



Economic Diversification for Sustainable Employment Creation In South Sudan

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Abstract

South Sudan's economic dependence on oil leaves it highly vulnerable to external price shocks and undermines prospects for sustainable, inclusive growth. This paper argues that economic diversification and the expansion of non-oil revenue streams—such as agriculture, fisheries, effective taxation, and support for small industries—are critical for long-term stability and employment creation. Through analysis of South Sudan's context and lessons from post-conflict countries like Rwanda, Ethiopia, and Angola, the paper identifies key barriers to diversification, including insecurity, weak infrastructure, limited human capital, and inefficient revenue administration. It then outlines strategic approaches, emphasizing investment in productive sectors, tax reform, human capital development, and inclusive policies. The findings provide practical guidance for policymakers seeking to reduce oil dependency, broaden the economic base, and promote resilient, equitable development in South Sudan.

Keywords: South Sudan; Economic diversification; Non-oil revenue; Employment creation; Post-conflict recovery; Agriculture; SMEs; Infrastructure; Domestic resource mobilization; Fiscal policy; Sustainable development; Inclusive growth; Policy reform; Governance; Africa

Introduction

Background

South Sudan, the world's youngest country, continues to face formidable economic and social challenges in the wake of its independence in 2011. Years of conflict, displacement, and underinvestment have severely undermined the development of critical infrastructure, human capital, and state institutions. The country's economy remains dominated by oil production, which accounts for over 90% of government revenue and a significant portion of GDP [1]. This singular economic reliance has made South Sudan highly susceptible to external shocks, particularly fluctuations in global oil prices and interruptions in production caused by internal instability [2]. The focus on oil has also contributed to the neglect of other potentially productive sectors such as agriculture, fisheries, and manufacturing. High levels of unemployment, especially among the youth demographic, have fueled poverty and social unrest across the country. Without concerted efforts to broaden the economic base and create new

revenue streams, South Sudan risks prolonging a cycle of fragility and dependence. Thus, a strategic shift toward economic diversification and non-oil revenue generation is not just desirable but essential for the nation's long-term prospects.

The need for diversification

Diversification is a proven strategy for building economic resilience, especially in countries recovering from conflict and facing commodity dependency. South Sudan can no longer afford to rely exclusively on oil exports to finance government expenditures and development programs. The volatility of the oil market, along with the risk of production disruptions due to conflict, underscores the urgency of finding alternative sources of income and employment [3]. The experiences of countries like Rwanda, Ethiopia, and Angola highlight the importance of proactive government policies and investments that nurture new sectors and foster domestic resource mobilization. The expansion of non-oil revenue streams—such as through improved taxation, the development of agriculture, fisheries, and small and medium enterprises—will not only stabilize the national budget but also

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create sustainable jobs and reduce poverty. International development partners and financial institutions have emphasized the need for South Sudan to strengthen its fiscal framework, invest in human capital, and promote private sector growth [4]. By learning from other post-conflict economies, South Sudan can chart a pathway toward inclusive growth and lasting stability.

Rationale for Economic Diversification

Reducing vulnerability to shocks

Economic diversification is vital for reducing the country's exposure to global oil price fluctuations and the associated fiscal risks. Overreliance on a single commodity, as Angola's experience vividly demonstrates, can have disastrous consequences when prices fall or production is disrupted. Angola's severe recession in the wake of falling oil prices prompted the government to reorient its development strategy, prioritizing agriculture, manufacturing, and the expansion of the non-oil tax base [5]. This approach helped cushion the economy against external shocks and provided a more stable platform for future growth. South Sudan can emulate such strategies by investing in sectors that produce steady and predictable sources of non-oil revenue, such as agriculture and domestic taxation. Diversification also allows for a more balanced and sustainable fiscal policy, enabling the government to plan and invest in public services without depending on the unpredictable oil market. Over time, a more resilient economic structure will help South Sudan weather external shocks, reduce fiscal deficits, and ensure more reliable funding for poverty reduction initiatives.

Expanding employment opportunities

A diversified economy is better positioned to create employment opportunities across different skill levels and regions. Agriculture, agro-processing, and services, for instance, tend to be more labor-intensive and can absorb large numbers of workers, especially in rural areas. Ethiopia's development of industrial parks and light manufacturing has been instrumental in generating employment for young people and women, thereby reducing poverty and promoting social stability [6]. Similarly, the expansion of fisheries, livestock, and tourism can create new jobs and stimulate local economies. In South Sudan, where unemployment is pervasive and youth make up a significant portion of the population, the development of non-oil sectors is essential for sustainable job creation. By supporting entrepreneurship and the growth of small and medium enterprises (SMEs), the government can foster innovation and broaden the tax base, further increasing non-oil revenue. Such efforts will also help alleviate the social tensions and unrest that are often exacerbated by limited economic opportunities.

Fostering inclusive growth

Economic diversification paves the way for more inclusive development by distributing growth benefits across different regions and social groups. In Rwanda, the post-genocide recovery strategy focused on inclusive economic policies, such as investing in agriculture, education, and ICT, resulting in millions of people being lifted out of poverty and significant progress in national unity [7]. Diversification helps reduce regional disparities and empowers marginalized populations, including women, youth, and minority groups. For South Sudan, inclusive growth is especially important given its history of conflict and ethnic divisions. By promoting economic sectors that benefit a broad cross-section of society, the government can foster social cohesion and strengthen the foundations for lasting peace. Inclusive policies also ensure that women and youth are not left behind in the development process, increasing overall productivity and social harmony [8].

Key Sectors for Diversification and Non-Oil Revenue

Agriculture and Agro-processing

Agriculture remains the backbone of most African economies and holds significant promise for South Sudan. With extensive arable land, favorable climate, and abundant water resources, the country has the potential to become a regional agricultural powerhouse. Strategic investments in modern farming techniques, irrigation, and extension services can greatly increase productivity, food security, and rural incomes [9]. The development of agro-processing industries—such as milling, food packaging, and biofuels—can add value and open new export markets. Beyond food production, agriculture is a critical source of non-oil revenue through export earnings and rural taxation. Rwanda's Crop Intensification Program and similar initiatives in Ethiopia demonstrate how targeted support for agriculture not only improves livelihoods but also expands the government's fiscal capacity [10,11]. By formalizing and taxing the agricultural value chain, South Sudan can generate much-needed resources for public investment.

Fisheries and livestock

South Sudan's rivers, lakes, and grazing lands present major opportunities for the expansion of fisheries and livestock sectors. Investments in fishery cooperatives, cold storage facilities, and veterinary services can boost output and open new domestic and international markets. Ethiopia's support for fishery and livestock export zones has contributed to rural development and provided new streams of income for the state. Moreover, these sectors can be important sources of non-oil revenue through licensing, export duties, and market taxes. Formalizing fish markets and livestock trading systems, as seen in some East African countries, increases

tax compliance and strengthens the government's revenue base. These approaches also help regulate resource use and promote sustainable practices, ensuring long-term benefits for future generations.

Small and medium enterprises (SMEs)

The development of SMEs is central to economic diversification and job creation. SMEs drive innovation, foster entrepreneurship, and are often more adaptable to changing economic circumstances than larger firms. In Rwanda, targeted policies have supported SME growth through access to finance, training, and simplified regulations, resulting in a vibrant private sector. SMEs also feed into larger value chains in manufacturing, services, and trade, amplifying their impact on the economy. For South Sudan, supporting SMEs can broaden the tax base and provide government with a consistent stream of non-oil revenue from business licenses, fees, and value-added tax. Encouraging the formalization of informal businesses, simplifying registration procedures, and offering incentives can help bring more enterprises into the tax net. This, in turn, provides the resources needed for essential public services and development programs.

Infrastructure and services

Robust infrastructure is a prerequisite for successful economic diversification and non-oil revenue mobilization. Efficient transport networks, reliable power supply, and access to communication technologies enable producers to reach markets, reduce costs, and increase productivity. Angola's post-war investments in roads, ports, and electricity networks played a key role in revitalizing the private sector and supporting new industries. Infrastructure improvements also create new streams of non-oil revenue through fees, tolls, and taxes on utilities and ICT services. Expanding digital and financial services, for example, can increase transaction tax revenues and facilitate better tax compliance among businesses and individuals. For South Sudan, prioritizing infrastructure development is both an economic and fiscal imperative.

Domestic resource mobilization and tax reform

A sustainable economy depends on the government's ability to generate revenue from domestic sources. Strengthening tax administration, broadening the tax base, and improving compliance are crucial for reducing reliance on oil royalties. Rwanda's experience with tax reform and public awareness campaigns shows that even in low-income countries, significant gains in non-oil revenue are possible with the right policies. South Sudan should invest in modernizing its tax collection systems, formalizing the informal sector, and introducing progressive tax policies that encourage compliance while protecting vulnerable groups.

Enhanced domestic resource mobilization will enable the government to fund essential public services, infrastructure, and social programs without being overly dependent on external aid or volatile oil income.

Challenges to Diversification and Non-Oil Revenue

Insecurity and political instability

Ongoing insecurity and political instability remain the greatest obstacles to economic diversification and non-oil revenue generation in South Sudan. Persistent conflict discourages both domestic and foreign investment, hampers business operations, and undermines efforts to expand tax collection. Instability also disrupts agricultural production, trade, and the functioning of institutions, making it difficult to implement long-term development plans. Addressing security concerns requires a comprehensive approach, combining peace agreements, reconciliation, and robust governance reforms. As seen in Rwanda's post-conflict recovery, a stable and peaceful environment is a prerequisite for successful economic reforms and diversification. Without peace, even the most promising non-oil sectors cannot thrive or contribute significantly to public revenue.

Infrastructure deficits

Limited and deteriorating infrastructure is a major constraint on economic diversification and revenue mobilization in South Sudan. Poor roads, unreliable electricity, and inadequate transport networks hinder the movement of goods, restrict market access, and increase transaction costs. These challenges make it difficult for businesses—especially in rural areas—to operate efficiently or scale up their activities. Moreover, infrastructure deficits impede the government's ability to collect taxes and enforce regulations, as many economic activities remain informal or outside the reach of authorities. Investments in roads, energy, water, and ICT are therefore essential not just for economic growth but also for expanding the government's ability to generate non-oil revenue. Lessons from Angola and Ethiopia highlight the transformative impact of prioritizing infrastructure in post-conflict economic recovery.

Human capital limitations

South Sudan's limited human capital is another significant barrier to both diversification and non-oil revenue growth. Widespread illiteracy, inadequate education, and a lack of vocational training undermine productivity and limit the pool of skilled labor available for emerging sectors. These challenges also make it difficult to formalize businesses and broaden the tax base, as many entrepreneurs lack the knowledge or support needed to comply with regulations. Investing in education and skills training is

therefore crucial for building a workforce capable of driving growth in agriculture, industry, and services. Enhanced human capital will also facilitate better compliance with tax laws and the adoption of modern business practices, further strengthening domestic resource mobilization.

Weak revenue administration

An efficient and transparent revenue administration is fundamental for sustainable non-oil revenue growth. South Sudan currently faces significant challenges in this area, including inefficient tax collection systems, corruption, and a large informal economy. These weaknesses result in low tax compliance, revenue leakage, and limited fiscal space for development spending. Addressing these issues requires capacity-building in tax administration, the adoption of digital technologies for revenue collection, and the establishment of clear, predictable regulations. Efforts to formalize the informal sector and incentivize compliance—such as through public awareness campaigns and simplified tax procedures—can yield significant dividends. Experiences from Rwanda and Ethiopia show that with persistent reform, even post-conflict countries can achieve substantial improvements in revenue mobilization.

Strategic Recommendations

Strengthening peace and stability

The foundation for any successful economic diversification strategy in South Sudan must be a stable and peaceful environment. Implementing peace agreements, promoting reconciliation, and building trust among different communities are essential steps toward creating the security needed for business and investment. Peace also allows for the effective functioning of government institutions responsible for tax collection and economic regulation. In addition, the government should invest in inclusive governance and anti-corruption measures to promote transparency and accountability. These reforms will instill greater confidence in the public sector, improve revenue collection, and attract investors to non-oil sectors. Rwanda's experience demonstrates how a strong commitment to peace and good governance can create the conditions necessary for economic transformation.

Investing in infrastructure

Accelerating the development of infrastructure is a top priority for enabling diversification and expanding non-oil revenue. Investments in roads, electricity, water supply, and ICT will reduce transaction costs, connect producers to markets, and facilitate the growth of new industries. Improved infrastructure also makes it easier for the government to monitor and tax economic activity, thereby boosting domestic revenue. South Sudan should prioritize

projects that have the greatest multiplier effect on the economy, such as rural feeder roads, market centers, and digital connectivity. Partnerships with development agencies, the private sector, and regional organizations can provide technical and financial support for these initiatives. As demonstrated in Angola, targeted infrastructure investments can lay the groundwork for sustainable growth and fiscal stability.

Enhancing human capital

Education and skills development are essential for preparing South Sudan's workforce for the demands of a diversified economy. Expanding access to basic education, vocational training, and agricultural extension services will enhance productivity and facilitate the growth of new sectors. An educated workforce is also more likely to formalize businesses and comply with tax regulations, contributing to broader non-oil revenue collection. Special attention should be given to programs that empower women and youth, ensuring that these groups have equal access to education, training, and employment opportunities. In Ethiopia, targeted investments in technical and vocational education have improved workforce readiness and supported the country's industrialization agenda. Similar efforts in South Sudan will yield benefits for both economic growth and social inclusion.

Fostering a conducive business environment

A supportive business environment is critical for attracting investment, fostering entrepreneurship, and expanding the tax base. South Sudan should simplify business registration procedures, improve access to credit, protect property rights, and reduce bureaucratic barriers for SMEs and other non-oil enterprises. These measures will encourage the formalization of businesses and increase compliance with tax laws. Rwanda's dramatic improvements in the World Bank's Doing Business rankings illustrate the impact of such reforms. By prioritizing regulatory clarity, digitizing government services, and offering targeted incentives, South Sudan can create a thriving private sector and substantial new sources of non-oil revenue.

Strengthening domestic resource mobilization

Building effective domestic resource mobilization systems is fundamental for sustainable non-oil revenue growth. This includes reforming tax administration, broadening the tax base, formalizing the informal sector, and implementing progressive tax policies that ensure fairness and compliance. Investments in digital tax collection systems, taxpayer education, and enforcement capacity can significantly improve revenue outcomes. South Sudan can learn from Rwanda's efforts to increase tax compliance through public awareness campaigns, taxpayer identification systems, and improved service delivery. By strengthening its fiscal framework,

the government will be better positioned to fund public investments and respond to future economic shocks.

Promoting inclusive policies

Inclusive policies that empower women, youth, and marginalized groups are essential for maximizing the benefits of diversification and non-oil revenue generation. South Sudan should integrate gender equity and social inclusion into all aspects of economic planning, ensuring broad participation in the formal economy. This approach not only enhances productivity but also strengthens social cohesion and national unity. Programs that target vulnerable populations with access to finance, training, and market opportunities will help reduce poverty and foster a more equitable distribution of growth benefits. Inclusive policies also support the expansion of the tax base, making public revenue generation more robust and sustainable.

Conclusion

Lessons from other countries

The experiences of Rwanda, Ethiopia, and Angola provide valuable lessons for South Sudan's journey toward economic diversification and non-oil revenue generation. These countries have shown that, even in the aftermath of conflict, targeted reforms and strategic investments can transform economies, create jobs, and improve fiscal sustainability. Commitment to peace, strong governance, and inclusive policies are key drivers of success. As South Sudan implements its own reforms, it should continue to learn from international best practices, adapt strategies to local realities, and engage all stakeholders in the process. Sustained international support and regional cooperation will also be important for overcoming the country's unique challenges and achieving long-term prosperity.

The way forward for South Sudan

By focusing on diversification, non-oil revenue expansion, and inclusive growth, South Sudan can break free from the cycle of fragility and dependence on oil. The development of agriculture, SMEs, and infrastructure—supported by robust domestic resource mobilization and sound governance—will lay the foundation for a stronger, more resilient future. Visionary leadership, institutional capacity-building, and active stakeholder engagement will be critical to the journey ahead. The road to economic transformation will not be easy, but the potential rewards—a stable, prosperous, and united nation—make the effort both necessary and achievable. With a comprehensive strategy and steadfast commitment, South Sudan can secure a brighter future for all its people.

Disclaimer

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