implementation of an agricultural production enhancement

programme in northern Uganda to increase the competitiveness of agricultural products in the South Sudanese market (Ugandan government);

- Support peace dialogue on Uganda–South Sudan trade policy to sustain investment and trade development; and
- Provide relief support to recent conflict victims.

**The media should:**

- Aim to gather factual information to ensure informed and conflict-sensitive reporting.

# 1. Introduction

This study has been prepared to help gain an insight into the realities of trade relations between Ugandan and South Sudanese business communities, following negative reports in the Ugandan media. The study was carried out in two phases and in two different periods. The first phase consisted of a field study conducted in South Sudan's capital city of Juba between 19 and 25 November 2013. The second phase of the study was carried out in northern Uganda (Arua, Koboko and Nebbi districts) and at Arua Park (Kampala City) between 20 and 27 January 2014.

The report contains primary and secondary data gathered in Juba, northern Uganda and Kampala through interviews and roundtable meetings. The data also includes an extensive literature review to document both current and historic trade activities and development as a basis for developing a programme to promote business and peace between Uganda and South Sudan. The first part of the report gives an outline of trade relations between Uganda and South Sudan since 2005 to date. The second part focuses more on analysis of the immediate impact of the ongoing military conflict on the business communities in both Uganda and South Sudan.

The decades of civil war between the government of Sudan and the Sudan People's Liberation Movement/Army (SPLM/A) led to the signing of the Comprehensive Peace Agreement (CPA) on 9 January 2005. Among its key outcomes, the CPA created the opportunity for Sudanese refugees to return home with the support of the international community. This resulted in a large influx of people into South Sudan – including nationals, foreign development workers and traders from neighbouring countries such as Uganda, along with Eritrea, Ethiopia and Kenya.

Following this sudden surge in population in South Sudan and the relative peace, there was greater demand for supplies, particularly food products. Later on, demand also grew for other commodities, such as construction materials, motor vehicles, spare parts and agricultural equipment, to support the reconstruction programmes.

Over time, Ugandan traders in South Sudan started to report grievances to government officials and the media. Several incidents were reported such as breach of contracts, torture, rape,<sup>2</sup> unlawful confiscation of goods and property, and murder. This prompted the government of Uganda, through its Ministry of Trade, Industry and Cooperatives (MTIC), to take a keen interest in the new development. In 2007, when one influential Ugandan trader was killed by unknown gunmen, the traders attempted to demonstrate but Ugandan Embassy officials restrained them; instead, the officials proposed that the Ugandan traders should establish a Uganda community association to voice their concerns, subsequently giving rise to the Uganda Community in South Sudan (UCOSS).

UCOSS has its headquarters in Juba, including its seven zones, and secretariats in nine states of South Sudan. UCOSS became an umbrella organisation representing several groups and associations established along tribal lines – such as the Baana ba Kintu, Baganda, Luo and Nubian groups, the Association of Ugandan Professionals, Business Operations and Drivers, the Regional Bus Transporters' Association, the Uganda Traders' Association of South Sudan (UTASS) and many others.

The increase in trade activities, on the one hand, and the increase in trade disputes, on the other, prompted the two governments to sign a bilateral trade agreement in 2008. This agreement,

<sup>2</sup> 'Sudan denies rape and torture of Ugandans in Juba', *Sudan Tribune*, 22 September 2007. Available at <http://www.sudantribune.com/spip.php?article23887>



among other things, offered an opportunity for the two governments to protect their citizens and provide an enabling environment. During the Uganda and South Sudan Business Forum and Trade Fair, held in 2010, the two governments signed another Memorandum of Understanding (MoU) to promote and develop trade relationships between the two countries.

Following the MoU, UCOSS started to mobilise traders who were victims of post-conflict incidents to seek compensation. The initiative was supported by the two governments as a way to improve peaceful coexistence. Several cases were reviewed, documented and later submitted to the government of Uganda. The MoU also provided for the establishment of a Joint Trade Committee and a Joint Trade Dispute Arbitration Sub-committee to arbitrate trade disputes between the two countries, among other things.<sup>3</sup> Uganda managed to establish its Trade Arbitration Sub-committee, which carried out verification of claims for the affected traders and submitted its report on 6 December 2011 to the Ugandan government.

It should be noted that South Sudanese traders have also accused some of the Ugandan traders of breaching trust and failing to supply goods ordered and paid for. According to the traders interviewed in Juba, it was evident that the introduction of Sharia law by the Sudanese government created an element of trust and reliability among the South Sudanese. Following the trade boom between 2006 and 2009 in the post-conflict period, the government awarded a large number of contracts to nationals, who in turn sub-contracted to some of the Ugandan traders or companies through cash transactions. It was alleged by different respondents that some of the Ugandan traders disappeared with large sums of money and that some supplied sub-standard goods, resulting in losses for the South Sudanese traders. It was further established that no special claim reports from the South Sudanese traders had been officially presented to the Ugandan government.

Following its independence, South Sudan faced many challenges. Its economy was dominated almost entirely by the oil sector, which experienced a shut-down due to disagreements over the sharing of oil revenue with Sudan. South Sudan closed oil production in January 2012. These events resulted in widespread poverty, lack of infrastructure, shortage of foreign currency and economic slow-down.

Trade in South Sudan has typically been with neighbouring countries in East Africa rather than with the rest of Sudan. Small traders and business people from neighbouring countries established hotels and taxi firms and started to import foodstuffs. Immigrants from the region also generated hostility and envy among local South Sudanese, who saw them as benefiting from the newly found opportunities. Consequently, relations began to change.<sup>4</sup> For example, the motorbike public transport system (*boda-boda*), originally dominated by Ugandans, started to attract local South Sudanese. In total, there were 5,000 licensed motorcycles in Juba, with 60% or 3,000 bikes operated by foreigners, many of them youths from Uganda. Ugandans owned 1,600 bikes, followed by Eritreans and Ethiopians at over 1,200 bikes, and Kenyans at around 100 bikes.<sup>5</sup>

The government devised a new policy to regulate the *boda-boda* transport business. The new Minister of Interior and Wildlife Conservation, Aleu Ayieny, issued an order on 16 August 2013 banning all foreigners engaged in licensed *boda-boda* business from operating in Jonglei State.<sup>6</sup> This decision was made mainly due to the increasing insecurity associated with this mode of transport. The South Sudanese Police Service (SSPS) reported that, on average, 80% of criminal cases committed in Juba involved the *boda-bodas*.<sup>7</sup>

3 'Uganda: South Sudan, country establish trade unit', *The New Vision*, 21 February 2010.

4 R. Middleton (2011). 'South Sudan – Labour pains', London: Chatham House. Available at <http://www.chathamhouse.org/sites/files/chathamhouse/twt08911middleton.pdf>

5 'Police on high alert as Ugandans plot to attack Sudanese', *The Observer*, 1 September 2013.

6 'South Sudan urges AU to reconsider position on conducting Abyei referendum', *Gurtong*, 9 October 2013.

7 J. Madut Jok and A. Ting Mayai (2013). 'An emerging diplomatic row between Uganda and South Sudan', Policy brief, Juba: The Sudd Institute.

To this effect, the ministerial order was issued to ban foreigners from operating *boda-bodas* only, and not any other business in South Sudan – as reported by the Secretary General of the South Sudan Chamber of Commerce, Industry and Agriculture (SSCCIA), Simon Akuei Deng. The Secretary General further expressed his dissatisfaction with the Ugandan media and business community for escalating simple issues. Moreover, he strongly emphasised that “...*what the South Sudan government wants is business not politics*”. More specifically, the order was issued to all foreigners and not particularly Ugandans. The Ministry of Interior subsequently convened a conference with representatives of foreign businesses, explaining the merit of the order. The National Legislative Assembly of South Sudan supported the ministerial order. Meanwhile, the director of traffic police, Solomon Mabior Ruar, reportedly warned that:

*“...any violation of this order will lead to the confiscation [arrest] of boda-boda riders and the accused will be prosecuted before the court of law in accordance with the provision of South Sudan laws.”*<sup>8</sup>

The implementation of this order was viewed sceptically by Ugandan citizens. Some Ugandans accused the South Sudanese of harassing Ugandan traders in Juba in particular. According to one *boda-boda* cyclist, Muhammad Lukwago, who had just returned from Juba: “*The South Sudanese are very hostile people.*”<sup>9</sup>

On 11 September 2013, *The Observer* newspaper reported that some Ugandan legislators had called on the Ugandan government to “...[expel] *South Sudanese nationals from Uganda as retaliation for what MPs cited as the continuous harassment and in some cases murder of Ugandan nationals in South Sudan*”.<sup>10</sup> However, to date, no real official measures have been implemented in this regard.

The police also reported some complaints by South Sudanese living in the areas of Bwaise, Kamwokya, Katwe and Makindye that Ugandans were planning to attack them. This situation created tension between the two countries, prompting the Inspector General of Police of Uganda, Kale Kayihura, to visit his counterpart in South Sudan in September 2013 to review the implementation of the order.<sup>11</sup>

Against this background, the Uganda National Chamber of Commerce and Industry (UNCCI) approached International Alert to support a fact-finding mission to Juba and northern Uganda aimed at gaining an insight into the reality regarding different events reported in the Ugandan media and the subsequent impact of the recent military conflict. The key aim of this initiative was to promote business for peace, and the impact of the recent military conflict was a particular focus of the mission in northern Uganda. UNCCI was also interested in using this opportunity to review the draft MoU that was due to be signed between UNCCI and SSCCIA, aimed at promoting peaceful trade relations between the two countries.

<sup>8</sup> Gurtong, Op. cit. 9 October 2013.

<sup>9</sup> *The Observer*, Op. cit. 1 September 2013.

<sup>10</sup> Ibid.

<sup>11</sup> ‘South Sudan, Uganda police bosses meet in Juba to discuss security’, *Sudan Tribune*, 30 September 2013.

## 1.1 Objectives of the study

The overall objectives of the study are as follows:

- To understand in depth South Sudan's national investment and trade policies and programmes, investment opportunities and potential for strategic partnership arrangements;
- To gather and analyse facts on investment and trade-related conflicts in order to promote business for peace through enhancement of coexistence between Ugandans, South Sudanese and other nationals;
- To assess the immediate impact of the current South Sudan military conflict on the business communities of the two countries; and
- To develop possible interventions to promote a good business environment and to improve Uganda–South Sudan investment, trade and development.

## 1.2 Study scope and methodology

The study was divided into two parts: the first part comprised the South Sudan Juba study; and the second part consisted of the investment and trade study conducted in northern Uganda. The South Sudan Juba study included dialogue with key institutions and groups engaged in facilitating trade – namely, SSCCIA, the Ugandan Embassy in South Sudan, the Ugandan community, the Eritrean, Ethiopian and Kenyan communities, and other key Ugandan traders operating businesses in South Sudan.

The northern Uganda investment and trade study involved a series of dialogues with key stakeholders operating businesses between South Sudan and Uganda. In total, 174 respondents were interviewed in the northern Uganda districts of Arua, Koboko and Nebbi, as well as at Arua Park in Kampala, a major operational business base between Uganda and South Sudan.

Several methods were used to gather information, including a literature review, face-to-face interviews, physical inspections, observations and roundtable meetings.

## 2. Trade relations between Uganda and South Sudan since 2005

This section of the report provides a detailed overview of trade relations between Uganda and South Sudan, the trade benefits, and the major economic and political events that have enhanced or hindered trade from 2005 to 2013. The overview aims to deepen understanding of the underlying dynamics between the two countries. To appreciate the importance of trade development between Uganda and South Sudan, it is important to provide a summary overview of the different phases of trade development. Furthermore, this section outlines the underlying trade-related conflict drivers as well as their dynamics.

Historically, trade in the region pre-dates the colonial border demarcation. Egyptian business people from Khartoum had been trading with north-western Uganda since the late 1830s. Colonisation and the introduction of borders made trade between these groups illegal; nonetheless, trading patterns continued regardless. Measures to formalise the economy in the colonial and post-colonial period generally pushed traders towards the informal economy.<sup>12</sup> The cross-border trade and contacts intensified through new cross-border markets in the late 1970s and 1980s, aided by refugee movements.<sup>13</sup> Investment and trade between Uganda and Sudan collapsed when the civil war in Sudan intensified after 1983, lasting until 2005.

After the signing of the CPA in 2005, trade activities commenced following the establishment of the Government of South Sudan (GoSS). However, this trade underwent tremendous changes during the period 2005–2010 compared with the investment and trade development activities after the GoSS gained its independence on 9 July 2011. This study has focused in particular on a critical assessment of these two phases of economic transformation. The interviews held with the different traders provide an insight into trade activities in the periods 2005–2010 and 2011–2013, as outlined below.

South Sudan has extended its goodwill to Ugandans especially in promoting investment and trade, but the challenges faced by the new government are overwhelming.<sup>14</sup> According to the Secretary General of SSCCIA, insecurity remains a constant destabilising factor for investment and trade in South Sudan, both internally and on its borders. Efforts have been made to improve security in Juba through day and night patrols provided by police officers as well as the military. The border guards are tasked with tackling armed smuggling. However, their work has been made more challenging not only due to a lack of full border demarcation between South Sudan and Uganda, but also because markers such as trees are disputed. This limits people's freedom to move in disputed areas, with arrests and incursions occurring in both countries.

In terms of promoting investment and trade, South Sudan is currently facing a range of significant and complex challenges. These include:

- Challenges in the health and education sectors;
- South Sudan's highly militarised and fragmented society, due to years of conflict, with frequent outbreaks of internal violence still occurring;

12 K. Meagher (1990). 'The hidden economy: Informal and parallel trade in northwestern Uganda', *Review of African Political Economy*, No. 47, pp.64–83.

13 K. Titeca (2009). *The changing cross-border trade dynamics between North-Western Uganda, North-Eastern Congo and Southern Sudan*, Crisis States Research Centre Working Papers Series, 2, 63, London.

14 International Development Committee, House of Commons (2012). *South Sudan. Prospects for peace and development*. London. Available at <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmintdev/1570/1570.pdf>



- The economy's dependency on a single resource – oil – which represents 98% of the government's income;
- The extremely limited nature of some of the essential services required to promote investment and trade, as government institutional establishment and some of the trade policies at national, state and local levels are still in the process of being developed;
- The low human resource capacity to promote trade and investment;
- A complicated land ownership policy resulting in land disputes;
- Growing tension and mistrust among some of the foreign traders, especially Ugandans, and the local community; and
- The impact of *Khartoumism* within South Sudan, which has instilled hatred in the local community against the Ugandan community – this was because the Ugandan government allegedly backed the SPLA against the government in Khartoum.

Despite these challenges, South Sudan remains a lucrative market for Uganda and other East African countries. This report has reviewed key milestones in the two phases of investment and trade development between Uganda and South Sudan, as outlined below.

## 2.1 First phase: 2005–2010

On the border between South Sudan and Uganda, decades of violent conflict have determined how people live, move, survive and interact with each other. The 435-kilometre stretch that connects Uganda's north with what are today the Republic of South Sudan's Eastern and Central Equatorial states has been dogged by violence. In northern Uganda, conflict continued between the government of Uganda and the Lord's Resistance Army (LRA) from the mid/late 1980s until 2005; at the same time, the activities of rebel groups such as the Uganda National Rescue Front (II) and the West Nile Bank Front in West Nile continued in the 1990s. Meanwhile, on the South Sudanese side, a civil war raged from 1983 until 2005. These conflicts have influenced all aspects of life and trade.

Since Sudan's CPA was signed, South Sudan's border with Uganda has become a hub of economic activities. After the signing of the CPA, there was a demand for goods, and South Sudan started to build institutions and processes, creating a range of economic opportunities for Ugandan and South Sudanese traders – both formally and informally.

In the initial period of post-war South Sudan, small-scale traders from northern Uganda dominated the cross-border trade in Yei, Kaya, Juba, Rumbek and other key towns. This was because these traders lived close to the border. Traders from other parts of Uganda, especially from the central region, soon became aware of the business opportunities in South Sudan. The number of South Sudanese traders engaged in these businesses also increased. Some of them got their supplies from northern Uganda and even travelled as far as the major supply points in Kampala and Kenya. However, non-South Sudanese traders continued to play an important role in trade and, sooner rather than later, conflicts between these groups became inevitable, especially regarding who should dominate the trade.

According to available literature, Ugandan traders reportedly perceived trade to be conducted unfairly, exploitative in nature and dominated by or serving the interests of a select category of people. Specific groups were marginalised and this risked fuelling tensions, in turn creating new

conflict dynamics. Specifically, the Southern Sudanese had negative feelings towards foreigners (particularly Ugandans) and towards the select category for dominating trade in the region.<sup>15</sup>

From the perspective of the South Sudanese respondents in this study, it was reported that, in 2008, each South Sudanese national who crossed the border into Uganda had to pay the Ugandan authorities USD 10 (UGX 26,350),<sup>16</sup> including students crossing the border for education purposes. The South Sudanese small-scale traders reported in 2008 that additional (possibly illegal) charges and customs were highly unpredictable, thus becoming an obstacle for most small-scale trade. Moreover, the Ugandan shilling remained the more powerful currency for trading along the border area, thus putting the South Sudanese at a disadvantage. In any case, the money exchange business was reportedly dominated by Ugandans.<sup>17</sup> The exchange rate became even more unfavourable for the South Sudanese following the 2007 replacement of the dinar by the pound (SSP).

According to the Ugandan traders interviewed in Juba, some of the Ugandan small-scale traders in particular became more vulnerable to coercive measures by the GoSS, with state or individual military might being used to control trade under the pretext of security situations. In the meantime, South Sudanese military actors also became dominant in trade between the two countries. During the same period, some of the purported Ugandan traders also reportedly breached trade sub-contracts with their South Sudanese counterparts by disappearing with large sums of money or supplying substandard commodities. This situation was made possible by the lack of financial institutions, the reliance on verbal contracts based on trust and referrals from trusted personalities.

Some Ugandan traders claimed that they were targeted by South Sudanese citizens because their fellow Ugandans had been unethical in business. The media reported that some Ugandan traders had been arrested, intimidated, harassed and even raped. While trade was profitable for Ugandan traders and the volume of goods and services traded were enormous, according to the representative of the Joint Action for the Redemption of Traders in Southern Sudan (JARUT), many Ugandan traders reported dreadful accounts of mistreatment by South Sudanese security personnel. The accounts included reports of murder, torture, robbery and non-payment of owed monies by, among others, GoSS agencies or officials and the military.<sup>18</sup>

From the South Sudanese perspective, many simply lacked the capital needed to get businesses going without government contracts, while others lacked the skills needed to compete for employment opportunities due to a shortage of training programmes during the war. Moreover, those returning from northern Sudan had received their education in an Arabic system, which meant that they had an added linguistic problem of adjusting to the English language that dominated trade between South Sudanese and Ugandans.<sup>19</sup> This situation created the potential for conflicts.

According to the Southern Sudan Human Rights Commission (SSHRC), at least 20 Ugandans died in South Sudan at the hands of Sudanese security personnel in the first eight months of 2007, especially at Juba customs and Konyo-Konyo Market. A string of rape cases involving Ugandan women working in the markets was reported and monitored by the SSHRC in 2008.<sup>20</sup> It has not been established whether the Ugandans who were killed were thieves, innocent traders or criminals caught in action.

15 G. Carrington (2009). *Cross-border trade: Fuelling conflict or building peace? An exploration of cross-border trade between Sudan and Uganda and the implications for peacebuilding*. London: Conciliation Resources. Available at <http://www.c-r.org/resources/cross-border-trade-fuelling-conflict-or-building-peace-exploration-cross-border-trade#sthash.Pb0x7tc0.dpuf>

16 USD 1 = UGX 2,635 as at 25 September 2014.

17 International Development Committee, House of Commons (2012). Op. cit.

18 M. Schomerus and K. Titeca (2012). 'Deals and dealings: Inconclusive peace and treacherous trade along the South Sudan-Uganda border', *Africa Spectrum*, 47(2-3), pp.5-31. Available at [http://eprints.lse.ac.uk/47732/1/\\_lse.ac.uk\\_storage\\_LIBRARY\\_Secondary\\_libfile\\_shared\\_repository\\_Content\\_Schomerus,%20M\\_Deals%20and%20dealings\\_Schomerus\\_Deals%20and%20dealings\\_2014.pdf](http://eprints.lse.ac.uk/47732/1/_lse.ac.uk_storage_LIBRARY_Secondary_libfile_shared_repository_Content_Schomerus,%20M_Deals%20and%20dealings_Schomerus_Deals%20and%20dealings_2014.pdf)

19 A. Green (2012). 'South Sudan: Xenophobia emerges amidst local unemployment', International Reporting Project. Available at <http://internationalreportingproject.org/stories/view/south-sudan-xenophobia-emerges-amidst-local-unemployment>

20 M. Schomerus and K. Titeca (2012). Op. cit.

Another documented case against Ugandans involved the killing of two Ugandan truck drivers and injuring of eight others by unknown machete-wielding men (believed to be SPLA soldiers) at the Kaya border town in southern Sudan. The Uganda People's Defence Forces (UPDF) crossed into Southern Sudan from Koboko to try to alleviate the situation. The officer in charge of the Oraba police post in Koboko, Bosco Onek, confirmed that eight Ugandans had been injured in the attack and were admitted to Koboko Health Centre on 28 April 2009.<sup>21</sup>

This event resulted in major clashes on the Ugandan side of the border, particularly in Koboko district. South Sudanese in Koboko, Uganda and, to some extent, other parts of the country became the targets of violence. As a result, an unspecified number of South Sudanese were killed, especially in Koboko. In September 2009, residents of Moyo district in Uganda demonstrated against the presence of South Sudanese. This resulted in the shutting down of shops owned by the South Sudanese, the closure of the border post to prevent South Sudanese from entering Uganda, and an attempt to attack Sudanese patients in a hospital, which Ugandan police managed to contain. The clashes were triggered by rumours that armed SPLA soldiers were harassing people in Moyo district.<sup>22</sup>

Another source of conflict arose when the South Sudan government made partial compensation to Ugandan traders in 2008, which favoured only large-scale traders over small-scale traders. Frustration among small-scale traders helped to fuel hostility between Ugandan and South Sudanese nationals and this was further compounded by intensive media campaigns. Ugandan traders purportedly felt that reporting their cases to the police could endanger their position even more because South Sudanese security agencies are seen as collaborators and justice seems to be systematically denied to Ugandan traders in South Sudan.

As a result of these trade-related conflicts, an MoU was signed between the Republic of Uganda and the GoSS in February 2010. This led to the establishment of a Uganda–South Sudan Joint Trade Dispute Arbitration Committee. In May 2010, the Office of the President in Uganda asked the Ministry for Regional Co-operation and the Ministry of Foreign Affairs for updates on the compensation situation. On 25 October 2010, a joint technical meeting was held in Kampala and during this meeting the Rules of Procedure of the Joint Trade Dispute Arbitration Committee were developed and approved by a joint ministerial meeting on 26 October 2010.

Despite these ongoing conflicts, informal exports to South Sudan grew enormously over the years – from USD 9.1 million in 2005 to USD 456.4 million in 2007 and to USD 929.9 million in 2008. Formal exports increased, but less dramatically, from USD 50.5 million in 2005 to USD 245.9 million in 2008. In short, formal exports to South Sudan increased nearly five-fold while informal exports increased 100-fold.<sup>23</sup>

However, after an initial post-war boom, exports from Uganda to South Sudan fell significantly from 2010. While formal exports remained at similar levels,<sup>24</sup> informal exports strongly decreased, from USD 448.48 million in 2009 to USD 196.9 million in 2010.<sup>25</sup> This drop in trade value was attributed to the unaddressed tensions at the border between Ugandan small-scale traders and South Sudanese state and non-state actors. The increased export volume from Dubai, Eritrea, Ethiopia and Kenya further contributed to Uganda's reduced export value. In addition, Ugandan exports to South Sudan declined due to the import controls imposed by the Central Bank of South Sudan in order to lessen foreign exchange pressures and to safeguard the foreign exchange

21 'Ugandan truck drivers killed in Sudan', *Uganda Radio Network*, 28 April 2009. Available at <http://ugandaradionetwork.com/a/story.php?s=21608>

22 M. Schomerus and K. Titeca (2012). Op. cit.

23 Uganda Bureau of Statistics (2009). 2009 Statistical Abstract, Kampala. Available at [http://www.ubos.org/onlinefiles/uploads/ubos/pdf%20documents/abstracts/2009Statistical\\_%20Abstract.pdf](http://www.ubos.org/onlinefiles/uploads/ubos/pdf%20documents/abstracts/2009Statistical_%20Abstract.pdf)

24 Yoshino et al (2012), cited in M. Schomerus and K. Titeca (2012). Op. cit.

25 Uganda Bureau of Statistics (2011). 2011 Statistical Abstract, Kampala. Available at <http://www.ubos.org/onlinefiles/uploads/ubos/pdf%20documents/abstracts/2011%20Statistical%20Abstract.pdf>

reserve position. This policy led to a decline in Southern Sudan's overall formal imports by 20% in 2009.<sup>26</sup>

While a slight recovery was recorded in oil revenue in 2010, informal exports from Uganda to South Sudan dropped substantially between 2009 and 2010.<sup>27</sup> A substantial number of Ugandan traders withdrew from undertaking trade activities in South Sudan, especially in Juba, Rumbek and Yei. Some of the traders feared potential insecurity from the South Sudanese as they prepared for the general election in April 2010 as well as the referendum in early 2011.

Despite all these trade disruptions, foreign investors have increasingly continued to establish formal investment projects in South Sudan, especially in Juba. However, the majority of Ugandan traders have continued to operate informal small-scale businesses in South Sudan instead of formal companies due to the working capital limitation.

## 2.2 Second phase: 2011–2013

The Republic of South Sudan gained independence from the Republic of Sudan on 9 July 2011, following civil wars that began in 1955 and that left more than two million people dead.<sup>28</sup> The post-independence period ushered in new trade growth initiatives, as described above. To date, South Sudan is still in the process of developing its tariff structure and operating system to serve as a starting point for promoting trade and investment. Other key non-tariff concerns remain, such as the lack of access to financing, the poor road network and air and river transport infrastructure, unpredictable bureaucratic procedures, and weak administrative capacities.<sup>29</sup>

There are three main categories of investors, as defined by the South Sudanese government:

- Investor category 1 targets investors with a capital base of USD 100,000;
- Investor category 2 targets investors with a capital base of USD 500,000; and
- Investor category 3 targets investors with a capital base of above USD 10 million.

Between 2009 and 2012, over 100 Ugandans submitted claims to the government of Uganda, demanding compensation from their South Sudanese counterparts for the loss of their businesses. On 22 August 2011, Uganda established the Ugandan Trade Dispute Arbitration Committee, in which UNCCI was represented, to study the compensation claims to determine their reliability, authenticity and validity. The committee published its findings and recommendations on 6 December 2011. Between 22 and 23 February 2012, a joint South Sudanese and Ugandan ministerial meeting was held in Juba. Uganda presented the Uganda Arbitration Committee review report to South Sudan during this joint ministerial meeting. On 6 March 2012, the Minister of Trade, Industry and Cooperatives met with aggrieved traders to present the progress made then. The aggrieved traders were advised by the Ministry to establish yet another association to represent and voice their interests and concerns in an organised manner. This resulted in the establishment of UTASS in May 2012.<sup>30</sup>

26 H.A. Gadkarim (2010). *Oil, peace and development: The Sudanese impasse*, Sudan Working Paper, CHR. Michelsen Institute. Available at <http://www.cmi.no/publications/file/3793-oil-peace-and-development-the-sudanese-impasse.pdf>

27 World Bank (2011). *Enhancing the recent growth of cross-border trade between South Sudan and Uganda*, Africa Trade Policy Note No. 21. Available at [http://siteresources.worldbank.org/INTAFRREGTOPTRADE/Resources/South\\_Sudan\\_Uganda\\_Crossborder\\_Trade\\_07\\_08\\_11.pdf](http://siteresources.worldbank.org/INTAFRREGTOPTRADE/Resources/South_Sudan_Uganda_Crossborder_Trade_07_08_11.pdf)

28 M.R. Biel (2003). 'The civil war in Southern Sudan and its effect on youth and children', *Social Work and Society*, Vol. 1, No. 1.

29 C. Bartel (2013). 'Establishing a framework for trade policy in South Sudan', *Great Insights*, Vol. 2, No. 8. Available at <http://ecdpm.org/great-insights/multiple-dimensions-trade-development-nexus/establishing-framework-trade-policy-south-sudan/>

30 'Ugandan traders demand Shs.50 billion from South Sudan government', *The Insider*, 10 September 2013. Available at <http://theinsider.ug/ugandans-traders-demand-shs-50-billion-from-south-sudan-government>



On 5 June 2012, UNCCI and UTASS organised a dialogue meeting, which was attended by the Ambassador of South Sudan in Uganda, the Ugandan Minister of Trade, Industry and Cooperatives, UPDF representatives and several representatives from the private sector in Uganda. The meeting discussed extensively the challenges of Uganda–South Sudan investment and trade, including relief support for the affected traders. The Ugandan government made a commitment to coordinate with the GoSS to expedite the compensation process.<sup>31</sup>

After failing to get the attention of both governments, East African traders and drivers decided to block the Kampala–Nimule highway at the Elegu border point in protest. Government officials from both sides organised urgent meetings with the traders and security officials to resolve the impasse. An MoU was signed between the Uganda police force and the South Sudan police to maintain law and order.<sup>32</sup> The signing was witnessed by private sector representatives.

However, after a series of meetings at various levels, the aggrieved Ugandan traders continued to demand compensation for lost properties and contracts. On 5 July 2013, UTASS requested that the Private Sector Foundation Uganda (PSFU) intervene since all options explored by the association had not yielded the expected outcomes. Subsequently, two UTASS executive members met with the president of Uganda and presented another petition requesting the president's intervention.

On 4 November 2013, UTASS summoned five members of the East African Community (EAC) parliament before a regional court, seeking to block South Sudan's entry into the bloc. The traders, through their lobby establishment UTASS, argued that South Sudan did not meet the requirements expected of states applying to join the EAC.

*“We are saying – before South Sudan is admitted, they should clean up their house.”<sup>33</sup>*

Media reports on the court case created tension between Uganda and South Sudan. The UCOSS chairperson was engaged in several meetings with officials from both Uganda and South Sudan during the second week of November 2013 to clarify issues related to the media reports.

Despite these trade-related challenges reported in the media during the abovementioned period, some positive investments and trade developments have been achieved by South Sudan. For instance, the country has managed to attract a number of banks, which have increased from two to 18 in just four years. Juba has seen the number of airlines landing at its airport rise from two to 11, with daily direct connections to its neighbouring countries, to North Africa and to the Middle East, as well as easy connections to the rest of the world. The GoSS has managed to set up a single point of contact for all business transactions in South Sudan for investors. Company registration and incorporation takes 24 hours. Over 19,816 businesses had been registered in South Sudan by 2012, of which less than 1% were Ugandan-owned registered companies.

In terms of Uganda's revenue, informal exports to all neighbouring countries have increased significantly. For instance, informal exports to South Sudan grew by 37.4% in 2012, recovering from a decline of 57.5% in 2011 (see Table 1). In 2012, Uganda's formal export earnings increased by 9.2% to USD 2,356.8 million compared with the USD 2,159.1 million recorded in 2011. At the same time, informal exports totalled USD 453.7 million in 2012, representing a 27.5% increase compared with 2011 when they amounted to USD 355.8 million. In 2012, South Sudan ranked second to the Democratic Republic of Congo (DRC) in terms of Uganda's export trade volume, at USD 115.1 million (25.4% of exports), which was higher than the USD 83.7 million (23.5% of exports) registered in 2011 (Table 1).<sup>34</sup>

31 UNCCI [2012]. *Enhancing a conducive business environment through effective involvement of all the stakeholders*. Kampala.

32 'Ugandan criminals behind attacks on traders in South Sudan – probe', *Daily Monitor*, 21 June 2012.

33 Interview with the Chair of UTASS.

34 Uganda Bureau of Statistics [2012]. *2012 Statistical Abstract*. Kampala. Available at <http://www.ubos.org/onlinefiles/uploads/ubos/pdf%20documents/2012StatisticalAbstract.pdf>

**Table 1: Uganda's import and export trade value, 2010–2012 (in USD)**

EXPORTS							
Country of destination	Value in USD million			% growth		% share	
	2010	2011	2012	2011	2012	2011	2012
DRC	143.2	126.1	157.9	-11.9	25.2	35.5	34.8
South Sudan	196.9	83.7	115.1	-57.5	37.4	23.5	25.4
Kenya	94.1	69.5	80.0	-26.2	15.1	19.5	17.6
Tanzania	53.3	28.9	47.5	-45.9	64.5	8.1	10.5
Rwanda	32.9	35.1	38.1	6.7	8.6	9.9	8.4
Burundi	8.0	12.6	15.3	57.8	20.9	3.6	3.4
<b>Total</b>	<b>528.3</b>	<b>355.8</b>	<b>453.7</b>	<b>-32.7</b>	<b>27.5</b>	<b>100.0</b>	<b>100.0</b>

  

IMPORTS							
Country of destination	Value in USD million			% growth		% share	
	2010	2011	2012	2011	2012	2011	2012
Kenya	37.5	27.0	24.5	-28.0	-9.3	50.2	46.3
DRC	19.3	21.5	20.3	11.5	-5.4	39.8	38.3
South Sudan	3.2	1.4	3.2	-56.6	133.4	2.6	6.1
Rwanda	1.5	1.7	3.1	13.5	84.0	3.1	5.8
Tanzania	5.1	2.4	1.9	-53.4	-21.9	4.4	3.5
Burundi			0.0				0.1
<b>Total</b>	<b>66.5</b>	<b>53.9</b>	<b>53.0</b>	<b>-18.9</b>	<b>-1.7</b>	<b>100.0</b>	<b>100.0</b>

Source: UBOS 2012

Uganda has undoubtedly made significant gains in the regional export market, including to South Sudan. However, the construction of the Lamu–Juba via Isiolo highway, the railway line and the pipeline – due to be completed in 2015 as a joint venture between South Sudan, Ethiopia and Kenya – pose the biggest threat to Uganda's competitive advantage in the South Sudan market. This is because the Lamu Port–South Sudan Ethiopia Transport (LAPSSET) Corridor Project aims to foster transport links between Ethiopia, Kenya and South Sudan. This huge project involves the development of airports, railways, roads and notably an oil pipeline in Lamu (where a new refinery will be built). The transport links are meant to join cities in Ethiopia, Kenya and South Sudan and will consequently have a negative effect on regional trade activities through Kampala.

### 3. Investment opportunities and actors

This section provides an overview of investment opportunities, the challenges that actors face in building strong trade relations, and the business development opportunities available to Ugandans working in South Sudan.

#### 3.1 Major investment and trade participants in South Sudan

At the time of the study, the exact number of Ugandans running different businesses and services in South Sudan remained unknown to the authorities. According to UCOS records in 2008, there were about 900,000 registered Ugandans in all the 10 states, which dropped to about 500,000 in 2009. The Ugandan Embassy estimates that there are about 1.5 million Ugandans living in South Sudan, while unconfirmed reports from the Ministry of Interior in South Sudan estimate that there are about three million Ugandans. Efforts by the Ugandan Embassy to register Ugandans operating businesses in South Sudan have not been very successful, as only 40,000 turned up for registration in 2012. Whatever the number, Ugandans are engaged in a wide range of activities.

It is hard to determine how much money is sent by Ugandans as remittances back home since these funds are remitted to Uganda through personal links, with no banking records.

In addition to Ugandans, other business communities engaged in investment and trade in South Sudan mainly include Egyptians, Eritreans, Ethiopians, Kenyans and Somalis, as well as other nationalities from Africa and beyond.

#### 3.2 Investment and trade opportunities in South Sudan

There are plenty of investment and trade opportunities in South Sudan in all sectors. However, many opportunities remain unexploited, as reported by the respondents interviewed. South Sudan is searching for committed investors to bring in capital and technology to the country, which will have multiple effects on the economy.

South Sudan has extended goodwill to Ugandans to promote trade by allowing Ugandan traders who do not meet investment requirements to continue operating their small businesses, especially in Juba and other cities. Major investment opportunities are in the agricultural business, tourism, trade, energy, education and transport services.

In order for foreign investors to exploit these opportunities, they have to register formal businesses with at least 31% of local ownership,<sup>35</sup> secure land through partnering with the local community, and integrate business concepts into the local community by understanding local government policies, regulations, laws and cultural structures. The projected return on investment is high. However, the investor must meet a number of criteria to achieve the business objectives and overall goal – that is, a systematic formalisation of the business process, an understanding and localising of the business concept, and implementation of the required practices and processes in order to work efficiently within the existing regulations, laws and policies.

35 Bureau of Economic and Business Affairs (2013). *2013 Investment Climate Statement – South Sudan*. Available at <http://www.state.gov/e/eb/rls/othr/ics/2013/204855.htm>

### 3.3 Importance of South Sudan market to Uganda

The commercial relationship with South Sudan is extremely important to Uganda, with Uganda's exports to South Sudan being larger than all of Uganda's regional exports combined. South Sudan's consumers and businesses import large quantities of Ugandan products and services. Moreover, South Sudan has invested a substantial amount of money in Uganda's education, health, transport and other sectors such as construction. These trade and investment transactions between South Sudan and Uganda have helped to generate a considerable benefit to the economies of the two countries. South Sudan refers to Uganda as a 'lifeline trade route and home', and Uganda refers to South Sudan as the 'best export destination on the world market'.

Ugandan and South Sudanese trade is a key mechanism linking Ugandan producers and traders to markets. Investment and trade have several tangible benefits such as creating employment opportunities, providing additional markets for Uganda's agricultural products, providing a source of foreign currency, facilitating regional integration, and assisting the spread of new farming technology and the introduction of new crops to meet market demands.

### 3.4 Major trade benefits, constraints and challenges in South Sudan

#### Trade benefits and positive changes

**Business growth:** The business opportunities in South Sudan have continued to grow and expand as the business environment improves, creating considerable economic opportunities for Ugandan traders. For instance, in 2010, there were about 2,136 businesses registered compared with only 136 in 2005. There were just three private vehicles in the entire city of Juba in 2005, but today there are thousands. In 2005, there were no airlines flying to Juba International Airport, but today there are over 30 operators flying to Juba with the vast majority being foreign airlines. There were no hotels in Juba in 2005, but by 2010 there were over 40 hotels in the city. The small-scale Ugandan-owned enterprises have equally grown and some enterprises have managed to meet the initial minimum investment capital requirement of about USD 100,000. Examples of such enterprises include Da Genesis Medical Centre, Tiboobiga International Inc. Ltd. and Famms Trading and Investment Co. Ltd. Ugandans continue to provide services as well as running businesses in several major sectors in South Sudan. Several community members interviewed strongly commended Ugandans for providing excellent and quality skills-based services such as auditing and accounting, electrical, mechanical, design and health services, entrepreneurship, driving, carpentry, civil works and many others.

**GoSS and embassy support:** The government has continued to maintain and promote its willingness to foster small-scale informal trade activities with its neighbouring countries, despite the new investment and trade policy that prohibits the same.<sup>36</sup> The GoSS and top leadership are willing to allow informal Ugandan traders to operate businesses in Juba and other towns as a gesture of goodwill between Uganda and South Sudan that has existed over recent years. In addition, the Ugandan Embassy in South Sudan has continued to provide support to the Ugandan community in the country. The Embassy commissioned a registration process for Ugandans living in South Sudan, and it has worked closely with the UCOS executive to address amicably some of the challenges facing Ugandan traders and professionals.

**Institutional development and support:** Since independence, South Sudan has embarked on institutional development to support trade and investment. SSCCIA, the South Sudan Investment Authority (SSIA), the judiciary, police departments and many others are examples of institutions that are now available to support foreign investors and provide incentives for formal enterprises that meet investment requirements.

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<sup>36</sup> Ibid.

**Strategic importance of trade:** The South Sudanese market is of strategic importance to Uganda, particularly as it has helped to create markets for agricultural and manufactured products. Ugandan and South Sudanese trade has continued to increase foreign exchange inflow. The strategic importance of South Sudan has not been exploited by Ugandan investors to the required level. The field study has revealed that the current trend in trade is gradually shifting towards international markets (such as China, France, India, Malaysia and the United Arab Emirates (UAE)).

### Major constraints and challenges

**High foreign exchange rate:** Following the currency reform and implementation of new government policy on foreign exchange control after independence in South Sudan, the cost of foreign exchange has increased and the dollar has become scarce:

*“Foreign exchange has been a major hindrance to trade. We sell in South Sudan pounds and import in US dollars from Japan ... There is a serious shortage of US dollars in this country. The cost of exchanging on the black market is too high and at times, after exchanging, thieves hunt for you...”*<sup>37</sup>

Likewise:

*“Local foreign exchange bureaux only exchange funds periodically with quotas; first priority is given to the students, sick persons and government officials in most cases. Ugandan traders buy US dollar from the black market at a higher rate.”*<sup>38</sup>

The black market is associated with several challenges such as risk of counterfeits, theft of cash and sometimes outright cheating.

**Multiple taxation:** The inconsistent implementation of trade policies between states and by central government at the South Sudanese Customs raises the cost of trading for many businesses. There is significant confusion and lack of consistency in implementing trade policies, including tariff rates, according to several respondents interviewed. In Jabel Market, Ugandan traders highlighted the problem of multiple taxation, which may continue for some time due to the constitutional and federation governance structure that currently exists.<sup>39</sup>

**High cost of doing business:** In addition to the problem of multiple taxation, the cost of doing business in South Sudan is considerable due to high transport costs, high rental charges and the high cost of living.

**Cultural differences:** The South Sudanese have lived together with the Arab community for decades under Sharia law, which prohibits vices such as theft and prostitution. The local population quickly adopted these dictates and continued to practise them even after the CPA was signed. The South Sudanese are also culturally, ethnically and linguistically diverse. The arrival of Ugandans and other foreigners into the country has introduced new behaviours and practices that go against Sharia law:

*“The first Ugandans in South Sudan ripped off many South Sudanese of their money. Ugandans introduced us to fake money. They built houses that collapsed in six months. We never had mugging and thefts in Juba like it is the case today. Now the situation is different. Locals describe a Ugandan or foreigner as a wewesi [a thief]. These Ugandans don’t want to abide by the laws and regulations of our country.”*<sup>40</sup>

<sup>37</sup> Interview with a Ugandan vehicle spare parts dealer in Juba, November 2013.

<sup>38</sup> Interview with a Ugandan trader in Juba, November 2013.

<sup>39</sup> Interview with an SSCIA official in Juba, November 2013.

<sup>40</sup> Interview with government official, Yei River County.



The South Sudanese are strongly against theft and lying; they do not believe in written contracts and mainly rely on trust in business transactions, which is contrary to the behaviour of some Ugandans. In South Sudan, at least 19 major ethnic groups and 600 sub-groups exist. Competition between the different groups and their different religious, racial and ethnic ideologies have created cultural tension.<sup>41</sup>

**Poor road infrastructure:** The road between Gulu in northern Uganda and Nimule in South Sudan is in a poor state; yet, it is regarded as the current lifeline of South Sudan's economy. The 192-kilometre road from Juba to the Ugandan border (Juba–Nimule Road), which connects South Sudan to Kenya's Indian Ocean ports and the outside world, is very important for the promotion of Uganda–South Sudan trade. The Elegu–Kafu section, via Gulu and Karuma, is equally in a very bad state. Traders reported problems regarding a delay in the supply of goods, the high cost of transportation, the high cost of maintaining trucks and damage to perishable products – all of which result in heavy losses for the traders on either side.

The bad condition of this road has forced the South Sudanese to airlift goods from China and the UAE directly to Juba. This increases the volume of importation from international markets to about 60% to the detriment of regional markets at 40%.

**Biased media:** Ugandans have a relatively higher level of media freedom compared with South Sudanese nationals. Sometimes, this media freedom has been misused by different media houses when they publish messages that are not conflict-sensitive and that lack proper research.

Some of the Ugandan media reports may be biased, failing to take into account the perspective of the South Sudanese:

*“Ugandan media reporting is not ethical but rather they fabricate stories in order to lure the readership ... Ugandan media has not given prominence to the cardinal virtues of truthfulness, honesty, accuracy, fairness, objectivity, consistence at the expense of voices such as deception and lying ... the Ugandan traders’ petition to EAC court has helped South Sudan stay away from EAC ... We are not ready for EAC and there are no benefits of joining EAC now; maybe in the future – even Uganda has never benefited from EAC...”*<sup>42</sup>

**Mistrust and disunity:** Another major constraint to Ugandan traders operating in South Sudan, as identified by the study, is mistrust and disunity among the Ugandan community. UCOS leadership strongly identified these factors as being a major constraint to networking among Ugandans:

*“I came from Uganda alone and will go back alone ... Ugandans don’t want to work together ... even those Ugandans from northern Uganda, especially from Arua, Yumbe and Koboko, have cultural links with South Sudanese and they work together with some local community to accuse, steal and torture other Ugandans.”*<sup>43</sup>

The mistrust and disunity among Ugandans were attributed to several factors. Most notable factors were tribal divisions and conflicts among Ugandans, religious differences, theft and cheating, culprits evading police bail and leaving innocent sureties in jail, and inadequate support from the Ugandan government:

41 Saferworld (2012). *China and conflict-affected states*. London. Available at <http://www.saferworld.org.uk/resources/view-resource/612-china-and-conflict-affected-states>

42 Interview with an SSCCIA official in Juba, November 2013.

43 Interview with a Ugandan businessman in Juba, November 2013.

*“One of their most trusted Ugandan accountants, with extensive experience, supported fellow Ugandans, who attempted to rob them in their home. Unfortunately, they were gunned down by the security guard. One week after the incident, he planned a new robbery, which failed and three Ugandan gunmen were arrested and they revealed to the police that the accountant was their agent!”<sup>44</sup>*

The same source further revealed:

*“Ugandan mechanics and electricians are very brilliant and efficient but at the same time unreliable and untrustworthy. The boda-boda riders from Uganda are the best experienced riders in Juba unlike the South Sudanese, who have limited experience, but they are not trustworthy.”*

**Weak community organisation:** Ugandans living in South Sudan have established a community organisation with its headquarters in Central Equatoria State, Juba. UCOSS has a network across the 10 states of South Sudan. The organisation had 900,000 registered members in 2008, although this dropped to 500,000 in 2009, according to the UCOSS acting chairperson. The weaknesses of the association are attributed to inadequate resources (low membership subscription and work done on a voluntary basis), tribal divisions, mistrust, individualism, a breakdown in communication, mismanagement of the organisation and non-attendance of general meetings. Political affiliation back in Uganda has created division among the members – for instance, traders divide along party lines of the Forum for Democratic Change (FDC) versus the National Resistance Movement (NRM). Other Ugandans do not want to be recognised as Ugandan citizens. The Ugandan Embassy in South Sudan attempted to register Ugandans working in South Sudan, but only 40,000 persons managed to register.

**Weak government institutional support:** The Ugandan government and the Ugandan Embassy have not provided adequate support to the Ugandan businesses and professional communities working in South Sudan. In particular, some of the Ugandans interviewed reported a lack of support from the Ugandan government in accessing international travel documents such as passports, in providing investment trade guidance support, and in access to financial support to boost investment and trade. Traders interviewed also acknowledged that the South Sudanese authorities in charge of trade and investment have failed since 2005 to carry out mobilisation exercises to educate the traders and investors on trade policies, taxes, cultural compliance, and integration of the foreign community with the local South Sudanese community in order to create harmony and peace in business activities:

*“Since I came to Juba, South Sudan, in 2005, the local authorities have never organised formal meetings, trade fairs or community outreach to enhance information sharing to increase compliance with the policies, regulations and laws of South Sudan.”<sup>45</sup>*

**Lack of skills:** Lack of adequate business skills among some of the traders has further hindered Ugandan and South Sudanese trade. Traders interviewed also acknowledged that some of their counterpart South Sudanese traders have a high illiteracy rate, which hinders professional business partnerships:

*“Some of South Sudanese do not like formal contracts, which they viewed as lack of trust in them.”<sup>46</sup>*

<sup>44</sup> Interview with a Somali community leader in Juba, November 2013.

<sup>45</sup> Interview with a Ugandan businessman in Juba, November 2013.

<sup>46</sup> Interview with an administrator of a Ugandan-owned company in Juba, November 2013.

In addition:

*“...these South Sudanese are funny people – they make orders for doors and window frames and make payments, but after the doors and windows are made they change their designs and reject what has been made. They demand an immediate refund or they give you a deadline to make new doors at your own expense.”<sup>47</sup>*

**Lack of financial support for investment:** The Ugandan business community has been constrained by a lack of Ugandan-owned banks operating in Juba to support their investment and trade in South Sudan. All of the respondents interviewed in Gudele, Jabel and Konyo-Konyo markets acknowledged the importance of establishing a Ugandan bank network to handle foreign exchange issues and transfers to accelerate trade and investment. Kenya Commercial Bank (KCB) and Equity are Kenyan-owned banks and their terms and conditions are unfavourable to the Ugandan traders, according to the respondents.

**Weak national interest:** South Sudan constitutes an important strategic regional market for Ugandan exports and has generated substantial revenue for both countries. Despite this fact:

*“Top officials from the Ugandan government have failed to support their citizens, who are struggling to generate revenue for Uganda. The IGP [Inspector General of Police] and His Excellency, the President, have on their official visits to South Sudan referred to Ugandans in South Sudan as ‘criminals’ and ‘thieves’, which among the local South Sudanese confirmed their belief about the wewesi. Unpatriotic speeches made by top Ugandan officials offer no security to the Ugandan citizens.”<sup>48</sup>*

The government of Uganda cannot provide information to traders on foreign trade and investment practices. Other respondents referred to the lack of Ugandan government support as follows:

*“Uganda is milking the cow without investing and feeding it.”<sup>49</sup>*

Twenty-one Ugandan-owned buses arrive in Juba every day, carrying about 1,500 people a day. However, the government and officials have failed to recognise the importance and value of Ugandan and South Sudanese trade:

*“UNCCI and Alert, where have you been all this time? Nevertheless, your coming is timely ... we hope you are not going to talk but act ... the opportunity here is enormous, which we must work to nurture ... our traders (UCOSS) need a lot of support to perform their work better. The government bureaucratic officials in Kampala need to realise the national importance and value of South Sudan and Uganda trade.”<sup>50</sup>*

By comparison, Eritrean, Ethiopian and Somali communities are supported strongly by their respective governments through a special policy framework promoting foreign trade and investment, which the Ugandan government lacks.

**Khartoumism Theory:** Following the signing of the CPA, Sudanese agents continued to reinforce their propaganda against Ugandans as the top enemy of Sudan. Historically, there have always been allegations that the government of Sudan supported the LRA against Uganda and that Uganda supported the SPLA against Sudan. According to the Secretary General of SSCCIA, Sudanese agents carry out attacks against Ugandan traders, ambush trucks and kill innocent civilians. Through the efforts of the GoSS, these agents have been eliminated; however, the hatred

<sup>47</sup> Interview with a Ugandan welder, Gudele Market in Juba, November 2013.

<sup>48</sup> Interview with a South Sudanese lawyer working for a Ugandan-owned company in Juba, November 2013.

<sup>49</sup> Interview with a Ugandan businessman in Juba, November 2013.

<sup>50</sup> Interview with a Ugandan businessman in Juba, November 2013.

against Ugandans, along with the criminal activities of some Ugandans and the biased media reports have created enmity between the local community and Ugandan traders.

***Imprisonment of innocent Ugandans:*** There are many Ugandans in jail in South Sudan. In addition, 102 sex workers have been arrested, 89 of whom are from Uganda (along with eight from South Sudan, three from DRC, one from Ethiopia and one from Kenya).<sup>51</sup> In South Sudan, once arrested and detained, you can only get bail through cash payments until the case is heard and concluded. In order to assist fellow Ugandans, some of the association leaders have helped to bail out some Ugandans, who would later disappear, leading to the arrest of the sureties. This has resulted in the jailing of many innocent Ugandans or has forced some sureties to leave the country to avoid arrest. Ugandans are ignorant about South Sudan's laws and legal proceedings, and in many cases they do not use the services of legal experts, which are costly.

***Unfavourable habits and attitudes:*** Rumour-mongering and individualism are common habits among Ugandans operating businesses in South Sudan. These vices are deemed unwelcome among the local South Sudanese communities. Other habits are also frowned upon, including drinking, bragging, being deceitful, cheating customers by not providing value for money, and using similar business names to those back home (such as Owino II, in reference to Owino, the biggest unregulated market in Kampala and a place where theft and lying is allegedly rife).

*“We don't want politics in business. We want to do business with Ugandans and we want money. Ugandans must stop rumour-mongering, cheating and theft. We want to work with Ugandans who understand the culture in South Sudan. Leave your Ugandan behaviour in Uganda. This is another country.”<sup>52</sup>*

The attitude of Ugandans is based on individualism, unlike the attitudes of other business people such as those from the Eritrean, Ethiopian and Somali communities.

***Low enforcement of business contracts:*** There is generally low enforcement of business contracts in South Sudan, which is a major constraint to businesses. Although there are several legal advisers in Juba now, the level of understanding of some Ugandans on legal matters is extremely low. Several cases have been lost in relation to land lease deals and trading partnerships due to lack of adequate legal advice. In contrast, the Somali community in particular hires the services of experienced legal advisers, drafting lease and business contracts to avoid legal battles and investment losses.

***Land ownership problems:*** Long-term investments require long-term lease agreements, which may be difficult to achieve in South Sudan. The land ownership policy tends to discourage long-term investments and Ugandans opt for a short-term and quick return on investments. Land acquisition in South Sudan goes hand-in-hand with respecting the local culture – a culture based on trust and mutual benefit. Businesses established on acquired land – whether long term or short term – must benefit the local community to become acceptable.

According to one Ugandan respondent:

*“Land can be made available for investments from the local community, but what is important is what investment the investor has brought and how the local community shall benefit from this business. If the investor is pursuing a long-term and quick return on investment without local community integration and benefits, access to land for investment may not be possible. Important things to note is that other community members have established permanent businesses such as hotels, apartments and supermarkets despite challenges with*

<sup>51</sup> Interview with a UCOS member in Juba, November 2013.

<sup>52</sup> Interview with a South Sudanese local trader in Juba, November 2013.

*land ownership. The success of these investments, according to interviews, was based on the good land arrangements and agreements including agreed mutual benefits.”<sup>53</sup>*

In addition, Ugandan investors and traders have argued that, whereas the acquisition of land for investment is extremely difficult in South Sudan, the contrary is true in Uganda. The South Sudanese can easily and quickly acquire massive chunks of land and purchase houses in different parts of Uganda without any restrictions.

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53 Interview with a Ugandan medical doctor in Juba, November 2013.



## 4. Impact of South Sudan civil conflict on Ugandan and South Sudanese traders

This section examines the immediate impact of the current South Sudan conflict on Ugandan and South Sudanese traders in selected districts of Uganda. To determine this impact, a rapid survey was carried out in parts of Uganda. The section gives details of the geographical scope of the rapid survey initiated after the conflict commenced, the key survey question checklist, the types of businesses involved and the challenges faced by respondents while in South Sudan, the immediate cost of the conflict, and direct and indirect impact on the business community.

### 4.1 Scope of impact survey

The rapid impact survey was carried out in the districts of Arua, Koboko and Nebbi in northern Uganda, as well as at Arua Park in Kampala, in order to determine the immediate impact of the current South Sudan military conflicts on recently returned Ugandan and South Sudanese communities in northern Uganda. The consultant carried out the rapid assessment based on a random sample of respondents. The following key questions facilitated the assessment process.

- What type of business activities were you engaged in before the conflict broke out in South Sudan?
- What business-related challenges were you faced with before the current South Sudan conflict erupted?
- How did the current South Sudan military conflict affect your business activities in South Sudan?
- What is the immediate impact of this South Sudan military conflict on your business and household activities in Uganda?

### 4.2 Business activities involved and challenges faced

The respondents interviewed for the rapid survey included the following: produce traders, restaurant operators, drivers, builders, importers and distributors of second-hand clothes, motor vehicles and mobile phones, mechanics, timber suppliers, traders in chickens and goats, *boda-boda* operators, commission agents, construction materials traders, water suppliers, teachers, local government officials and taxi operators. A total of 170 respondents were interviewed in the aforementioned target districts.

In terms of the challenges faced before the conflict broke out in South Sudan, 90% of the respondents highlighted the following issues:

- Respondents cited a lack of access to foreign exchange services due to tight government monetary control policy, which has significantly impacted on Ugandans' business development potential in South Sudan.
- Traders were/felt harassed by government authorities, especially by the police, migration and revenue collection departments.

- Respondents reported having to pay twice for single entry visa for the same trip, as the first payment was considered as having expired by the immigration authorities even when the visa was still valid for 30 days.
- Respondents also reported issues related to multiple taxes for the same commodity at different checkpoints.
- It was alleged that some of the South Sudanese customers who purchased goods and services on credit failed to meet their obligations on time or sometimes ended up refusing to pay.
- It was also alleged that some South Sudanese customers returned goods after one or even three months of purchase. However, the goods purchased had been misused by the buyers and they demanded a refund, threatening the traders with arrest.
- Some respondents spoke of increased theft of money and other properties by unknown gunmen.
- There were frequent reports of some South Sudanese men forcing the women traders to have sex.
- Respondents reported the imprisonment of Ugandans on minor offences or the detention of innocent traders.
- The respondents also highlighted that, as foreigners, they had no opportunity to appeal or address their grievances to the relevant South Sudanese authorities, apart from using their money to pay for court bail (ranging from SSP 1,000 (USD 325) to over SSP 5,000 (USD 1,625)).<sup>54</sup>

### 4.3 Investment and trade effects of South Sudan conflict

#### Arua district

Forty-three-year-old Majid Hassan had stock valued at USD 94,500, which was left in a warehouse during the conflict in South Sudan. It is likely that the stock in Bor and Malakal was destroyed during the current conflict. Another trader, Sadik Yada, left goods (beans and maize) valued at USD 4,000 in a Juba store. Guma Ujale, a Uganda investor in Yei town, invested about USD 30,000 in a restaurant business. He acquired land, constructed premises, purchased equipment, furniture and fittings, and injected working capital; however, the business was taken away from him under unclear circumstances. Ingamule Rashid of Friends United Co. Limited abandoned stock of second-hand clothes worth USD 70,000 in Juba during the conflict. Another Ugandan investor Mr Gule, had stock of construction materials worth USD 200,000 in Juba. Currently, there is no market for these materials. He intends to transfer these goods to DRC, which has a better market for such goods.

#### Koboko district

Mr Rasulo was a driver in South Sudan and he used to earn about SSP 1,700 per month; however, he was not paid his salary for about four months before the conflict broke out. Jamili Sebi was engaged in the fuel retail business and abandoned seven drums worth SSP 10,150 in Bor City. Busura Udar arrived in Uganda in September 2013 and had been dealing in second-hand clothes but lost seven bales of second-hand clothes worth UGX 4.5 million in Konyo-Konyo Market. Apagu Asirafu lost a motorcycle worth SSP 2,000. Gandige Rasulo had just imported motorcycle spare parts worth UGX 30 million; he also had a stock of beans in a Juba store worth UGX 8 million, but lost all

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<sup>54</sup> USD 1 = SSP 3.08 as at 25 September 2014.

the goods during the conflict. Amule Okuni lost a compressor machine and other equipment for repairing tyres worth UGX 3.5 million in Juba. Keyo Eddy, a dealer in agricultural produce, lost goods worth UGX 3.5 million in Juba.

### Nebbi district

Mahmad Alimad lost timber worth SSP 2.5 million and a restaurant worth UGX 15 million. Juma Ramandhan used to work seven miles outside of Juba City. He left behind an outstanding debt of USD 2,000 and SSP 15,000 owed to him at the Gudele construction site. For four months, Mustafa Habib was not paid the monthly salary of SSP 1,200 that he used to earn from the Zonghou Construction Company, which closed operations due to the conflict. In addition, he lost household property worth SSP 4,000. Mr King used to work in Unity State, and he lost four *boda-boda* cycles worth SSP 5,500, a restaurant in Juba valued at SSP 30,000 and drinks stock worth USD 20,000. Rashid Mbeza lost two kiosks worth SSP 3,000 and two motorcycles worth SSP 8,000. Halima Khamis Juma lost a restaurant worth SSP 1 million. Amina Asirafu also lost an investment in a restaurant business worth SSP 20,000. Mrs Kulsum lost fruit and vegetables in Konyo-Konyo Market worth SSP 1,000.

### Arua Park in Kampala City – hub of South Sudan exports

Arua Park, a bustling and congested business hub in downtown Kampala City, has prevailed through the years to become one of Uganda's focal points for exports to northern Uganda, as well as DRC and South Sudan. Arua Park is managed through seven different associations for transporters, brokers, taxi operators, restaurants and food kiosk owners, *boda-boda* cyclists, traders and bus operators. The Park is a world of its own and has grown into a significant zone with burgeoning shopping malls, forex bureaus, restaurants and several lodges; moreover, all transport services between Juba and Kampala mainly start and end here.

According to the chairperson of Arua Park Transporters' Association, business slightly improved from the end of January 2014 compared with the low business levels in December 2013. The conflict in South Sudan has hit Arua Park traders hard, resulting in negative effects on businesses and families.

### Businesses worst affected

Generally, the performance and the effects of the conflict vary from business to business. A general assessment of the conflict's impact by an executive member of the Arua Park Transporters' Association is outlined in Table 2.

**Table 2: Impact of the conflict on different types of businesses**

Type of business	Impact
Transporters of goods	Trips reduced from twice a week to once in two months
Bus transport service	Daily trip fare increased from UGX 45,000 to UGX 80,000
Forex bureau	Daily sales reduced by 60%
Wholesale trading	Daily sales reduced by 70%
Fuel stations	Daily sales reduced by 40%
Special hire (taxis)	Daily income reduced by 80%
<i>Boda-boda</i>	Daily business boom maintained at 100%
Restaurants/food kiosks	Daily revenue reduced by 60%
Commission agents	Daily income reduced by 80%

*“The construction materials business has been worst hit by the conflict. This is one of Uganda’s best export businesses, but the conflict has affected all major construction works in Bor, Malakal, Juba, Aweil, Bentiu and hence affected the supply of hardware materials ... the food and household properties market has become the best export business from Uganda due to high demand for relief goods ... Prices of food items have increased due to scarcity and high demand both in Uganda and South Sudan. Traders are negatively affected by the unfair exchange rate ... many traders fail to get US dollars in Juba and they travel with their SSP, which is exchanged at UGX 500 or 450 per SSP 1, compared with the previous rate of UGX 650 per SSP 1. The remittances of cash to families in Uganda have reduced from twice a month to once a month but salary workers have reported no remittances.”<sup>55</sup>*

The *boda-boda* business has, in recent times, experienced a boom because the South Sudanese in Uganda have insufficient cash to pay for special hire and many have resorted to *boda-boda* rides. About 60% of the transporters have acquired loans of between UGX 5 million and UGX 120 million, especially from Stanbic and KCB banks. Loan repayment capacity has reduced drastically and the banks are likely to take over assets. The traders have resorted to selling their perishable goods in Arua, Koboko and at the Elegu border post out of fear.

The majority of South Sudanese families in Uganda are mainly children and women living in bad conditions. Although some of the South Sudanese expressed hatred towards the Ugandans in Juba, Ugandans, on the other hand, have shown respect to the South Sudanese. Counselling of victims from both countries to reduce tension and enhance peaceful coexistence is important according to Agarile Twaha. Naima Obombasa of AIM Global highlighted: *“our sales revenue has reduced by 95% due to the conflict. January to February is our peak season for supplying seeds and tools to NGOs in South Sudan but this has been our worst business season.”*

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<sup>55</sup> Interview with a bus operator, Arua Park, Kampala, January 2014.

## 5. Conclusions and recommendations

### 5.1 Conclusions

South Sudan remains a strategic trading and investment partner for Uganda, and trade has enormous benefits for both countries. South Sudan's economy and business environment has changed dramatically in the periods 2005–2010 and 2011–2013. The two phases of transformation came with different benefits, challenges and constraints. During the period 2005 to 2010, Ugandan traders benefited significantly from the business boom (especially during 2008 to 2009); however, at the same time, some of the Ugandan traders made huge losses due to several aforementioned factors. The current unstable environment for trade and investment in South Sudan could generate even greater conflict within the business community in South Sudan.

Following independence in 2011, South Sudan embarked on institutional reform and development. The level of trade and investment activities has improved and the challenges faced by Ugandan traders are quite different from those constraints experienced in the first phase (2005–2010). Uganda's trade volume is steadily reducing due to stiff competition emerging from other countries such as China, Eritrea, Ethiopia, Kenya, Somalia and the UAE. The South Sudan business environment leaves a lot to be desired, especially regarding information dissemination to key actors, transparency in the implementation of government investment and trade policies, efforts to protect the properties and lives of foreign investors and traders, a culture of treating foreign investors as strategic partners, and the enforcement of contracts and law and order.

Trade has created employment opportunities, a market for agricultural and manufactured Ugandan products, and revenue for both government and traders. However, there are major constraints hindering trade and investment to date. These include the high foreign exchange rate, cultural diversity, mistrust and disunity, weak Uganda community organisation, weak national interest by the Ugandan government, as perceived by Ugandan traders, and poor institutional support. Despite these challenges, trade and investment remain highly profitable.

The sudden outbreak of military conflict in Juba on 15 December 2013 has had a negative impact on investment and trade development between Uganda and South Sudan. The conflict has again threatened peaceful investments and trade activities, also resulting in loss of life, property and investment capital.

### 5.2 Recommendations

As is the case with most neighbouring countries worldwide, countries coexist in similar circumstances and their people often have similar aspirations, making the need for closer cooperation all the more important. It is on this basis that activities such as cross-border trade should be promoted on either side of the border. For this cooperation and trade to be sustainable, the movement of goods ought to be a two-way process for the equitable and mutual benefit of the trading partners. Moreover, such a development cannot take place unless the political climate permits it, thus guaranteeing peace. The case of Uganda–South Sudan trade bears witness to these assertions. When there has been peace, trade has flourished, and the contrary also holds true. However, this specific trade situation has predominantly been a one-way venture, with Uganda exporting its produce to South Sudan. Ultimately, peace helps to ensure more balanced business operations, which is the basis for the following recommendations.



### **Business associations and traders**

Ugandan investors and traders should promote partnership businesses or limited liability companies in South Sudan to provide an opportunity for formal businesses to be established. Partnership businesses or limited liability arrangements can quickly increase access to land, registration of businesses and integration of businesses into the local community. The issues of cultural difference, documentation and contract enforcement have a huge impact but can nevertheless be addressed with mutual respect and understanding from both parties.

UCOSS should strive to strengthen its capacity throughout its subsidiary branches in the nine states, thus providing for an environment of increased networking among Ugandan traders and professionals in South Sudan. Networking and organisation within the community provide an opportunity to share information, coordinate trade support and increase patriotism/solidarity among citizens. The Ugandan community should learn from other east African countries whose communities in South Sudan are very strong because of good organisation and networking practices.

UNCCI, the Uganda Export Promotion Board (UEPB), the Uganda Investment Authority (UIA) and SSCCIA should jointly organise and implement regular trade fairs and business forums to foster business-to-business relations. Key objectives should be to attract new investments, to identify potential opportunities and to improve the cordial relationship and image of both Uganda and South Sudan.

Business associations such as UNCCI, SSCCIA and UCROSS should support and establish accessible cultural education centres to enhance cultural education for all potential investors and traders in a manner that is applicable to business transactions.

### **Civil society**

Civil society organisations should help UNCCI and SSCCIA to organise joint capacity-building programmes on trade, targeting business communities in both countries. The capacity-building and training programmes should comprise business management training, trade guidelines and best practices, technical assistance to provide advisory services, and counselling. The technical assistance should be provided to UCROSS on capacity building and training to increase networking among Ugandans.

Civil society should support business associations such as UNCCI, SSCCIA and partner organisations to develop a comprehensive stakeholder sensitisation and reconciliation programme. This programme should target traders and investors as well as other stakeholders such as the police and immigration officials from both countries. The sensitisation programme should aim to harmonise the implementation of trade and investment policies, regulations and laws, as well as the sharing of vital trade information.

Civil society should provide counselling support for Ugandan and South Sudanese traders affected by the current civil strife, which has led to loss of life and property. The counselling services should help victims to reintegrate into the local community, thus reducing future conflict fuelled by the increased frustration of victims.

### **Ugandan financial institutions**

Ugandan-owned banks should search for new markets in South Sudan by opening branches or forex bureaus to facilitate access to foreign currency, thus easing trade transactions. However, a thorough research study into the financial sector would be useful beforehand to establish the challenges and opportunities involved in launching such ventures. The value of transactions by the Ugandan community is estimated to be high.

## Ugandan government and the GoSS

Both the Ugandan and South Sudanese governments should continue to hold bilateral meetings to create an environment more conducive to trade and investment. The meetings should aim to resolve issues related to government-to-government as well as trader-to-trader investment. They should also produce positive tangible outcomes to grievances such as those concerning contentious compensation to Ugandan traders and unexplained instances of double taxation on the South Sudan side of the border. Moreover, decisions reached in forums that concern traders should be relayed to beneficiaries to prevent information gaps. Participants should include both technical staff and political leaders.

The Ugandan government should review policy to support the development of the Trade Development Strategy (USSTDS) by engaging both government departments and private sector agencies. The policy review process should take into account the fact that Uganda has ceded some ground in its trade with South Sudan and that it should therefore seek to regain and expand its market share. The policy review process should further help to redefine the role and responsibility of key players (UNCCI, MTIC, the Ugandan Embassy in South Sudan, UCOS, UIA and UEPB, among others) in facilitating growth and development of South Sudan and Uganda trade.

The government of Uganda, represented by the Uganda National Roads Authority (UNRA), should focus on the completion of current infrastructure projects such as the Gulu–Nimule road. At the same time, it should support the construction of alternative roads to Juba such as the Yumbe–Kajokeji route to Juba via Lobe, Kei sub-county in the West Nile region. The completion of the Koboko–Kaya road will provide added advantage to the expansion of trade.

There is a need to enforce compulsory acquisition of travel documents and national identity cards to ensure proper registration of Ugandans working in foreign countries, particularly South Sudan, in this context. The Ugandan Embassy in South Sudan should be empowered to issue identification documents (particularly passports) to Ugandans. This strategy would help the Ugandan government's interventions during crisis incidents such as the recent evacuation services following the outbreak of violence (December 2013) as well as in the earlier reported cases of torture and arbitrary arrests of Ugandan nationals living in South Sudan.

The government of Uganda, through the Ministry of Agriculture and Animal Industry and in collaboration with development partners, should develop an agricultural productivity enhancement programme for northern Uganda as a key cornerstone to increase export of agricultural products to the South Sudan market. These targeted efforts would make Ugandan agricultural products more competitive in the South Sudanese market in terms of pricing and quality (freshness).

As much as the government of Uganda has supported the South Sudan government militarily, it should equally pursue peaceful dialogue. This would have a positive impact on Uganda's image and on Uganda's future investment and trade relations with South Sudan.

Governments on either side, in collaboration with international agencies, should provide quick relief support to the Ugandans and South Sudanese who have fled military conflict in South Sudan and who have lost property and businesses. This initiative would help to reduce tension between the returnees, local communities and South Sudanese.

## The media

The media has a critical role to play in terms of relaying information to stakeholders. Media houses should aim to gather factual information from business entities such as UNCCI, UIA, SSCCIA and traders' associations, as well as from relevant government establishments in order to provide informed reporting. Such reporting should be conflict-sensitive and constructive, with the ultimate aim of seeking to contribute to an enabling business environment.





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