



SOUTH SUDAN

COUNTRY POLICY AND INSTITUTIONAL ENVIRONMENT

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EXECUTIVE SUMMARY

- 1. Institutions are the “working rules” of a nation-state;**
- 2. A nation-state is a constructed order designed to mediate conflict arising from scarcity;**
- 3. Institutions provide that order;**
- 4. Public policy modifies institutions in response to defective social outcomes;**
- 5. A coherent nation-state is a realm of continual institutional change;**
- 6. Defective institutions give rise to social conflict and destroyed livelihoods;**
- 7. South Sudan is not a coherent state.**

I. Becoming a State

South Sudan became an independent nation on July 9, 2011. Eight years later it is still not a coherent state. Coherent states require two essential attributes—one of which is structural in nature, the second of which concerns processes. When these two necessary conditions are absent, the economy cannot perform its necessary functions, and civil conflict is inevitable. These necessary structural and procedural parameters are *institutions*.

A. Institutions as Structural Parameters

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It is sometimes assumed that institutions are organizations—a ministry, a university, a government department. This is mistaken.

Institutions are the *working rules* of a nation. Institutions specify what:

...individuals must or must not do (duty), what they may do without interference from other individuals (privilege), what they can do with the aid of collective power (right), and what they cannot expect the collective power to do in their behalf (no right) [Bromley, 2006, p. 52].

The functions and programs of governmental organizations are defined by the institutions (the rules) that created those organizations. The Ministry of Finance carries out its specific roles and obligations in accordance with the legislation that created that Ministry. We see that institutions are the “blueprints” for organizations. If governmental organizations do not function well, the reasons for that failure can often be traced to the institutions (the blueprints) that created those organizations. Perhaps the organization was incorrectly designed by the legislature. Perhaps personnel policies—a specific class of institutions—are flawed.

<p style="text-align: center;">What are Institutions?</p> <p>Institutions are collectively determined rules by which people sharing common citizenship of a nation-state agree to carry on their daily life. Customs and traditions are the <i>informal</i> variant of institutions. The <i>formal</i> variant of institutions are the legal parameters that indicate boundaries of acceptable individual and social behavior.</p>

➤ **Organizations are defined and empowered by institutions.**

Institutions empower actions by specifying permissible behaviors. The Ministry of Finance may not issue policies (rules) concerning labor practices. Institutions define authorized versus prohibited behaviors. Institutions specify how employees must be treated, whether industrial wastes can be discharged into rivers, and the tax rate on earned income. Institutions define what is possible, and what is impermissible. A well-functioning society—and economy—is a *constructed order* whose central purpose is to minimize and mediate conflict arising from scarcity. This constellation of rules—institutions—comprises the parameters of how an economy will function.

The quality of a nation’s institutions—like the quality of an automobile engine—determines how well the state will perform these necessary functions. A focus on institutional quality concerns whether or not the structural parameters—the legal and customary working rules—of a nation give rise to behaviors that, in the aggregate, deliver sustainable livelihoods and a sense of collective well-being.

The above definition calls attention to the *collective power*. The collective power is a nation’s government—a legislative component, an executive component, and a judicial component. These three components are created and sustained for the purpose of defining which individuals have *rights, duties, privileges, and no rights*.

This determination of rights, duties, privileges, and no rights is constantly undergoing adjustment through new public policies. The dynamic aspect of institutions concerns these ongoing processes of adjustment in response to new scarcities, new information, new relative values, and new ideas concerning shared social goals.

Elections are opportunities for a *collective conversation* about desired directions in the future. Elections are not about voting. Elections are about contested reason giving. The reasons concern which new institutional arrangements now seem better than the *status quo* institutional structure.

Institutions are constantly in need of adjustment, updating, and refinement. This brings us to a second aspect of institutions—the rules for changing the rules. This continual need for monitoring, assessment, and inevitable adjustment is the essence of *governance*.

B. Institutions as Processes

New public policies entail necessary adjustments in the institutional architecture of a nation. This need for change arises in response to new conditions and imperatives. Economies are always in the process of becoming. Political communities that cannot bend will break. Reform is preferred to revolution. The process of reform concerns public policy. Policy reform is the active component of governance.

Coherent governance requires being alert to defective social outcomes—but especially livelihoods—and initiating collective action to rectify observed flaws. The economy becomes.

II. Sustaining Coherent Governance

Governance is a process of continually adjusting—*working out*—the specific nature and content of a nation’s institutions. We may regard this as a negotiated process in which different individuals and groups of individuals seek to have their specific interests protected by the granting of preferential treatment. As above, this preferential treatment entails the granting of a *right* by the political community (the state) through its government. Rights enable and empower specific behaviors. Against this newly established right will stand others who now bear a new *duty*. Duties prohibit specific behaviors. This inevitable contestation over rights and duties—redefining domains of acceptable behavior—is the essence of public policy. Because this process is always contested, we may think of public policy—institutional change—as a process of *institutional transactions*.

We now see that the three essential components of public policy are: (1) the behaviors of members of a society; (2) the institutions that define the acceptable scope of these behaviors; and (3) the prevailing beliefs that underpin (justify) that specific institutional structure. This institutional structure is best understood as a reflection of prior beliefs about desired behaviors.

Institutional Transactions

Policy is an activity carried on by legislators, judges, and administrators as they modify the legal foundations of the state. Since these changes are always contested, negotiated, and worked out with the attention of various interests in a society, it is correct to consider public policy as an example of institutional transactions.

➤ ***Today's institutions are reflections of yesterday's beliefs.***

However, today's institutions—mirrors from the past—often fail to bring about acceptable behaviors when conditions change. When citizens seek legislative or judicial relief from unwanted outcomes, they are motivated by the hope of bringing about new institutional arrangements—new laws—that will correct those flawed outcomes. If agricultural credit is not available, or too expensive, agricultural interests will seek to remedy that flawed outcome. If transportation options are defective, new institutions will be sought to correct that defect.

We see that emerging concerns with existing behaviors and outcomes cast doubt on the efficacy and suitability of prevailing institutions that are the reasons for those defective behaviors. Gradually, shared beliefs about the suitability of those institutions (and their implied behaviors) induce institutional change. In the absence of desired institutional change, these unwanted behaviors and their outcomes persist. If dissatisfaction is severe and widespread, there may arise threats to civic peace. Redesigning institutions can meliorate social discord.

➤ **Social conflict is explained by the persistence of flawed institutions.**

Notice the causal sequence here—beliefs about proper behaviors explain the existing institutional arrangements, which in turn influence and reinforce (explain) the associated behaviors, which then produce a constellation of social and economic outcomes. That is: beliefs → institutions → individual behaviors → particular social and economic outcomes.

Individual behaviors consist of the daily patterns of actions and interactions among citizens. Herding patterns, specific farming systems, conditions and hours of work in commercial firms, and rates of pay for various occupations are examples of behaviors in an economy. When aggregated, these individual behaviors constitute the performance of an economy.

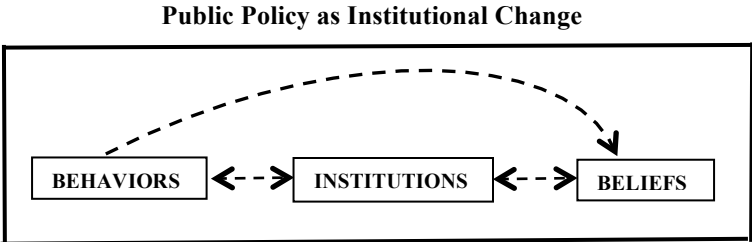
As above, institutions define and specify accepted and prohibited action for individuals. A coherent economy is predicated on an ordered constellation of working rules. This order gives rise to agreeable performance of an economy. What is often called ***corruption*** in developing countries is a category mistake. Very often, the central problem in poor economic performance is not corruption but rather an economy with inadequate—or absent—institutions. Missing or defective institutions lead to perverse individual behaviors.

➤ **Economies cannot perform well with missing or flawed institutions.**

Beliefs comprise perceptions and understandings of our everyday existence. Beliefs are of two kinds (1) *framing*; or (2) *instrumental*. **Framing beliefs** reveal how we imagine the world to be. **Instrumental beliefs** reveal a presumed causal structure that informs how we will interact with that framed world. Framing beliefs are structural, while instrumental beliefs are behavioral.

It is here that the realm of beliefs brings pressure to bear on the realm of rules—institutions. The necessary animation is some new pressure against the prevailing pattern of settled beliefs concerning what is considered good. When expectations are undermined, collective dissatisfaction threatens social peace.

This process of institutional change is shown in the following figure.



A coherent state is always “cycling through” the three realms. New beliefs—animated by the emergence of unwanted outcomes arising from specific behaviors—give rise to a quest for modified beliefs about the ideal structure of institutions. Once there is emergence of new beliefs about particular behaviors, the policy process begins. Eventually a new institutional innovation will emerge to redefine acceptable behaviors. The economy becomes by a continual process of re-creating the institutional arrangements that redefine accepted individual behaviors.

New beliefs inform and rationalize new institutions that liberate and restrain individual behaviors. Those new behaviors produce outcomes that will be judged good or bad, and those assessments will then signal to the realm of beliefs that things are now fixed—or that yet further institutional manipulation is called for. Governance is a process of institutional adjustment.

III. Assessing Policy and Institutional Coherence

Transparency International ranks South Sudan 178 out of 180 countries studied. The World Bank’s *Country Policy and Institutional Assessment* (CPIA) score for South Sudan in 2018 was 1.5 (of a possible 6.0). The average score in 2018 across the sub-Saharan African IDA (International Development Association) countries was 3.1.

Civil strife—and lack of economic progress—are encouraged by these institutional defects. The four CPIA scores related to the quality of governance in South Sudan are abysmal.

A score of 1.0 is the minimum possible (i.e. worst performance). The following table shows the CPIA scores for South Sudan in 2018.

CPIA Scores for Public Sector Management and Institutions

Budgetary and Financial Management	1.0
Revenue Mobilization	2.0
Public Administration	1.0
Transparency, Accountability, and Corruption	1.5

Source: World Bank, CPIA, 2018, South Sudan

The evidence is clear that South Sudan suffers from institutional incoherence. Civil peace and economic progress are impossible unless these defects are rectified.

IV. Implications

The Institutional Readiness Assessment (IRA) is concerned with four specific economic realms: (1) the delivery of public services; (2) job creation; (3) food security and agriculture; and (4) private sector development. Policy Briefs #s 2, 3, 4, and 5 will address the institutional priorities in each of these areas.

The IRA for each substantive area will utilize the above conceptual framework to derive specific recommendations for strengthening institutions. That strengthening represents the necessary conditions for the creation of a coherent state in South Sudan.