



RECOMMENDATIONS

- As Sudan heads for a split, leaders in the North and South should implement inclusive oil policies, which would lead to a fairer distribution of benefits from oil development so as to weaken separatist tendencies in other parts of the country, such as the west.
- For the sake of peace, Sudanese leaders should adequately address claims for development, environmental protection, employment opportunities and other benefits by communities in oil-rich areas.
- Sudanese authorities should desist from coercive tactics that abuse the human rights of local people protesting against oil activities.
- Oil companies should avoid playing off local people against their leaders, but instead take measures that lower local grievances.

Governance of Oil Resources and the Referendum in Southern Sudan

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EXECUTIVE SUMMARY

Since gaining independence in 1956, Sudan has suffered prolonged violent conflicts and other political crises, which brought Southern Sudan to the brink of secession (at the time of writing). Sudan's experiences with the governance of oil resources, after the conclusion of the Comprehensive Peace Agreement (CPA) that formally ended the 21-year war between the Sudanese government and the Sudan People's Liberation Movement/Army (SPLM/A) in 2005, provide lessons for the future political dispensations of the North and South.

INTRODUCTION

On 27 October 2010, while attending a public event to promote the merits of retaining a united Sudan, Dr Nafie Ali Nafie, assistant to Sudanese President Omer al Bashir, reportedly shed tears.² Similarly, Pagan Amum Okiech, secretary general of the Sudan People's Liberation Movement (SPLM) and minister of peace and CPA implementation in the government of Southern Sudan (GoSS), was said to have cried during an event to select the national anthem of Southern Sudan. These public outpourings of emotions demonstrated the entrenched positions of unionists and separatists. When Southerners finally cast their votes in a referendum held 9–15 January 2010 to decide whether Sudan remained united or split into two, it became clear that the separatists had triumphed. Early results of the exercise were overwhelmingly in favour of secession.

The question that many Sudanese are asking is: why did the political crises that have dogged the country since independence led to its breakup? The response is that, after the war ended in 2005, the way in which the dominant Islamist elites in the North governed oil resource exploitation played a major part in convincing the majority of Southern Sudanese that they stand to benefit more in their own state than in a united Sudan.

Oil development in Sudan has been linked to serious injustices against, as well as determined efforts by, Southerners to resist oppression. As a result, the exploitation of oil, which Chevron discovered in 1978, was delayed for many years. The Sudan People's Liberation Army (SPLA), which had taken up arms in 1983 against the central government, thwarted Chevron's efforts to exploit the oil, forcing its withdrawal in 1992. Asian companies then moved in, established dominance over the oil industry and (in 1999) helped Sudan to export oil for the first time, in the midst of intense violence and unprecedented human rights violations of the local people in the oil areas. Nonetheless, the SPLA continued to target oil companies up until 2005, when the CPA was signed. During peacetime, oil production progressed rapidly, reaching the current level of about 480 000 barrels per day.

THE COMPREHENSIVE PEACE AGREEMENT

The CPA resolved some of the most intractable causes of political crises that had dogged relations between the North and South. It excluded the southern region from sharia (which continued to be applied in the North), settled disputes over power sharing, Southern Kordofan and Blue Nile and provided a mechanism for solving the problem of the Abyei area. Furthermore, the agreement covered security arrangements and wealth sharing and, crucially, gave Southerners the right to self-determination.

Far from being smooth, however, the implementation of the CPA has been marred by serious disagreements. Despite the formal end of fighting, security in many parts of Southern Sudan has remained precarious. Some of the most insecure locations are found in the emerging conflict zone that 'stretches east from Abyei through the oilfields of Western Upper Nile [Unity State] to Paloich and Adar, north of Malakal, and to the Ethiopian border – beyond which Chinese and Malaysian companies are exploring for oil.'³

Persistent insecurity, particularly in the oil-bearing areas, has compounded the abject poverty

in many parts of Southern Sudan. Ironically, some parts of the North, especially the capital Khartoum, have witnessed unprecedented prosperity, as the blessings of oil revenues trickle down. As a result, the uneven development of the country – a root cause of conflicts – became more entrenched, stoking frustration in the South where people feel discriminated against in all spheres, even in the distribution of resources extracted from their own land.

ACRIMONIOUS OIL-REVENUE SHARING

Although the CPA sets out a mechanism for sharing oil revenues, GoSS often complains about being cheated by the National Congress Party (NCP). According to GoSS, NCP leaders do this by claiming that some oil-rich Southern areas in the North–South border area actually lie in the North and by manipulating figures of oil production and sales so that the South's share is underreported.

Some of the most contentious disagreements concern Heglig and Abyei. The NCP claims that Heglig is located in Southern Kordofan and so the South is not entitled to a share of revenues from oil extracted from the area.⁴ By contrast, GoSS argues that Heglig is a part of Southern Sudan, and therefore the South is entitled to half of the oil revenues extracted from the area. Despite the CPA requirement for the setting up of a North–South National Border Commission to resolve border disputes, the commission has been ineffective in performing its roles.

The scramble over Abyei is even more acute. The CPA mandated setting up the Abyei Boundary Commission (ABC) to solve the dispute over the area. The ABC comprised five international experts and five representatives each from the Sudanese government and the SPLM/A. International experts prepared the ABC report, which was rejected by the NCP. The dispute was then referred to The Hague for arbitration, but the court's decision was rejected by the Misseriya, nomadic Arab tribesmen who graze their animals in the area and further south during the dry season. Consequently, the self-determination vote,

which was meant to take place on 9 January 2010, was postponed.

The control of the oil reserves situated in the North–South border areas is at the core of the Heglig and Abyei disputes. Islamist elites controlling the NCP are determined to retain control of the oil areas, despite the CPA's requirement that control must be shared with SPLM/A leaders. As a result, SPLM/A leaders feel cheated of a fair share of the revenues generated from oil wells located in the contested border areas.

Compounding the struggles over oil-rich border areas are disputes over oil figures. The SPLM/A repeatedly accuses the NCP-dominated central government institutions of underreporting the oil production and sales volumes. International organisations such as Global Witness have provided evidence of underreporting.⁵ This lack of transparency breeds mistrust.

LACK OF TRANSPARENCY AND ACCOUNTABILITY

Sudan is ranked number 172 out of 178 countries listed in Transparency International's 2010 Corruption Perceptions Index. No wonder, as a large portion of the billions of petrodollars earned by the country have not been adequately accounted for.

Disturbingly, the new leaders running the GoSS seem to be following the bad example set by Northern leaders. Allegations of corruption in the South have proliferated. For example, the 12 July 2006 issue of *The Citizen* claimed that 'every minister in GoSS has created a fake company and some have multiple companies ... with [the] aim for looting public resources through fraudulent contracts.'⁶

Unfortunately, nothing significant has been done to stamp out corruption in GOSS. The main problem appears to be the lack of political will, although high-level corruption may be tolerated so as to maintain some stability.

Nonetheless, the long-term repercussions of corruption might be far from positive. Indeed, the lack of transparency and accountability has begun to taint the image of GoSS among ordinary Southerners. Perhaps cognisant of this, GoSS

president, Salva Kiir, took some modest steps against corruption. In March 2007, he released the minister of finance, Arthur Akwen, from his job on suspicion of embezzling public funds. Prior to this, three top officials from the same ministry had also lost their jobs for improper financial conduct.

The measures were largely popular. However, SPLM/A officials who dominate GoSS hardly respect a culture of accountability, in part because of the habits they learned during the war. During the war years, ordinary people viewed the SPLM/A administration as an institution that 'provides opportunities for the personal enrichment of its senior officers and their sponsors'.⁷ No doubt, many of the SPLM/A administrators carried this vice over into the new governments in the South. Besides, some of the former rebels, now in positions of power, appear to have adopted the stance of 'it is our turn to eat' (that is, reap the benefits from the 'system').⁸

In the South, at state level, the abuse of official positions for personal enrichment looks widespread, with Unity State politicians and bureaucrats in particular appearing to enjoy free rein over the share of oil revenues. It appears that ordinary people have no, or little, information about oil money flowing into the state coffers, much less about how the funds are spent. The lack of transparency in the state compelled some members of the former assembly in Juba to accuse the Unity State governor of using the oil money as his personal royalty.⁹ The same problems also face Upper Nile State, where the previous State Assembly subjected the former finance minister, Lok Diok, to a vote of no-confidence, partly for failing to account for the state's share of oil revenues in March 2007.¹⁰ He was subsequently removed from his position by General Salva Kiir in May. Paradoxically, the misappropriation of oil money occurs when the needs in the oil-bearing areas are great and remain largely unmet.

IGNORED LOCAL INTERESTS

Some of the most marginalised people in Sudan are the inhabitants of oil areas. Although the CPA requires that the views of local communities on

development of subterranean, natural resources be considered, oil companies have expanded oil development and continued to ignore the interests of local communities in the oil areas.¹¹ Even local government authorities have neglected the interests of their own people.

As a result, some people in the oil areas have resorted to tactics, such as disruption of oil operations, which are commonly seen in places such as the Niger Delta in Nigeria. Strangely, certain Southern authorities are detaining some of the protestors so as to ensure continued flow of oil, which is a lifeline for the government.¹² About 98% of the GoSS budget is based on oil revenues.

Apparently, GoSS has privileged its interest in oil and largely ignored local concerns in the oil areas for development, and about negative repercussions of oil exploitation, such as the destruction of homes and farm lands and the pollution of the environment with dangerous chemicals. Unless GoSS changes direction, this could have serious security repercussions in future.

CONCLUSION

Sudan's experience with oil development since fighting formally ended in 2005 has been far from positive. Although it is true that oil revenues have been crucial for the economic wellbeing of the country, perpetual wrangles between leaders in the South and their counterparts in the North, over revenue sharing, transparency and accountability in management of revenues and other matters linked to oil, have fuelled grievances in the South. No wonder the Southerners voted overwhelmingly for secession in the referendum held 9–15 January 2011, having lost hope of finding fairness and justice under the present political dispensation. It is in part because of the Southerners' frustration at being continually marginalised in the distribution of oil revenues extracted from oil wells located in their own areas that Sudan is on the brink of a breakup.

One fundamental lesson to be learned from Sudan's ineffective management of its oil resources is perhaps that leaders of countries endowed with valuable resources should work hard to reconcile varying, and often conflicting, interests in those resources, so as to minimise risks of oil-rich areas turning to violence, even desperate options such as struggles for secession.

ENDNOTES

- 1 Dr Leben Nelson Moro is an assistant professor at the Center for Peace and Development Studies, University of Juba, Southern Sudan. Dr Moro is a partner in the Governance of Africa's Resources Network.
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- 4 *Africa Confidential*, 'Fighting the battle of Jericho', 46, 21, 21 October 2005.
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- 8 Chabal P & J Daloz, *Africa Works: Disorder as Political Instrument*. Oxford: James Currey; Bloomington: Indiana University Press, 1999.
- 9 Ronyo CL, 'MPs call for removal of governor', *The Juba Post*, 16 November 2007.
- 10 Athuai MD, 'South Sudan president reshuffles Upper Nile government', *Sudan Tribune*, 6 May 2007, <http://www.sudantribune.com>.
- 11 See Chapter III, Section 3.1.5 of CPA for details on consultation with local communities and Section 3.1.6 on compensation of local communities.
- 12 Interviews with local leaders in Unity State carried out in November 2010.

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