



South Sudan: *The Institutional Environment For Service Delivery*

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EXECUTIVE SUMMARY

- 1. The purpose of states is to provide a suite of public services for their citizens;**
- 2. The provision of public services represents the citizenship exchange;**
- 3. The absence of public services produces enduring frustration and civil conflict;**
- 4. Governance is a relational contract between citizens and their government;**
- 5. Relational contracts are realized by the tax bargain;**
- 6. Citizens agree to be taxed in exchange for reliable access to public services;**
- 7. The tax bargain forces governments to pay attention to the interests of citizens;**
- 8. Fiscal leveraging will launch the tax bargain.**

I. The Purpose of a State

States have evolved as extensions of historic collections of families and clans. The central purpose of states is to offer a constellation of services that individuals, living in isolation and autarky, are unable to provide for themselves. The survival of the idea of states resides in the obvious economies of scale in the provision of essential services. These services consist of two broad classes: (1) a constellation of necessary goods and services that facilitate sustainable livelihoods; and (2) as in Policy Brief #1, the necessary institutional architecture that enables individuals to go about their life reasonably secure in their social and economic circumstances.

The absence of a coherent state in South Sudan is apparent by the lack of essential government services across the full geographic extent of the nation. This absence of essential government services is the reason for—it explains—the persistence of civil conflict.

➤ **South Sudan is a notional state.**

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When individuals cannot obtain desired goods and services from their government, they are forced to organize such services themselves, or to go without. In the extreme, they become predatory on other individuals within the nation. Here lies the root of enduring civil conflict, and such conflict further undermines state creation.

Civil conflict works against state creation in two ways. First, enduring civil conflict destroys shared ideas associated with belonging to a viable functioning political entity. Civil conflict destroys lives and livelihoods. Civil conflict also destroys perceptions of who is friend and who is foe.

Second, civil conflict generates patterns of individual behavior in which physical force becomes the accepted means of achieving certain outcomes. More seriously, when conflict finally ends, those who have devoted their lives to that conflict have a set of expectations about improved livelihoods now that peace has emerged. Then, when daily life remains problematic, frustration emerges and if not addressed, serious political problems may soon appear.

The absence of civil conflict does not always translate into a pacified and satisfied populace. Once peace arrives, wise and alert governments pay attention to the rather mundane concerns of households. Failure to do so is dangerous.

➤ **The citizens of South Sudan lack the normal public services of a functioning state.**

South Sudan cannot become a coherent state until it becomes a functional political and economic entity. The provision of a set of public services is a necessary condition for this conversion to occur. This commitment to the provision of particular services to the citizens of South Sudan is the essence of governance. The reality of governance is that individuals expect particular services from their government. In return, meaningful governments respond to the desires of the governed. This reciprocity can be thought of as the *citizenship exchange*.

State building is a process of creating governance across the geographic space of a nation. Specifically, state building requires the construction and maintenance of a transportation and communication infrastructure, the provision of certain public services (schools, electricity, water and sanitation, the national defense, domestic security), and a legal structure that acknowledges and enforces various property regimes, contracts, and judicial protections.

South Sudan lacks most of these—the country is at the extreme end of governance failure. Upon gaining independence, many African nations inherited a tradition of minimal concern for the interests of individuals scattered across the geographic extent of the new nation. This condition of indifference and neglect is particularly evident in South Sudan. Millions of individuals are not the acknowledged subjects of the governments of such notional states. They are merely there—hidden behind the *mask of citizenship*.

II. Removing the Mask

One of the residues of enduring civil conflict is that villages, towns, and regional trading centers gradually become transformed into small isolated self-sufficient entities—autarkies. As these isolated collections of individuals adjust to their new condition of economic irrelevance, behaviors change. Outlooks become constricted and so interaction with other similar units of governance—especially the distant capital city—whither.

Many such places become unwilling food supply depots for the war effort. As a result, local residents can easily come to see themselves as victims of a war that is being fought on their behalf. One of the more severe effects is that boys and young men from such places are gradually absorbed into the conflict. When peace arrives, few return home—either from loss in combat or purposeful relocation to the larger towns and cities encountered in their military service. Local villages suffer a profound loss of human capital. Economic recovery is imperiled.

The Mask of Citizenship

In notional states such as South Sudan, individuals scattered across the geographic extent of the country have no legitimate claim on the services of the government. They pay nothing to the government and the government is free to ignore them as it sees fit. There is no citizenship exchange.

It is necessary to understand that the provision of local public goods and services by governments is only one part of state building. Obviously, individuals scattered across the distant territory of South Sudan will benefit from improved water and sanitation services, all-weather roads, health clinics, and improved schools. Such services are important indications that the national government cares about their livelihoods and well-being.

However, a more important aspect of this presence of the government is the creation of an on-going *relational contract* between scattered citizens and their government. Such goods and services are reminders that distant villagers indeed belong to something beyond the village or local town. Seeing that the government considers their well-being to be important then encourages them to understand that they have a stake in the success of the government. Mutuality emerges.

➤ **The promise of mutuality helps to remove the mask of citizenship.**

Villagers are very astute in one particular aspect of daily life. They understand that gifts from the distant central government are never free—something is expected in return. Most often that expected “something” is political loyalty.

However, there is a more durable way to turn the gift of a suite of public service into a meaningful exchange. *Villagers could agree to tax themselves so as to turn a gift relationship*

into an actual transaction. Indeed, mobilizing to generate funds as part of this new citizenship exchange with the central government can also be a source of community building at the village level. Gradually the mask of citizenship is being removed. The central government cares about remote villagers, and those villagers will gradually begin to care about the central government—not as a patron, but as a partner. This is the *tax bargain*.

➤ **The tax bargain is a *relational contract* between individuals and governments.**

The tax bargain provides a strong incentive for politicians and citizens to resolve their differences through negotiation. On the contrary, when governments derive their necessary revenues from exports such as oil and natural gas there is little need to engage citizens in the business of governance. And when citizens figure out that they are not important to the government, problems soon arise.

The tax bargain is an essential aspect of governance and hence of development. The core idea behind the tax bargain is that the government and its citizens necessarily engage in continual transactions over the provision of specific services. It is also clear that there is negotiation over how those services will be financed. As in Policy Brief #1, these negotiations constitute *institutional transactions*.

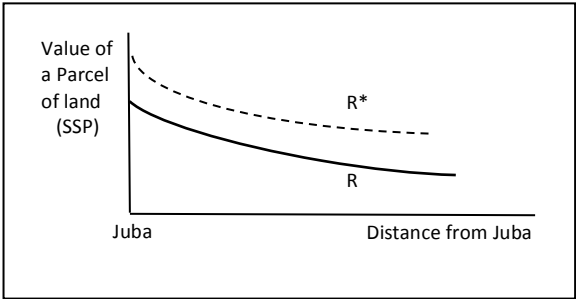
The state—in its commitments to provide goods and services such as improved roads, electricity, education, general communications networks, a judicial system, police and security, and the necessary institutional architecture of a coherent state—requires financial resources. And the citizens of South Sudan require a suite of services that only the central government can provide. Similarly, the government must be concerned that the citizens of South Sudan are satisfied with the provision of goods and services. Lacking this measure of successful performance, the required tax proceeds will fall short of what is required.

With taxation falling on individuals in the form of annual assessments against income and/or wealth, there is a mutuality of interests. Improving economic conditions bring benefits to individuals and households, and those improving conditions then yield greater revenue to the government. These reciprocal incentives induce both parties to the tax bargain—the government and citizens—to support policies and specific institutions that will encourage growth.

A second incentive property of the tax bargain is that when the provision of goods and services is supported from general tax revenues—as opposed to import or export taxes—there is constant pressure on the government to improve the efficacy with which it delivers those goods and services. If the citizens are paying taxes directly tied to the expected delivery of a bundle of goods and services, they are likely to be more demanding of government to make sure that it is acting in accord with those expectations.

Third, this aspect also serves to draw citizens more directly into the broader political arena to make them more involved across a wide range of issues. We see that the tax bargain is really part of the broader citizenship exchange. In other words, making citizens “pay” brings them more directly into the broader arena of governance and political attentiveness. The degree of government accountability will increase.

While taxation may seem counterintuitive in a poor country such as South Sudan, it is easy to show that there is an *effective demand* for improved governance. Consider the following figure.



This figure is a stylized depiction of the economic value of a parcel of land in South Sudan as one moves away from the capital city of Juba. The value of a parcel of land is a reflection of the current or future uses of that parcel. Land values in capital cities are higher than land values in rural settings—this is a function of transport costs across distances. The value gradient R in the Figure depicts the present situation in South Sudan with its defective institutional architecture.

There are few government services, the legal environment is in doubt, transportation services are poor and insecure, and communication is difficult. In notional states such as South Sudan, the economy is stifled and degraded by high transaction costs. These are: (1) the costs of gaining information about promising economic opportunities; (2) the costs of arranging to engage in those opportunities; and (3) the costs of monitoring and enforcing those arrangements.

If that defective institutional architecture is improved this would be reflected in the new land value gradient R^* . This gradient reflects a constellation of institutions—legal parameters—in which there are safe and reliable transportation services, there are effective and reliable communication systems, supportive legal services are available, credit is accessible and affordable, and most markets work with reasonable efficacy. In practical terms, these new institutional arrangements—and public services—enhance the economic value of all activities throughout the nation.

The difference between the two value gradients is an indication of the foregone economic value driven by the present situation of defective or missing public services and associated institutions. This difference—this foregone economic value—is a measure of the *willingness to pay* of individuals for enhanced institutions and public services.

This lost economic value is the best possible argument in favor of the tax bargain. Individuals in South Sudan have an effective demand for some level of taxation based on the potential income gains that would be realized if those tax revenues were dedicated to improving the country’s public services and institutional architecture. These two value gradients show possible economic gains that would be possible if there were coherent governance.

The obvious question is how to induce individuals to submit to taxation in exchange for improved governance—both institutions and a suite of public services. The answer is found in *fiscal leveraging* through community development foundations.

III. Getting Started

In notional states, service delivery must be initiated by citizens through local Community Development Foundations whose purpose is to induce a reluctant and often-ineffective government to do what it supposed to do—“to deliver the goods.” These local entities are called *foundations* because they must operate in the manner of a foundation rather than a mere lobbying organization.²

When the leaders of a local community realize the need for specific public services, they would first establish such a foundation. The next step would be to create a Foundation Board consisting of 8-10 local individuals—one-half of whom **must** be women. This Board would be the governing body of the foundation.

<p>The Community Development Foundation</p> <p>The purpose of community development foundations is to leverage financial resources at the village level. These financial resources then become instrumental in bringing specific public services to villages throughout the country. Villages will then be able to engage in contractual relations with the central government for the provision of desired public service.</p>
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The foundation would then create a *taxing district* as a legal body with the capacity to levy a small fee (tax) against every household in the community with the purpose of bringing specific public services to the locality. Every household in the village would be required to contribute to the foundation. This mechanism for revenue mobilization would then become the instigator of negotiations between the foundation and the central government.

One area of negotiation would be the cost-sharing protocols. The resulting contract would then serve as the terms of engagement for the planned delivery of a particular public service. Included in that contract would be a provision for cost-sharing of expected maintenance.

IV. Expectations and Behavior

² This is modeled after the successful Aga Khan Rural Support Programme in northern Pakistan

Traditional discussion and analysis of public service provision in developing countries invariably focuses on the failure of governments. Poverty also figures prominently among reasons why scattered villagers could not possibly expect improved water and sanitation, health clinics, improved schools—to name a few common missing services. These deficiencies are usually made up by donors or NGOs. Usually these alternative means of provision arrive as gifts.

This culture of gift giving is corrosive of the creation and nurturing of agency among villagers. Often such practices reinforce the inability—unwillingness—of central governments to develop programs to provide such public services. We have, in other words, a vicious circle. As long as central governments are ignored and by-passed in this essential activity, they will not become partners with scattered villagers in the delivery and maintenance of public services.

The collaborative model recommended here can be understood as a central component of behavioral innovation. While increased access to essential public services is important, the primary purpose of this approach is to transform how central governments engage the citizenry—and how scattered villages interact with the central government. The Community Development Foundation is a central part of removing the *mask of citizenship*.