

IS Academy
Human Security in Fragile States



‘Reaspora’ Entrepreneurs in South Sudan

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RESEARCH BRIEF #1 (JULY 2011)

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The IS-Academy

The IS-academy on Human Security in Fragile States is a collaborative research project between the Disaster Studies chair at the faculty of social sciences, Wageningen University, the Peacebuilding and Stabilization unit at the Dutch ministry of Foreign Affairs and the five major Dutch NGOs Cordaid, ICCO, ZOA refugee care, OxfamNovib and the Netherlands Red Cross. The Academy's mission is to better understand the processes of socio-economic recovery and the roles of formal and informal institutions in conditions of state fragility. The research comprises several PhD trajectories and a number of short-term research projects, and is geared towards catalyzing cross-fertilizing exchange between the domains of policy, practitioners and academia in the field of socio-economic recovery in fragile states.

The IS academy produces research briefs on ongoing research. These briefs are intended to disseminate research results from the field, and to further and enhance dialogue between the stakeholders and the broader public involved in the field of socio-economic recovery in fragile and conflict-affected environments. The briefs are based on preliminary results and should not be considered definitive outcomes. They are intended to function as a window for exchange and enhance knowledge generation.

Photo:

On July 9th 2011, the Republic of South Sudan became the world's 196th sovereign state.

RESEARCH BRIEF #1



'Reaspora'

Entrepreneurs in South Sudan

This research brief is based on findings yielded from six months of fieldwork of the PhD research project entitled 'returnee entrepreneurship and economic governance in South Sudan'¹.

The fieldwork took place from October 2010 to March 2011. A second stretch of fieldwork will last until February 2012.

Rens Twijstra

Context: State fragility and economic governance in the imminent republic of South Sudan

On the eve of South Sudan's novel statehood, the private sector is expected to play a key role in transforming the local economy from an import-only economy with a predatory and militarized legacy to a diversified and sustainable economy that thrives on agricultural export, providing employment for millions².

The Government of Southern Sudan's has developed a growth strategy³ based on inclusive broad-based and equitable non-oil reliant growth. This strategy will soon resonate in the brand new South Sudanese constitution. International stakeholders share this vision, in which they see an opportunity for the South to escape the resource curse and potential relapse into violent conflict.

The imminent Republic of South Sudan (ROSS) has seen a very significant trend of emerging state institutions since the signing of the comprehensive peace agreement in 2005.

Yet South Sudan continues to rate highly on indexes measuring state fragility.⁴ One of the core characteristics of this state fragility is institutional flux. This flux is associated with change in an environment where formal government is contested and people negotiate multiple, fragmentary and competing institutions to secure their livelihoods⁵.

“In most places, people work in an institution. Here, people are the institution...”

(civil servant)

The imagined role of the private sector

Much of the Private Sector Development (PSD) literature suggests that a robust middle-income stratum, translated into the private sector as the cadre of small- and medium enterprise (SME) holders, would (a) precipitate an economic 'trickle down' effect to the larger rural impoverished population, and (b) be a viable source for holding a government accountable for 'good economic governance'⁶.

But who is 'the private sector', and why - or how - would they be involved in shaping institutional arrangements for directing and redistributing growth and opportunity?

This research project aims to answer this question by following several dozen entrepreneurs for a period of 18 months. They comprise a specific niche within the upcoming middle-income cadre, namely the returnee entrepreneurs coming back from Diaspora communities in the West.

Despite an array of constraining factors for the 'local' SME sector (see box 2), there is a remarkable and visible increase in small and medium-sized business activity by South Sudanese. Most of them – or at least the more successful ones – are led by 'reaspora', the aforementioned returnee diaspora.

Box 2:

Some of the positive and negative characteristics of South Sudan's private sector environment at present, narrated by informants in the field.

Positive characteristics	Negative characteristics
Myriad unexplored economic niches	Arbitrary taxation and customs
Very high return on investment	Lacking legal framework (mortgage laws)
High agricultural potential (fertile land)	High interest rates for bank loans
Growing confidence in stability	Lacking legal framework for property rights and land tenure
Growing confidence in judiciary	Government arrears (largest client)
Increasing oil revenues	Lack of business associations

Human Capital Remittances

There has been much attention to financial remittances to post-conflict societies. In 2009, the World Bank estimates the 'workers' remittances received' in Sudan at 5.5% of the GDP, compared to an average of 2.5% in the rest of Sub-Saharan Africa⁷. This only accounts for officially recorded financial remittances and does not segregate the remittances sent to North Sudan from those sent to the South, but it indicates the level of dependency on South Sudanese diaspora communities abroad.

Concurrently, keeping in mind that at some point during the war between 1983 and 2005, almost 2/3rds of the entire population of Southern Sudan was displaced⁸, the significance of migrants now returning to South Sudan can be considered substantial; politically, symbolically, culturally and economically. This remigration may represent a vast influx of non-financial capital remittances, as returnees bring back a wide variety of knowledge and skills.

Previous studies and literature reviews in the field of human capital remittances through returneeship, emphasise that the widely diverse impacts of human capital remittances are contingent on myriad reasons and conditions of initial migration⁹.

Accordingly, it should be emphasised that returnee diaspora do not form a homogenous group. It consists of people with diversified backgrounds, education, country and history of residence. A South Sudanese returnee from Cuba educated in veterinary medicine who was initially sent there by the Sudan People's Liberation Army (SPLA) in the mid-1980s is much more likely to become under-secretary at the ministry of Animal Resources and Fisheries than a returnee from Belgium working in a factory would who was only marginally involved with the SPLA chapter in Brussels.

Based on a series of case studies so far, it can be stated that diaspora returnees to South Sudan are inclined to integrate into one or more of the following sectors: the international or local non-governmental (NGO) sector, the public sector and/or the private sector. Each has its advantages and disadvantages:



From the 18th of July 2011 onwards the Sudanese pound will be replaced with the South Sudanese pound, separating North and South Sudan economically has been and will continue to be a major challenge.

- **(I)NGO sector**

In this sector, it is a major advantage to be able to leverage connections with civil society actors in the former host country. The required adoption of NGO-speak of capacity building and community-based participatory development may also turn into a disadvantage. Actors in the local informal political networks may perceive this as pretentious and patronizing, which hinders returnees' access to these circles.

- **Public sector**

The relative job security and favourable per diem systems for a range of workshops and seminars make this sector a popular stepping stone for entrepreneurs. However, aspiring entrepreneurs often get discouraged by the institutional constraints to apply their public management skills. They perceive a lack of appreciation on basis of acquired experience and education abroad. Many of the cases documented so far have resulted in dropping out within the first six months.

- **Private sector**

Within this sector the overwhelming majority of returnees integrate into the SME segment that thrives on government contracting, the largest client, followed by the international aid industry. This however does not mean that they are all 'business owners' or that they are officially 'employed' in this sector. In-depth interviews suggest that the main challenges faced by returnees upon entering the SME sector in Southern Sudan are associated with a lack of social capital; understanding how returnees organize their informal networks to do business starts with analyzing their relationships to political figures, family, clan, tribe, etc.

Returnee entrepreneurs often criss-cross these different categories of enterprise. They negotiate complex networks that are not bound to distinctions of formal/informal and public/private. The use of the notion of 'enterprise' as a possible driver of change needs thus to be qualified.

Entrepreneurial networks and business practices

One of the major lessons learned from the fieldwork so far is that the assumption that a returnee brings back a bag full of capital (financial, capacities, education, international linkages, etc.) and magically sets up a thriving social enterprise does not hold true.

In at least a third of the cases documented so far, returnees that came back with years of savings, a university degree and a vision of how they could make money and contribute to the social development of South Sudan at the same time, found themselves broke and with no viable business less than three months later.

Perceptions of returnees as 'foreigners', the ones that 'weren't there' to fight during the struggle still preside, although not always overtly. Consequently, emphasising one's acquired capital abroad may instil a negative subtext that is disadvantageous for business. This may explain why network connections with Diaspora communities and host-communities after re-migration become remarkably weak after initial re-migration.

“As soon as we came back, everybody went for themselves. It was like the togetherness before just fell apart”

(returnee entrepreneur)

Yet as becomes apparent from a dozen or so exemplary success stories generated or referenced to by informants, investing in local social capital, through reinventing informal network connections with people in influential governance structures and symbolically performing the necessary legitimacy for being a true South Sudanese, whether it be a Bari, a Dinka, a Nuer or a Kakwa, is often crucial for generating the right network for doing business.

Once a returnee entrepreneur has become embedded in the necessary local networks that grant him/her access to resources such as contracts and political favour, his/her competencies and international networks that were acquired during the period of exile exponentially become competitive advantages. Yet in the process of gaining this local legitimacy, entrepreneurs initially shed the values and the 'vision' underpinning their original aspiration to set up business. This does not mean that these values and visions have disappeared. The research shows that once an entrepreneur successfully finds local legitimacy, values and principles underlying those practices, such as transparency, accountability and equitability, resurface and get introduced in the newly accessed local networks.

“Saying that things are not organized is bad for business. Instead, I stay under the radar. But I have seen many changes, they respect professionalism”

(returnee entrepreneur)

The social values and motives for doing business among returnee entrepreneurs are only likely to come to expression once the returnees have acquired sufficient legitimacy within the local informal governance networks.



'Chokol mafi!' businessmen sit and drink coffee as they patiently wait to capitalize on opportunities emerging in the 'new' Sudan.

It is this quality of navigating local legitimacy on one hand and leveraging international networks and acquired capital on the other that makes this group of returnee entrepreneurs so significant in the context of South Sudan's economic future.

Donor Engagement

The lack of donor engagement with this emerging phenomenon is remarkable (see box 3), considering how well it resonates with many donor and NGO aspirations to work with 'drivers of change' from the private sector. Preliminary findings distilled from a range of interviews with international donor and NGO staffs as well as local civil society actors suggest three main reasons for this:

1. a lack of organised representation among returnee entrepreneurs; associations are circumstantial and the Chamber of Commerce does not sufficiently represent this group in particular.
2. a possibly too-radical change from the traditional partners to work with, and
3. the implicit assumption that small and medium entrepreneurs are not among the most 'vulnerable' and so do not need support as critically as the most impoverished do.

"I am not a woman, I was not a child soldier and I am not a poor farmer... So there is no way for me to get support from an NGO"

(returnee entrepreneur)

Box 3: A donor blind spot?

Private Sector Development (PSD) programs in South Sudan show a large gap in covering the SME sector.

There is a high prevalence of private sector-type support for the 'most vulnerable' groups, such as microcredit schemes for women micro-entrepreneurs and loans for farmer associations. At the same time, there are also high level reform interventions, such as the IFC Private Sector Development Program that helps the GOSS with the necessary legal and fiscal reforms to create a more conducive business environment in the long run. At present there is little to no support for small and medium size entrepreneurs, nor are they represented by any formal institution or association.

Finally

Just how significant the phenomenon of returnee entrepreneurship is within the process of emerging institutional arrangements of the State is difficult to say. Some findings suggest it may be South Sudan's most undervalued natural resource, whereas others suggest they merely comprise a naïve category of business Samaritans, perceived by other South Sudanese as spoiled Westernized opportunists that are very likely to run back to their safe havens in Australia, North America or Europe if the security situation deteriorates even slightly. One thing is clear though, returnee entrepreneurs offer a welcome contrast to the pessimistic overtone concerning South Sudan's imminent statehood.

"Everything is opportunity here, from agriculture to fisheries and from hotels to construction. Even the sand we dig up from our river Nile is in high demand abroad!"

(returnee entrepreneur)

Notes

- 1 To contact the researcher and author of this brief, please write an email to rens.twijnstra@wur.nl or visit <http://fragilities.org>
- 2 This corresponds with the United Nations Policy for post-conflict employment creation, income generation and reintegration. For more information, please refer to: http://www.ilo.org/wcmsp5/groups/public/-ed_norm/-relconf/documents/meetingdocument/wcms_116195.pdf
- 3 For more information on the GOSS growth strategy, please refer to the World Bank report 'Sudan: Toward Sustainable and Broad-Based Growth' of December 2009, available at: <http://www.cmi.no/sudan/doc/?id=1275>
- 4 Sudan was listed #3 on the 2010 failed states index, see: http://www.foreignpolicy.com/articles/2010/06/21/2010_failed_states_index_interactive_map_and_rankings
- 5 For further reference on how we approach the concept of state fragility in the framework of the IS-academy on human security in fragile states, please refer to our scoping paper, available for download at <http://fragilities.org/sites/default/files/Scoping%20Paper.pdf>
- 6 For further reference, please refer to the work of Nancy Birdsall from the Center for Global Development. See: <http://www.cgdev.org/content/publications/detail/13115/>
- 7 Figures obtained from the World Bank Open Data website: <http://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS/countries/1W-SD-ZG?display=graph>
- 8 Figures obtained from the UNHCR website on Sudan: <http://www.unhcr.org/pages/49e483b76.html>
- 9 For an overview of the literature, see McCormick and Wahba (2001): http://papers.ssrn.com/sol3/papers.cfm?abstract_id=272170