Blind spots: domestic entrepreneurship and private sector development in South Sudan

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Introduction[1]

This chapter examines how international donor organisations aim to provide various types of support for domestic productive entrepreneurs in fragile and post-conflict states and explores the underlying assumptions and institutional factors that this support is based on. Donors have increasingly propagated the importance of the private sector for post-conflict reconstruction since the turn of the 21st century, and one of the key themes in development cooperation has been the idea to promote domestic entrepreneurship in fragile states. This interest is concerned with entrepreneurs beyond the micro-enterprise that is traditionally targeted by micro-finance institutions. Although ill-defined in most policies, entrepreneurial development concerns small or medium-size enterprises (SMEs) and defines them as follows: 'enterprises with 5-19 employees as small and those with 20-99 as medium, [alongside] classifications such as ownership, degree of formality/informality and technological sophistication' (Biggs, 2002; cited in DCED, 2013).

Recognising the risks involved in fragile settings in supporting entrepreneurs who may be entangled in politics or in 'corrupt' practices, donors claim that interventions have become more pragmatic and permissive when it comes to empowering domestic 'drivers of economic change'. This chapter examines how such donor support works in practice in a case study of interventions to strengthen entrepreneurship in South Sudan by the Dutch government. The Netherlands have made entrepreneurship a cornerstone of their development policy, including development in fragile and conflict-affected states, which thus provides good case study material for examining this new trend in post-conflict development interventions. Specifically, the chapter focuses on the private sector investment 'plus' (PSI-plus) grant for international firms that want to establish innovative joint ventures in fragile or conflict-affected areas.[2] A major issue with this facility in South Sudan was that in practice it was very dismissive of the domestic entrepreneurial segment and therefore support for South Sudanese entrepreneurs hardly materialised. The chapter aims to explore what this experience tells us about the donor's policy, attitudes and dilemmas with regard to private sector development.

South Sudan, the world's youngest state, is often used as a textbook example of a fragile and (post) conflict state. Nevertheless, during the recent period between the comprehensive peace agreement (CPA) signed between North and South in 2005 up to the recent internal conflict that reignited in December 2013, South Sudan was actually viewed as an attractive investment opportunity.[3] Yet in the context of doing business in South Sudan, fragility translates into unpredictability, as demonstrated by the government's unilateral decision in 2012 to shut down all oil production or by the recent relapse into violent internal conflict. Successful entrepreneurs must be prepared to embrace a high-risk/high-return trade-off. As this chapter will show, the ways in which business regulations are enforced, informal institutional arrangements penetrate the formal regulatory regimes, and access to economic opportunity is negotiated through local power configurations, all contribute to determining the context for successful domestic business.

Methodology

The chapter focuses on the role of donor organisations in shaping the modalities of real economic governance in South Sudan, meaning the way donor organisations actually engage/intervene in the everyday regulatory practices of economic activity. Real governance in this sense is a countervailing notion of ideal (or 'good') governance (Olivier De Sardan 2008), which refers more to how donor organisations ought to engage/intervene according to their own policy models. Our empirical and grounded method of studying the everyday practices of aid originates in the emerging body of literature and practice referred to as 'aidnography' (Apthorpe 2005; Gould and Marcussen 2004; Hilhorst 2007; Hilhorst and Jansen 2010; Mosse 2005; Mosse 2011) that utilises an ethnographic approach to understanding how aid workers and policymakers, through their everyday practices, make sense of their role within complicated 'intervention arenas'.

The chapter is based on qualitative data collected from domestic and international entrepreneurs regarding their views, attitudes and expectations of donor support (from the outside looking in), and qualitative data collected from actors along the 'intervention chain', ranging from policymakers to intervention advisors, consultants and embassy staff (from the inside looking out). The data here presented were collected in South Sudan (Juba and Nimule), Uganda (Kampala) and in The Hague between early 2010 and late 2013.

Semi-structured interviews were conducted with 36 national and expatriate donor and INGO policymakers in Juba, with Dutch private sector representatives that attended the Netherlands African Business Council (NABC) trade mission in October 2011, and with applicants from the PSI-plus projects (further explained below). In addition, data were used from 30 other interviews with South Sudanese entrepreneurs who attended events related to the trade mission or the PSI-plus projects.

Donor Discourse

Policy discourse among predominantly Western donor organisations with regard to international development always gravitates between the triangle of the state, civil society and the private sector as entry points for intervention. The last 10-15 years have emphasised the private sector as a more prominent actor for delivering development (Knorringa 2010, 7).

In addition, over the past decade or so, donor organisations have started focussing their efforts increasingly on issues pertaining to 'fragile' states. This convergence between Private Sector Development (PSD) and engagement in fragile states began in mid-2000s, epitomised by, among others, the United Nations policy for post-conflict employment creation, income generation and reintegration (International Labour Office 2009) and a range of other policies aimed at strengthening financial institutions, legal reform and business regulations designed to promote foreign direct investment, market linkages and value chains in fragile and conflict-affected states.[4] More recently, as noted by the Donor Committee for Enterprise Development, ’Fragile states and partners have signed a ”New Deal for Engagement in Fragile States”, which highlights the creation of economic foundations through employment and livelihoods as one of five peace- and state-building goals. A healthy private sector is crucial for this, if jobs and incomes are to out-last donor-funded, short-term emergency programmes.’[5]

Donor vocabulary of the 2000s portrays failed and fragile states as countries that do not have the effective and efficient systems in place to govern market forces and domestic political processes. ‘Government’ in these countries is seen as dysfunctional and ‘lack[ing] political will and/or capacity to provide the basic functions needed for poverty reduction, development and to safeguard the security and human rights of their populations’ (OECD 2007). We identify two prominent trends in intervention in fragile states: institutional reform and service delivery by non-state actors. In both cases the intervention objective is to ’build capacities’ which is largely operationalised as a technical exercise (OECD 2008a).

With regard to institutional reform, fragile states policy calls for a strong regulatory role for international actors at the level of governance, that is, pertaining to the structures and institutional arrangements (or ‘rules of the game’) that organise a polity (Chandler 2012). In the domain of economic governance and private sector development (PSD), donor engagement focuses primarily on helping recipient governments to build their institutional capacity for the enforcement of contracts and property rights, the rule of law, regulatory frameworks for investment, taxation, and private sector regulation, etc. (Datzberger and Denison 2013; Peschka 2011; Vries and Specker 2009).

A second entry point for intervention in the domain of PSD, which has become increasingly popular in recent years, calls for the offer of direct support to actors in the domestic private sector, mostly small- and medium-sized business owners or ‘entrepreneurs’. This falls more within the second trend of intervention through non-state actors. Taking as point of departure the notion that the state lacks the capacity to deliver basic services to its citizens, donor organisations have adopted the pragmatic approach of employing non-state actors to (temporarily) take over the roles of the state (OECD 2008b). By ‘building’ the capacities of church organisations to administer schools, of local health and nutrition NGOs to run primary health care centres, or of business cooperatives to manage the distribution of clean water, the modalities of international engagement permeate far beyond the domain of the state (Bold, Collier, and Zeitlin 2009). Donor organisations set an agenda to which international NGOs – and increasingly international firms (Davis 2013; International Alert 2010; OECD 2011; Peschka 2011) – align their strategies and priorities in order to access funding. INGOs and international firms then identify these non-state actors as local partners and 'build their capacity' to provide services that would otherwise be in the state's domain.

Yet due to the rather technical and governance-driven rationale that these interventions hinge on, any degree of political involvement is seen as conflict-insensitive or corrupt. The problem is, as this chapter will illustrate, that this approach excludes the vast majority of small and medium enterprises (SMEs) in South Sudan since their existence is contingent on their proximity to the socio-political power dynamics in the country's political marketplace.[6]

Domestic Entrepreneurs as 'Drivers of Change'

The nexus of PSD and working with non-state actors in fragile states gradually evolved since the turn of the century. More recently, we note a growing attention in fragile states to working with and through domestic firms above the level of the survivalist micro-enterprise. The entrepreneur is increasingly promoted as the 'driver of economic change'. 'Social entrepreneurship' has become a buzz phrase of choice, characterising entrepreneurs as innovators in need of 'patient capital'.[7] This shift, we argue, is underpinned by a range of assumptions about what it means to be an entrepreneur in a fragile state, and the role that entrepreneurs play vis-à-vis the process of state building. In much of the neo-liberal and neo-institutionalist discourse that frames the policies advocating a more prominent role for entrepreneurs in fragile states, economic regulation by the state is ideally limited to enforcing contracts and minimising transaction costs to stimulate free market efficiency. This idealised notion of deregulation and withdrawal of the state from the supervision of markets reflects the process that has been going on in the developed parts of the world since the 1980s. This narrative tends to advocate incentivising and giving the small and medium size business owners (the 'entrepreneurs') free reign to innovate, and maximise their profits as the *avant garde* of the private sector.

In fragile states policy, the focus on entrepreneurship as a possible driver of developmental change is in accord with the language of 'working with the grain' that donors have adopted (Srivastava and Larizza 2012; Vernon and Baksh 2010). This vocabulary, which draws heavily on the political settlements literature, utilises a more flexible approach to informal political arrangements and clientelism, arguing that some informal configurations may in fact enhance pro-poor growth in the longer run (Kelsall 2012; Booth and Golooba-Mutebi 2012; Khan 2005). With regard to entrepreneurship, the literature attributes great importance to both the technological capabilities of domestic entrepreneurs as well as their political 'holding power' with the ruling elites (Khan 2010). From an interventionist rationale, some of the policy literature suggests that domestic entrepreneurs may be considered suitable actors to deploy in an 'economic counter-insurgency strategy' against corruption and nepotistic practices. This role ascribed to domestic entrepreneurs can be found in recent World Bank publications with regard to PSD in fragile states, which the following quote demonstrates:

> ‘As they [trust and social cohesion] are rebuilt, relationships and networks can provide small and medium [enterprises] actors in a value chain a basis for collective action against predation and rent-seeking, as well as greater government responsiveness and accountability. In fragile contexts, there is still a role for governments, but it is a facilitating rather than a leading role’ (Dudwick et al. 2013, 3–4).

Domestic entrepreneurship is thus becoming an increasingly important theme in international donor policy discourse as an idealised type of countervailing power against corruption and institutional dysfunctionality in fragile societies. The following section focusses on one intervention that was researched as a case study for this chapter in South Sudan: the Netherlands Private Sector Investment Plus (PSI-plus) facility for fragile states. The PSI-plus facility is a very practical example through which the confrontation between policy and practice in promoting entrepreneurship can be better understood.

The Dutch case of combining Trade and Aid in Fragile States

Early 2013, the Minister of Foreign Trade and Development Cooperation, Lilianne Ploumen, announced a new Dutch policy entitled, ‘What the world deserves: a new agenda for aid, trade and investment’. The policy has three overarching objectives: eradicating extreme poverty, promoting sustainable and inclusive growth, and helping Dutch businesses invest and become more successful abroad. The government prioritizes three types of bilateral relations – trade relations, transition relations and aid relations – with a smaller number of focus countries than before. Fragile and conflict-affected states no longer feature exclusively in the aid relations category, but also in the trade relations category. For example, Iraq and Nigeria, ranked 11 and 16 respectively on the 2013 Failed States Index, are trade relation focal countries under the new policy.

Despite the prevailing notion that this new policy is a complete reversal of the traditional Official Development Aid (ODA) approach predicated on bilateral budget support for recipient countries, there are a number of concrete interventions that directly stimulate investment by international firms in developing (and fragile) regions that were operational long before this new policy. From 2009 to 2015[8], the Netherlands Government provided a private sector investment (PSI) grant for international firms that wanted to establish an innovative joint venture in a country labelled as an official ‘development partner country’ by the Dutch government. As an offshoot of the regular PSI subsidy for Dutch and non-Dutch firms wanting to invest in stable developing countries, the ‘PSI-plus’ facility can cover up to 60% (not exceeding € 1.5 million) of a firm’s required start-up capital in a fragile or conflict-affected area, as well as the security and insurance expenses involved in doing business in a fragile environment. The criteria include the need for an innovative proposal in terms of the type of product or service, production method or the way in which the service is provided, the feasibility to grow and attract follow-up investments, and the need to work with a private local partner company or ‘neutral person’ from the country itself (although the local firm (or person) cannot submit the application). It is important to note that the PSI -plus programme is a policy instrument devised by the former Dutch Ministry of Development Cooperation and is explicitly intended to stimulate ‘local economic development and local entrepreneurship’[9]. An evaluation of the PSI-plus facility in 2010 emphasised that an average project created 81 direct local jobs and 1300 indirect local jobs with local producers and suppliers (Triodos Facet 2010), thus also placing employment creation at the core of its (policy) objectives.

The idea behind the PSI-plus facility is to help kick-start the development of productive economic niches in fragile and conflict-affected environments[10]. In order to do so, a foreign (Dutch or non-Dutch) firm with the right expertise and capital is subsidised to design a conflict-sensitive proposal in collaboration with a domestic firm, in accordance with a range of international regulations and best-practices such as OECD guidelines for multinational enterprises[11], the ILO Declaration of Fundamental Principles and Rights at Work[12] and a Corporate Social Responsibility risk check[13]. Composing a PSI proposal is complicated and applicant firms generally outsource this process to a financial consulting service. Considering the stringent application requirements, and the awarding body’s ‘zero tolerance stance on corruption’, how can the feasibility of this type of intervention be assessed in the context of South Sudan? The following section provides a brief overview of the context.

South Sudan: the world’s youngest state beholden to business

A peace agreement was reached in 2005 between the Sudan People’s Liberation Army/Movement (SPLA/M) insurgency movement and the Government of Sudan. This started a six-year interim period leading to the South’s independence. During this period, the domestic private sector predominantly comprised traders emerging from the informal sector to work as contractors for the government or the international aid organisations, supplying anything from generators to prefabricated containers, and from bottled water to diesel fuel, all of which had to be imported from Uganda and Kenya (Schomerus and Titeca 2012; Twijnstra, Hilhorst, and Titeca 2014). Domestic construction firms were established that tendered for lucrative government-funded infrastructure contracts, or built prefabricated hotels and restaurants in the capital city of Juba, all with a very short time horizon, high return on investment, and an appalling lack of regulation (Twijnstra 2014).

In late January 2012, the government decided to shut down oil-production during a series of protracted negotiations about oil-transfer tariffs with Sudan. This changed the economic outlook drastically and a number of reforms were pushed through geared to optimising non-oil revenues and stimulating rapid diversification within the private sector (Twijnstra and Titeca 2014). By 2013, oil production resumed, but in the same year, political instability within the ruling SPLM party and within South Sudan’s armed forces again led to a relapse into violent conflict. The ensuing civil war and its devastating effects on the young country’s economy have been a major deterrent to international investment and the international community's interventionist rationale has shifted to being almost exclusively humanitarian and relief aid-based.

Rich with natural resources, Southern Sudan has historically been subject to foreign economic interests and exploitation, often at the expense of the Southern Sudanese themselves. Extensive petroleum exploration in the Southern region started in the 1970s, but virtually none of the oil rents benefitted this region until the signing of the CPA in 2005. The CPA changed this dynamic significantly when the South started receiving 50% of Southern Sudan's oil revenues, totalling approximately $10 billion between 2005 and 2011 (Patey 2010, 626). It was at this time that a cadre of well-connected South Sudanese businessmen with close ties to the political leadership started capitalising on the power they held within the patrimonial political marketplace to gain access to lucrative government procurement tenders. Many of these companies had no experience operating in the formal economy, lacked capital, equipment and in quite a few cases even literacy. Yet seemingly overnight, this selected group of trade arbiters became South Sudan's tender tycoons, accumulating large sums of US dollars amidst incoherent formal accountability structures (Twijnstra 2015).

Up to early 2012, a strong domestic currency coupled with a tendency to focus on (very) short-term returns on investments inhibited economic diversification. This changed when oil revenues virtually came to a standstill in January 2012. The ensuing economic austerity, compounded by the relapse into a violent protracted civil conflict that started in December 2013, resulted in dwindling levels of FDI, increased capital flight, and a rapidly devaluing domestic currency[14].

What has not changed however, is that patterns of rent distribution and access to opportunity in South Sudan are determined by securing loyalty through allocating material benefits to contending power centres, a strategy commonly referred to as President Kiir's 'Big Tent Philosophy' (Garang 2013). This strategy is predicated on incorporating many of the ruling coalition's former or potential adversaries into its military ranks and civil administration in order to preserve a fragile stability - all paid for with oil rents and foreign debt. Thus, a domestic entrepreneur's ability to operate a business in South Sudan is to a large degree determined by his or her ability to leverage proximity to – and 'holding power' within – the elite networks that span the public/private divide (Twijnstra 2015).

The PSI-plus facility in practice in South Sudan

During the period of primary data collection in South(ern) Sudan between 2010 and 2013, four PSI-plus projects were documented in Juba. Of these four projects, one was no longer operational and the other three were yet to commence at the end of the research period. We asked the entrepreneurs how the PSI-plus subsidy had affected their plans to expand/establish their business in South Sudan.

The first PSI-plus subsidy was awarded for the establishment of modern offset printing services in 2009. The applicant, a Dubai-based entrepreneur with business relations all over Africa, submitted the proposal together with a South Sudanese partner firm run by a Lebanese business associate he had worked with since 2006. The proposal concerned the upgrade of a printing press, and included training of local staff and upgrading the equipment. By the end of 2013 the project was yet to receive the first instalment of the awarded grant, which the firm's ownership largely attributed to the subsidy's stringent bureaucratic requirements that were ill-attuned to the constantly changing domestic market dynamics.

The second PSI-plus subsidy was awarded for the establishment of an abattoir and butchery, also in 2009. The project was submitted by a partnership between a UK-based engineering firm and a South Sudanese registered Dutch/Australian-owned firm than ran a deli/supermarket in Juba. The proposal envisioned Juba's first abattoir. The project was discontinued in 2011 when, after numerous attempts, the partnership was unable to secure a lease for the land it required.

The third PSI-plus grant was awarded for the establishment of a multi-brand vehicle services workshop in 2010. This proposal was submitted by a Dutch firm together with a South Sudanese partner firm. After the proposal was accepted in mid-2010, the project faced challenges of acquiring the desired plot of land in Juba. By early 2015, this issue was yet to be resolved and the project was still 'on hold'[15].

The last was awarded for the establishment of a solar-powered 'smart' electricity service in 2012, a joint venture between a Netherlands-based firm with experience in Ethiopia and a South Sudanese registered Ethiopian-owned firm. This project struggled with difficult working relationships with the local government authorities and was discontinued when the conflict started in December 2013.

Considering the limited success of applications so far, the Netherlands Embassy wanted to encourage more Dutch companies to invest in South Sudan. A popular way to stimulate this interest and entice businesses to apply for a PSI-plus grant is through business missions. In October 2011, the Netherlands Embassy in collaboration with the Netherlands-African Business Council (NABC) – a body representing the business interests of Dutch firms in Africa – organised a trade mission in which 23 Dutch medium-to-large size firms and a number of Dutch government officials came to Juba for three days to explore the South Sudanese business environment. One of the NABC organisers noted that there were different expectations from the start, 'Embassies invite the NABC and the firms to visit these volatile places and expect long-term investments that will lead to stability and job creation, but most of the firms are initially just looking for an export market for their products and services'[16].

In subsequent interviews with nine representatives from the attending firms, it was re-affirmed that most delegates attended the mission out of curiosity about potential export opportunities rather than with a genuine interest to invest. It was stated in interviews that the country was 'not yet ready', that the risks were too high, and that it was difficult to assess opportunities, 'How are we supposed to separate the wheat from the chaff without support?'[17] The companies were highly focused on possible support from the Netherlands Embassy and they spent more time talking about the conditions of the policy, than seeking prospective domestic business partners or performing market analyses. The Embassy's policy rhetoric created a mind-set among Dutch entrepreneurs that was focussed on securing Embassy support, more than seeking out suitable domestic business partners.

The attending South Sudanese firms noted that little or no follow-up contacts were made after the delegation had left South Sudan. One successful South Sudanese entrepreneur noted that, 'If you want to invest in a stable country, you should not come here. There are opportunities here and the risks are manageable, you can see how the Chinese, Indian and Lebanese are doing [it], not through their Embassies. . . I do not understand why they do not just come to us',[18] he added.

Interviews with PSI applicants, domestic partner firms and operational advisors from the Netherlands Enterprise Agency[19] (RVO in Dutch) revealed a number of challenges and bottlenecks at the operational level of the PSI-plus subsidy in South Sudan, including the inflexible and lengthy funding procedure. These challenges show that, in practice, the PSI subsidy is not fit for a rapidly changing market environment. Complications also arose in the follow-up procedures when the bureaucratic requirements to release the funds in a number of narrowly-defined fixed steps did not resonate with the unpredictable and fast-changing market dynamics on the ground. As the owner of one of the domestic partner firms noted, '[...] what you say in your proposal is what you get the funding for, to the letter, if the funding goes to anything else you risk losing the whole grant, or worse, being sued'.[20] RVO advisors confirmed that the checks within the procedures to release funds were rigid in order to build in disincentives for fraud. In fact, if anything changes in the proposal, the whole procedure has to start again from the beginning[21]. In all four cases, it became apparent that the practical realities of doing business in South Sudan require much more flexible modalities for the designated funds. This is not compatible, however, with the accountability requirements and the highly formalised funding procedures applied by the RVO.

What we see, then, in the experience of the PSI programme, is that a donor like the Netherlands, who is convinced of the merits of entrepreneurship and on paper accepts that this may require a different way of working, is not capable in practice of doing so, despite the fact that there are many South Sudanese firms that could be eligible and would benefit greatly from the support.

In the following section we elaborate the hypothesis that, although domestic entrepreneurs are a logical entry-point for stimulating PSD from the donor-driven neoliberal perspective about the relationship between business and the state, the realities on the ground and the effective role of successful domestic entrepreneurs in South Sudan are incompatible with the operational rationales that currently guide intervention practice.

'Drivers of Change' or 'Missing Middle'?

The tendency to disregard southern Sudanese entrepreneurs in PSD activities is broader than the PSI-plus example. With the exception of a few projects that received loans/grants from the World Bank (all of which are no longer operational), the first author only knew one documented case (Abu Jakuma, see next section) receiving support from a donor organisation, embassy, international financial institution or NGO that was still operational out of more than 100 entrepreneurs interviewed in total[22] across South Sudan between 2010 and 2013.

The reason for the lack of support is not that donors do not know where to find entrepreneurs. More than half of the domestic entrepreneurs that were interviewed for this study had been contracted at least once as a supplier by a national or international NGO, an embassy or a UN organisation. This means that a substantial number of South Sudanese entrepreneurs are quite well known by the operational management of the international organisations. Expatriate logisticians (colloquially referred to as 'loggies') working in the international aid sector in South Sudan exchange contacts of reliable local suppliers and invite them to submit a bid in their tendering procedures. No exact figures could be obtained, but it is common knowledge that after government, the international aid sector is South Sudan's second largest client for the domestic private sector[23]. However, when inquiring why international agencies in South Sudan have so few projects or programmes that target domestic entrepreneurship, the most common argument is that domestic entrepreneurship is simply non-existent or so weak that its entrepreneurial capacity needs to be 'built' through collaboration with a new generation of development practitioners and the international small and medium 'social' business community. Despite the fact that interviewees dealt with many small and medium enterprises in their daily work, many of them adhered to the 'missing middle' narrative. The notion of the 'missing middle' was developed to refer to weak economies, in particular in Africa, as having 'high number[s] of very small enterprises and a few large firms, many of them foreign or state-owned'(Birdsall, 2007; Moore & Schmitz, 2008, p.41). This concept of the 'missing middle' surfaced in a dozen interviews conducted with policymakers at embassies and international organisations in Juba. We thus noted a kind of institutional cognitive dissonance[24]: donor organisations contract South Sudanese entrepreneurs on a regular basis as suppliers whilst simultaneously claiming that the small to medium-sized business sector is largely absent or incapable.

Entrepreneurs are increasingly seen as an important agent of 'developmental' change. Recognising that entrepreneurs with technological potential and significant holding power with the ruling elite can drive growth and innovation (Khan 2010), the 'drivers of change' interventionist logic dictates that entrepreneurs can be employed to forge good economic governance. According to this logic, the entrepreneurs that international aid organisations contract to supply them with fuel, food and furniture might just as well qualify as a target group for support. If an entrepreneur has demonstrated business acumen by carrying out a contract successfully and he/she is sufficiently embedded in the informal socio-political marketplace, that entrepreneur would be a suitable beneficiary according to the 'drivers of change' logic. In practice however, this pragmatic logic does not guide intervention practice as cases above have shown.

Disempowering the 'local' partner

It is often said that more than four decades of civil war have deprived South Sudan of all of its endogenous entrepreneurial potential. Yet to state that South Sudan has 'lost generations' of youths that ought to have spawned this entrepreneurial potential is not entirely accurate. As war raged on across the South between the 1980's and early 2000's, many South Sudanese youth fled the violence and found their way to Egypt and from there to the UK, the Netherlands, Australia, Canada, the US, and other industrialised parts of the world. The gradual return of this group to South Sudan during the interim period between 2005 and 2011 marked an unprecedented influx of entrepreneurial spirit with transnational potential, especially among those who managed to keep close ties to the SPLM leadership during their time abroad. Many returnees had high expectations, some too high, and the reluctance and distrust among incumbents to grant returnees access to the socio-political power networks that underpinned the public and private sectors in South Sudan did not make their return any easier[25]. Today, some of South Sudan's most diversified, productive and fastest-growing firms since independence continue to be run by returnees, one of which features in the following case study.

Abu Jakuma[26] lived and worked in the Netherlands for 16 years before returning to Southern Sudan in 2004, just before the signing of the comprehensive peace agreement (CPA). The first few years were difficult, he noted; his home community had expected him to return with an abundance of wealth accumulated in the West when in fact the most affluent South Sudanese were those with political connections that were profiting from the oil-wealth-sharing protocols of the CPA. After several attempted projects that all ended in failure, Abu became increasingly disillusioned. This changed when he met an old friend with whom he established a two-man company and became involved in trade arbitrage, supplying food to the forthcoming country's largest institution, the SPLA. Drawing increasingly on his new business partner's ties within the ruling SPLM/A elite, and simultaneously on his own international connections and business acumen, they together re-invested their profits and rapidly managed to expand their operations into other sectors such as river transport, regional logistics, commercial agriculture, aviation, etc. Although business ties with Uganda, Kenya, Egypt and Dubai flourished, Abu and his partner's only interaction with the torrent of international aid organisations and embassies that had sprawled across Juba since the peace agreement in 2005 was an occasional contract to supply them with fuel or equipment.

Contrasting Abu's trajectory with more than 40 other individual cases of returnee entrepreneurship documented during the research period between 2010 and 2013, Abu's case is remarkable but not exceptional. At the time of writing, many domestic entrepreneurs who came back from the diaspora before independence in 2011 were still active in South Sudan despite the economic hardship caused by the civil war that re-ignited in December 2013. This phenomenon, however, was largely disputed by the policymakers interviewed for this study who asserted that South Sudan's entrepreneurial potential was lacking and needed to be 'built up from scratch'[27]. Abu, who at the time of writing continued to be a well-respected medium-sized business owner in Juba, noted that 'We are simply not on their radar; we're not the government and we're not in need of 'help' in the humanitarian sense.'

This changed when in 2011 Abu was introduced by the first author of this chapter to one of the Dutch Embassy staff who told Abu about the Netherlands programme of PSI-plus and other activities geared to supporting private sector linkages between the Netherlands and South Sudan. Abu made use of the embassy's matchmaking facility[28] to meet potential Dutch partner firms in the Netherlands, and he was introduced by the Embassy to another programme through which a retired Dutch senior corporate manager visited South Sudan for a prolonged period of time, providing technical and managerial assistance[29] to the firm as they expanded into local industrial production. Even though the December 2013 crisis dealt a very hard blow to Abu's company, their diversified portfolio allowed them to keep their operation going, albeit on a smaller scale. It was specifically their contracts and subcontracts with the logistics offices of several large-scale humanitarian and development aid organizations that ensured Abu was able to maintain his business.

In 2014, Abu's company applied for a PSI-plus grant together with a Netherlands-based firm run by the same technical expert that had helped them under the technical assistance programme mentioned above to open a steel production workshop in Juba. This time, however, as opposed to all of the other PSI-plus examples listed above, the driving force behind the application was Abu's domestic firm, not the foreign firm. As the application process proceeded, the Netherlands-based firm's involvement became more and more marginalised and eventually withdrew from the application[30]. Based on these events, Abu and his partner decided to terminate the joint venture agreement with the Dutch firm, but continued his efforts to apply for PSI-plus funding. In his appeal to the RVO, he demonstrated that their firm in fact fulfilled all the requirements, including the requirements for the foreign partner of the application. However, the RVO was unwavering and was unable to make an exception. As a result, the PSI application was terminated, not because Abu's company would not have been able to manage the grant, but simply because they were a South Sudanese company and the rules of the grant dictated that they could only play the role of the 'local partner'. This example clearly shows that the institutional arrangements of the PSI-plus facility take for granted that domestic firms cannot be given a central role, even when they meet all the requirements. The South Sudanese company is therefore totally sidelined.

When comparing SME support to supporting micro-enterprises, donors assume that micro-enterprises are part of the informal economy. The informality of the micro-enterprise is seen by donors as politically neutral terrain outside the domain of the state, or as 'the default position of any entrepreneur when there is no government to regulate his business' (Clingendael Conflict Research Unit 2009, 2.12). In contrast, elite politics or any degree of informality above that of the survivalist micro-entrepreneur are seen as dysfunctional or corrupt. 'Going with the grain' is promoted on paper, but met with reluctance in practice. The PSI-plus procedure for example was extremely stringent in order to avoid any chance of 'fraud'. One of the advisors of this programme candidly stated when discussing the case of a middle-range entrepreneur, who could be seen as a 'driver of change':

> 'What this entrepreneur is now doing is exactly what we want to support. But as you describe, these are outcomes of a very messy process in which corruption, nepotism, and informality play a big role. It would simply not be possible for us to support that process and be accountable for it in any way.'[31]

This stands in sharp contrast with the flexibility required by the uncertainty that is an intrinsic trait of the domestic market dynamics in South Sudan. In a similar fashion, any domestic or international firm that wishes to qualify for support needs to adhere to several 'conflict sensitivity' requirements that are part of the formal assessment criteria. 'Conflict sensitivity' requires the recipient of donor support to 'avoid negative impacts and maximise positive impacts on the (conflict) context and the intervention.' (Maria Lange 2004, 11). As such, in order to minimise the 'negative impacts' of an intervention, engagement with any of the socio-political dynamics that underpin the conflict are highly scrutinised and discouraged. This affects the potential of domestic entrepreneurs in the eyes of donors, because as briefly illustrated in the South Sudan context section of this chapter, the small and medium-sized enterprise segment in South Sudan is a nexus between public and private interests where patronage networks mediate access to contracts, oil money, property, etc. (Twijnstra 2015).

Rather than viewing the entrepreneur's involvement with dominant power networks as an asset, our interviewees in practice tended to frame this as a lack of capacity. Traditionally, donor organisations work through their development partners, the international NGOs, to 'build' the capacity of local non-state actors. We could now see a similar discourse on capacity building of domestic SMEs, except that donor organisations are looking at international firms instead of INGOs to adopt the role of 'capacity builders'.

The Netherlands policy, then, finds itself in a dilemma of its own making: the policy that is meant to support entrepreneurs, could benefit companies that arouse suspicion because of their – inevitable – practices of wheeling and dealing with the government and other powerful actors. The way out of this dilemma is maintaining the story that South Sudanese companies lack capacity and thus need to be guided by international partners.

Conclusion: Conflicting Theories of Change

This chapter has identified a dissonance between two institutional logics that compete in the planning of support interventions for South Sudanese entrepreneurs: a logic that promotes drivers of change, including entrepreneurs, and wants to 'go with the grain' yet is contradicted by a logic that views the informalities of economic life beyond the survivalist micro-enterprise as dysfunctional and corrupt.

As has been shown, one of the intervention logics that is becoming increasingly dominant in policy rhetoric is the pragmatic neoliberal view of harnessing entrepreneurship as a driver of economic development. Regarding the Netherlands engagement in South Sudan, the recent shift in Dutch development policy towards gainfully combining 'trade and aid' with an enhanced focus on fragile states (see: Ministry of Foreign Affairs of the Netherlands 2013) and on stimulating the Dutch private sector to expand into new regions, is likely to reinforce the application of this pragmatic 'enlightened self-interest' logic into intervention practice. This end requires a more permissive attitude towards the means required, which corresponds with the somewhat ambiguous notion of 'working with the grain', which aims to build interventions based on a tolerant attitude towards 'local' ways of organising economic life and governance processes.

In practice however, our interviews revealed that the operative rationale of engaging with entrepreneurs in fragile states tends to disregard the way entrepreneurship is entangled with domestic political processes, which are intricately connected with business above the survivalist micro-level in fragile states. Judging by the fact that domestic entrepreneurship above the survivalist micro-level is largely absent from the scope of interventions by international actors in South Sudan, one could argue that perhaps the recent policies inspired by 'drivers of change' are not implementable, a proposition that would be confirmed by the majority of international staff interviewed for this study. However, as David Mosse reminds us, good policy does not necessarily need to be implementable (Mosse 2004). Policy first and foremost serves to generate 'mobilising metaphors' that legitimise and mobilise political support within the donor country's domestic political landscape and *between* donors in the international community (*ibid*, 663). In the context of shifting development policies among many of the traditional Western donors towards combining aid and trade and leveraging the private sector to deliver development, the mobilising metaphor of the entrepreneur as the driver of change and champion of development has certainly gained ground.

A lot of recent development policy that hails entrepreneurs as champions of development (of which the new Dutch policy is a prime example) proves not to be implementable in fragile contexts, at least not according to the strictly a-political operative rationales that donors apply. Donor organisations reconcile this by framing an important aspect of economic life as 'missing' or incapable. This 'lack of capacity', however, is related more to their position in the informal elite patronage networks than to their capabilities.

Our interviews revealed that there is a demand for support among domestic private sector actors. The case of Abu Jakuma's business and his potential role in diversifying South Sudan's local production sector and generating employment, even in the face of conflict and economic austerity, is remarkable. There are dozens of other ventures like this that would benefit greatly from technical support, matchmaking facilities and kick-start grants to open up new market segments. Hypothetically, this growing cadre of capable South Sudanese entrepreneurs with a similar profile to Abu Jakuma, could benefit from the international organisations' surge in interest for stimulating domestic entrepreneurship. However, as long as the operative rationales that guide intervention practice remain predicated on being dismissive of any degree of informality above the survivalist micro-level entrepreneurship, any substantial engagement with local 'drivers of change' will continue to be precluded. Considering how the international donor community's engagement in South Sudan has shifted even farther away from 'working with the grain' since civil war re-ignited in late 2013, the only type of support that this category of entrepreneurs is likely to receive for the near future is the occasional contract to supply goods and/or services to implementing humanitarian partners.

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[2] At the time of writing, this programme was no longer operational. According to the Netherlands Ministry of Foreign Affairs website "The Ministry of Foreign Affairs has decided to permanently end the Private Sector Investment Programme (PSI) as of 2015." See: http://english.rvo.nl/subsidies-programmes/psi
[3] The IMF's April 2013 World Economic Outlook ranked South Sudan's economy with the world's second highest projected compound annual growth rate of almost 20% between 2013 and 2017. See: http://www.imf.org/external/pubs/ft/weo/2013/01/ .
[4] See also the chapter by Anette Hoffmann in this volume
[5] See: http://www.enterprise-development.org/implementing-psd/psd-in-fragile-and-conflict-affected/
[6] A term coined by Alex de Waal used to describe "[t]he delicate balance among multiple rival power centres with corresponding 'intermediate' elites that both buy and sell loyalty in the marketplace" (De Waal 2009, 103)
[7] 'Patient capital has all the discipline of venture capital - demanding a return, and therefore rigor in how it is deployed - but expecting a return that is more in the 5 to 10 percent range, rather than the 35 percent that venture capitalists look for, and with a longer payback period' (Friedman 2007)
[8] The PSI programme was terminated in 2015. The financing possibilities though this facility has been subsumed by the 'Dutch Good Growth Fund'.
[9] See: See: 'Knapen: PSI bedoeld voor lokale ontwikkeling', Rijksoverheid nieuwsbericht, 24-01-2012 (http://www.rijksoverheid.nl/nieuws/2012/01/24/knapen-psi-bedoeld-voor-lokale-ontwikkeling.html)
[10] Based on policy documents and interactive research conducted at the Department of Sustainable Economic Development (DDE) within the Dutch Ministry of Foreign Affairs in the Netherlands between June and September 2010.
[11] http://www.oecd.org/daf/inv/mne/
[12] http://www.ilo.org/declaration/lang--en/index.htm
[13] http://www.mvorisicochecker.nl/en
[14] Based on ongoing qualitative research about South Sudan's economic governance modalities in 2015 and 2016
[15] Confirmed by the Netherlands Enterprise Agency representative responsible for the South Sudan portfolio
[16] Interview conducted in The Hague, May 2011
[17] *Ibid*
[18] Interview conducted in Juba, December 2012
[19] Formerly known as the Dutch Agency for International Business Cooperation (EVD)
[20] Interview conducted in Juba, October 2012
[21] Noted by all applicants, although the RVO advisor for South Sudan claimed this was not necessarily the case with regard to the aftermath of the December 2013 crisis (phone interview conducted on January 30th 2014)
[22] Including interviews conducted with traders/business owners in Juba County, Magwi County, Aweil East and North Counties, Malakal County, Bor County and Wau County.
[23] Overwhelmingly confirmed by local entrepreneurs interviewed between 2010 and 2013
[24] From the psychological condition of excessive mental stress and discomfort experienced by an individual who holds two or more contradictory beliefs, ideas, or values at the same time. (Festinger 1957)
[25] For a more detailed overview and analysis of these dynamics, please refer to Twijnstra 2014
[26] This is a fictional name; the respondent's real identity has been anonymised in line with the privacy policy as described in the ethics section of the doctoral thesis of which this article is a part. For more information, please visit http://www.wageningenur.nl/en/Expertise-Services/Chair-groups/Social-Sciences/Humanitarian-Aid-and-Reconstruction/Research-1/IS-Academy-Human-Security-in-Fragile-States.htm
[27] This exact phrase was cited by at least eight different policymakers and development experts in South Sudan interviewed for this study.
[28] See: http://english.rvo.nl/subsidies-programmes/matchmaking-facility-mmf
[29] See: http://www.pum.nl/
[30] Since this application process was still under review at the time of writing, key respondents requested that no further details be disclosed.

[31] Quote from the RVO advisor responsible for PSI+ applications in South Sudan during an IS-Academy meeting at the Netherlands Ministry of Foreign Affairs in The Hague on the 11th of April 2010.