South Sudan Economic Update

Socioeconomic impacts of COVID-19

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Macroeconomics, Trade and Investment Global Practice
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TABLE OF CONTENTS

ABBREVIATIONS

ACLED	Armed Conflict Location and Event Data	MSSMEB	Multi-Sectoral Minimum Expenditure Basket
AY	Annual Year	NGO	Non-Governmental Organization
BMS	Business Monitoring Survey	NBS	National Bureau of Statistics
CE	Central Equatoria	NRA	National Revenue Authority
CERC	Contingency Emergency Response Component	OCHA	Office for Coordination of Humanitarian Affairs
CFSAM	Crop and Food Security Assessment Mission	OPEC	Organization of the Petroleum Exporting Countries
CLIMIS	Crop & Livestock Market Information System	OSBP	One Stop Border Post
DPOC	Dar Petroleum Operating Company	PEHSP	Provision of Essential Health Services Project
DRC	Democratic Republic of Congo	PFMRS	Public Finance Management Reform Strategy
EMDE	Emerging Market and Developing Economies	POC	Protection of Civilians
FAO	Food and Agriculture Organization of the United Nations	PPP	Purchasing Power Parity
FDI	Foreign Direct Investment	R-ARCSS	Revitalized Agreement on the Resolution of Conflict in South Sudan
FEWSNET	Famine Early Warning System Network	RCF	Rapid Credit Facility
GBV	Gender-Based Violence	RTGoNU	Revitalized Transitional Government of National Unity
GDP	Gross Domestic Product	SPLM	Sudan People's Liberation Movement
GIEWS	Global Information and Early Warning System	SPLM-IO	Sudan People's Liberation Movement in Opposition
GPAA	Greater Pibor Administrative Area	SPOC	Sudd Petroleum Operating Company
GPOC	Greater Pioneer Operating Company	SSA	Sub Saharan Africa
HMS	Household Monitoring Survey	SSD	South Sudan
IBES	Integrated Business Enterprise Survey	SSP	South Sudanese Pound
IDA	International Development Association	TFA	Transitional Financial Arrangement
IDP	Internally Displaced Person	UN DESA	United Nations Department of Economic and Social Affairs
IMF	International Monetary Fund	UNHCR	United Nations High Commissioner for Refugees
INGO	International Non-Governmental Organization	VAT	Value Added Tax
IOM	International Organization for Migration	WASH	Water, Sanitation and Hygiene
IPC	Integrated Food Security Phase Classification	WEO	World Economic Outlook
LIC	Low Income Country	FY	Fiscal Year

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The World Bank team welcomes feedback on the South Sudan Economic Update. Please send comments to Joseph Mawejje (jmawejje@worldbank.org), Freeha Fatima (ffatima@worldbank.org), Jan von der Goltz (jvondergoltz@worldbankgroup.org), and Arden Finn (afinn1@worldbank.org) .

KEY MESSAGES

The economy had recorded a strong growth pickup before the COVID-19 pandemic, with real GDP growth estimated at 9.3% in FY2019/20 but a contraction of -3.4% is projected in FY2020/21. Oil production was estimated at 62.1 million barrels in FY2019/20, representing a 26.5% increase from 49.1 million barrels realized in FY2018/19. However, oil production is expected to decline to 58.4 million barrels in FY20/21, as COVID-19 restrictions impacted movement of machinery and OPEC+ production cuts affected production. With COVID-19 restrictions delaying new investment, activity in the oil sector is not expected to improve until FY2022/23 when oil production is projected to rise to 60.2 million barrels. At the same time, the country has experienced concurrent shocks with floods, locust infestation, and higher subnational conflict intensity contributing to a dire economic outlook. Consequently, the economy is projected to contract by -3.4% in FY2020/21, driven by subdued economic activity in both oil and non-oil sectors. Beyond FY2020/21, recovery is predicated on the assumption of a rebound in the global economy (that will support higher oil prices, investment, and remittances), commitment to a credible reform process, sustainability of peace, and resilience to climatic shocks.

The oil sector continues to dominate, but recent price drops and delayed investment highlight the need to diversify sources of growth and revenue. South Sudan has the third largest proven crude oil reserves in Sub Saharan Africa with a reported 3.5 billion barrels. While current oil production is still about half of what it used to be before the conflict, the sector is estimated to account for more than one-third of GDP, 90% of central government revenue, and more than 95% of the country's exports. For sustained and inclusive growth over the medium term, South Sudan should follow a diversification strategy meant to wean the country off the oil sector and build the resilience of the economy to future shocks. Investments in the agricultural sector provide low hanging fruits for such a diversification path.

Monetization of the fiscal deficit has led to a significant increase in inflation and exchange rate depreciation. Significant expansion of net claims on Government-led monetary expansion in the first half of 2020, with the monetary base expanding at a faster rate in the first half of 2020, more than at any time during 2019. This growth was led by large increases in net claims on government which nearly doubled to SSP 77 billion in June from SSP 35 billion in January 2020, and to SSP 141 billion in July 2020. This sustained expansion of Central Bank overdrafts to Government and associated monetary base expansion could partly explain rising inflation and developments in the foreign exchange rate markets with the SSP depreciating rapidly starting in the second half of 2020. At the same time, border restrictions instituted to control the spread of COVID-19 slowed the movement of trade goods into South Sudan with a resulting impact on prices across the country. With these developments, the cost of the national median Multi-Sectoral Minimum Expenditure Basket (MSSMEB) increased by about 18% between July and August, and 86% year-on-year.

The FY2019/20 budget deficit widened with large shortfalls in oil revenue. The FY2020 budget envisaged the government share from oil exports to increase to SSP 235.5 billion (32.5% of GDP) from SSP 198.2 billion (25.5% of GDP) realized in FY2019. However, with a plunge in oil prices, gross oil revenues are estimated to have turned out at SSP 201.1 billion (24.4% of GDP), representing a shortfall of about SSP 34.4 billion. Non-oil tax revenues were more resilient and are estimated at SSP 31.8 billion (3.8% of GDP) compared to SSP 29.9 billion (3.6% of GDP) that was budgeted. At the same time, expenditures turned out at an estimated SSP 289.4 billion (35% of GDP), lower than the budgeted SSP 311.5 billion (39.4% of GDP). This was due to under execution of the capital budget: it was expected to contribute a sizeable proportion of expenditure (14.8% of GDP) but only 3.0% was realized. Despite improvements in revenue and capital budget under execution, the overall cash balance is estimated to have widened to SSP 56.4 billion (6.8% of GDP) from the SSP 26.7 billion (3.2% of GDP) that was budgeted.

Budget planning and execution challenges have led to persistence of expenditure arrears. Poor budget execution has been exacerbated by lower revenue going into the budget with FY20 government spending on infrastructure and service delivery estimated to be lower than budget. Expenditure arrears continue to be a persistent and chronic problem in South Sudan and are a symptom of underlying weaknesses in the country's public financial management. The authorities estimate cumulative outstanding obligations at the end of FY 2019/20 amounting to SSP 896 billion (108% of GDP) excluding salaries. In addition, total salary arrears were estimated at SSP 18.45 billion (2.2% of GDP) and outstanding obligations to foreign missions amounting to USD 1.63 billion (32% of GDP). Without an approved arrears management strategy, budget execution will continue to be a challenge in the medium term.

The FY21 budget seeks to stabilize the economy, provide basic services, consolidate peace, and address COVID-19 effects. The FY21 budget envisages a more balanced allocation of resources, with a significant reduction on anticipated security sector spending. Across sectors, the budget envisions a large allocation to infrastructure (23%), which is expected to absorb 85% of capital spending. The security sector is expected to absorb 8.4% of the budget while education has been allocated 10.3%; natural resources (including agriculture) 2.8%; and health 1.9%. The budget includes an allocation for the clearance of arrears both for central government and states, which is expected to absorb 10% of the budget. However, the budget is massively underfunded and the deficit in the FY21 is expected to rise to more than SSP 123 billion (13% of GDP) as both oil and non-oil revenues are expected to underperform.

South Sudan has suffered multiple shocks in 2020, potentially derailing an economic recovery and peace building process. The signing of the latest truce in September 2018 and subsequent formation of the Revitalized Transitional Government of National Unity (RTGoNU) in February 2020 had provided hope for recovery and peace building. However, the RTGoNU has had to deal with concurrent shocks with the COVID-19 pandemic, low oil prices, floods, and locust infestation drastically changing the economic outlook. At the same time, subnational conflict has intensified in parts of the country as the number of violent events and associated fatalities in the first half of the year surpassed 2019 levels. An escalation of intercommunal violence has left hundreds of people dead and many more displaced with humanitarian agencies forced to scale down operations.

IMF executive board approved USD 52.3 Million RCF disbursement to South Sudan. The IMF's Executive Board approved a disbursement of USD 52.3 million to South Sudan under the Rapid Credit Facility on November 11, 2020. The disbursement is expected to help finance South Sudan contain the fiscal impact of the shock and will provide critical fiscal space to maintain poverty-reducing and growth-enhancing spending. The authorities indicated that the disbursement would be used to settle two months' civil service salary arrears. This is the first IMF-supported financial assistance to South Sudan and is expected to play a catalytic role that will enable South Sudan to access a large pool of concessional financing. It is expected that the facility will be followed by a Staff Monitored Program.

Increased incidents of insecurity combined with COVID-19 related containment measures weighed heavily on already weak healthcare systems in the country. Severe underfunding and recurring cycles of conflict have resulted in a gap in healthcare infrastructure, inadequate healthcare provider motivation and effort, and significant shortages of qualified health care workers. At the same time, a resurgence of conflict and waterborne diseases left many people in need of healthcare assistance. However, the situation is dire with only 22% of health facilities fully functional and nearly 3.6 million people lacking access to health assistance. In the context of COVID-19 restrictions, healthcare delivery was constrained by access restrictions and capacity constraints. At the same time, delivering much needed lifesaving services is constrained by budget execution challenges. With these challenges South Sudan struggled to mount a credible health response at a scale that would be sufficient to save lives and protect livelihoods.

Jobs have been lost due to COVID-19, especially in non-farm self-employed activities, but the scale is limited. One in eight households (13%) report having lost all income from their main job activity at some point since the onset of the pandemic in early April. Losses have been largest among the roughly one in four households (23%) that depend primarily on non-farm self-employed business activities. Among these households, one in five have lost all income from their primary activity (20%). Household businesses mostly attributed their losses to a lack of demand (52%) and to usual places of business being closed (49%). Among market traders, one in seven (15%) report having lost their business, due to travel restrictions due to COVID-19 (33%), but also a broad range of other issues both related and unrelated to the pandemic. Hardly any businesses reported having closed permanently (0.3%), and very few remained temporarily closed as of end-June (5%). However, measuring permanent business closure is difficult, and businesses do report that they know a direct competitor who has gone out of business (47%), and that they considered closing at some point (35%). Activities in Juba seem to have been particularly affected, with higher loss of activity among market traders (31%), and more businesses considering closing (52%) and having competitors who closed (58%).

With widespread poverty and a history of shocks, households are looking to replace lost income opportunities. The real but limited extent to which activities have been lost may be expected, given that households and businesses have lived through many shocks, and that generating income is an immediate question of survival for many households. It is worth recalling that, since 2013, conflict led to the loss of primary activities for 47% of households, that 50% of businesses lost assets and 43% had to temporarily close. While the disruption due to COVID-19 is harmful, it is thus not unheard of. Respondents also reflect some early signs of recovery: while some traders had stopped their activities, respondents were about twice as likely to say that on balance, the number of traders in the market had increased since April than to say that it had decreased. Similarly, about one in five households that lost their main activity (22%) reported that they had started a new activity. Both market traders and businesses also report a modest increase in the number of workers they employ since April, although the rate of hiring has slowed substantially among businesses. Whether households and businesses will succeed in their efforts to replace lost activities will depend in significant part on whether prices stabilize and consumer demand recovers.

Market activity has reduced, and loss of revenue and income is pervasive. While few job activities have stopped outright, many respondents report losing income from their main activities. This is true of every other main household activity (52%), and of three in five market traders (59%). Traders who offer consumer commodities reported larger declines in revenue (a 35% drop at the median) than food traders (a 25% drop), consistent with temporary closures of non-food markets and a loss of consumer disposable income. Among businesses, four in five (81%) report a decrease, including 59% who say income has declined by half or more.

The main obstacles to business today are the same as what respondents expressed when surveyed in 2019, but they have tightened. When surveyed in mid-2019, households, market traders, and businesses consistently identified insecurity, bad roads, access to funding, and low demand as their main obstacles. They flagged the same constraints when re-surveyed now, but were likely to say that the constraints had become more difficult to navigate, perhaps with the exception of insecurity, where businesses were more likely to report an improvement (44%) than a deterioration (28%). Surveys in 2019 did not directly ask about inflation as an obstacle, while in 2020, inflation has become a very prominent concern – the third-most frequently cited obstacle among market traders, and the second-most frequently cited among businesses.

Sourcing goods has become more difficult but is rarely considered a key business obstacle. Border closures and movement restrictions have raised transport cost and slowed down sourcing. Among market traders who source agricultural products from Juba or abroad, 85% say buying supplies has become more difficult since the onset of the pandemic. At the same time, while traders mention poor availability of inputs (8%) and transport cost (13%) as obstacles, they give less prominence to them than to other constraints. Similarly, nearly four in five businesses (79%) say that since April, it has become more difficult to buy goods to re-sell or use as inputs. Yet, transport cost is mentioned frequently as an obstacle (12%), but less often than a lack of funds, high inflation, and low demand (only 2% mention poor availability of inputs).

Low market demand already posed an important obstacle before the pandemic, and it has further declined due to the crisis. Even before the pandemic, businesses of all sizes viewed constrained demand for goods and services as a key obstacle. Respondents across all three surveys agree that demand has further tightened. Among the households who were unable at some point during the pandemic to buy staple cereals (46% of all households), most say that this was due to a lack of funds (44%), rather than to traders being out of stock (7%) or price changes (11%). Majorities of market traders explain that they have fewer customers on a typical market day (63%), and that customers buy less (60%). Businesses agree: most (73%) say that demand for their products has declined, and half (52%) say that it has dropped by half or more.

With the damage COVID-19 has wrought, effective support to job activities is more urgent than ever. Progress toward peace in 2019 went hand in hand with more optimism among businesses, greater activity in the markets, and opportunities for farmers to re-connect to markets. Sustainable growth requires deep reforms, but even in the short term, there are actions the Government and development partners can take that would yield real results for South Sudanese. Businesses at all levels – from small household activities to larger businesses – stress that efforts to limit inflation are decisive for them. Lower fees in markets and check points can also help lift a burden on business activities. Further, with low consumer demand, development partners can look to ramp up humanitarian purchases to create opportunities for farmers, and Government efforts to regularly pay public servants can do much to restore a customer base for market traders. Finally, direct support to cash-strapped households can help workers do better in self-employment and household business, first of all, in processing and trading food products.

The current crisis highlights urgent need for reform and it is critical that the nascent public financial management reforms succeed. While South Sudan is currently faced with an economic crisis, this crisis has also provided an opportunity to reflect on how the country can bounce back better, building on key milestones already achieved as part of the peace process. The authorities have accelerated dialogue on key reforms intended to cushion the economy amidst a double health and economic crisis. The current reform dialogue has centered on Public Financial Management Reforms. These include the formation of an oversight committee for Public Financial Management Reform Strategy (PFMRS) and its governance structures, as well as a technical committee on the economy whose role is to advise on ways to diversify both sources of growth and revenue. Given the necessity of these reforms, it is critical that they are supported to succeed and may have to be accompanied by wider economic management reforms in the medium term.

RECOMMENDATIONS

- Address the underlying causes of subnational conflict, building on key milestones already achieved as part of the peace process
- Fiscal policy should aim to balance the large financing and stabilization needs
- Strengthen systems of service delivery, particularly in the health and WASH sectors, laying the foundation for efficient distribution of lifesaving interventions and the COVID-19 vaccine when it becomes available
- Support agricultural sector investments to address food insecurity, and revive market-linked production providing pathways to economic diversification
- Support a recovery of consumer demand through reliable salary payments to public servants, as well as greater efforts to source humanitarian purchases locally
- Fast-track reforms necessary to cushion the economy amidst a double health and economic crisis, and facilitate a quick and inclusive recovery, building on the ongoing PFM and economic management dialogue

PART 1

BACKGROUND AND CONTEXT

PART 1: BACKGROUND AND CONTEXT

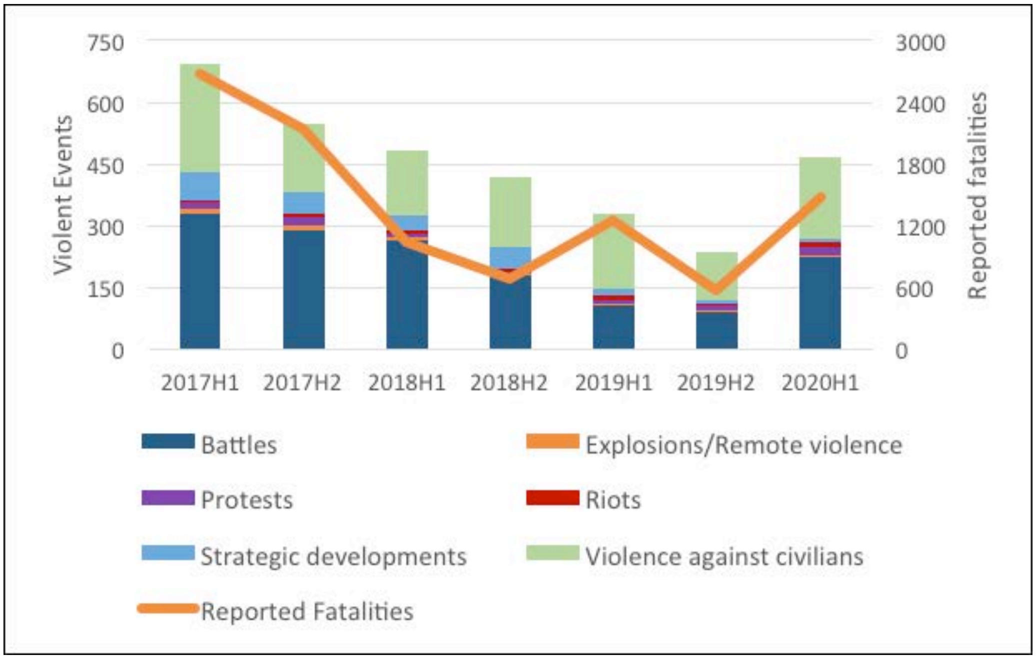
1.1 Increased levels of subnational violence could threaten stability

South Sudan is at a crossroads in its economic recovery and developmental journey. A decade after independence, the country remains caught in a web of fragility, no growth, instability and ethnic fragmentation. The signing of the latest truce in September 2018 and subsequent formation of the RTGoNU in February 2020 had provided hope for recovery and peace building. With these developments, conflict events had decreased significantly in 2019, and some refugees who had previously dispersed in the region started to return. Back in 2018 and 2019, a resumption of oil production in key oil fields previously damaged and shutdown due to conflict had raised hopes for an oil-led recovery. Agriculture and markets began to recover, and investment in the non-oil economy improved. However, the country faces the risk of reversing these gains, with increased incidents of subnational violence threatening stability. While it is prudent to expect that the peace process will be a long and potentially winding journey, the remaining aspects including the unification of the army and reconstitution of the transitional national legislative assembly must be prioritized. These efforts should go hand-in-hand with the strengthening of state and county institutions.

Levels of inter-communal violence increased significantly in 2020. Even with movement towards a political settlement at the national level, subnational conflict has intensified in parts of the country during 2020. This usually involves cattle rustling, revenge killings, and ethnically motivated violence. Disagreements on the allocation of states to parties had delayed the appointment of governors and the ensuing leadership vacuum contributed to the instability and increasing levels of violence and communal conflicts in the first half of the year. An escalation of intercommunal violence has left hundreds of people dead and many more displaced in the past two months with humanitarian agencies forced to scale down operations and evacuate. Analysis of ACLED's data on violent events and associated fatalities shows the number of events in the first half of 2020 has already exceeded the levels over the same time in 2019 (Figure 1).

The violence flare-up and fatalities observed in the first half of 2020 are geographically concentrated in few states that are the familiar hotspots for conflict in South Sudan. Most of the violent events reported in the first half of 2020 are concentrated in four states, namely: Jonglei, Central Equatoria, Lakes, and Warrap. These four states accounted for 71% of all violent events and 76% of violence against civilians, the most reported event type across all states. At the same time, these four states accounted for 82% of all reported fatalities during this period. In June 2020, President Salva Kiir appointed Vice President James Wani Igga to lead a committee tasked to bring together community elders from Jonglei and the Greater Pibor Administrative Area (GPAA). Later in August, the President declared a three-month state of emergency in Jonglei and the Warrap-Lakes border region to help facilitate a diffusion of tensions in those regions.

Figure 1. Conflict events and fatalities increased in 2020



Source: Armed Conflict Location & Event Data Project (2020)

Growing insecurity has resulted in more people fleeing their places of residence to seek refuge in neighboring countries. More than 16,000 South Sudanese fled the country and sought refuge mainly in Uganda, Sudan and Ethiopia in the first quarter of 2020. At the same time, South Sudan continued to host about 300,000 refugees from neighboring countries, mainly in Maban County, Upper Nile and Pariang County, Unity State. Displaced people still experienced major obstacles in achieving durable solutions, such as returning to their former residences, relocating to new areas or integration in the locations where they now stay. Many were fearful to return home as they did not know how safe and secure it was for them to return. In a UNHCR intentions survey conducted during the first quarter of 2020 in the Bor, Malakal, Wau and Juba Protection of Civilians sites and three urban collective sites in Juba, 48% of IDPs said that they could return to their habitual residence only when it is safe for them to do so[1].

The increase in incidents of violence has affected humanitarian interventions and COVID-19 response. The increase of incidents of inter-communal violence, cattle raiding, revenge killings and armed violence throughout the country has had a negative impact on the protection of civilians with threats to life, abductions, GBV and displacement. The ability for those newly displaced to access health and WASH facilities are limited and observing physical distancing is difficult[2]. This has also hindered humanitarian interventions and COVID-19 preparedness and response. At the same time, with the onset of the rainy season, several locations experienced flooding. Major roads were cut-off and all prepositioning of COVID-19-related items, as well as regular humanitarian programming was

[1] OCHA (2020) South Sudan Humanitarian Response Monitoring Report (January to March 2020).

[2] UNHCR (2020). South Sudan: Covid19 update #6.

done by air, exponentially increasing the costs of COVID-19 preparedness and response. Already, movement of humanitarian personnel, both in-country and internationally, has been a challenge with pre- and post-travel quarantining as well as testing requirements, though the latter has recently been lifted.

Figure 2: Distribution of violent events by state

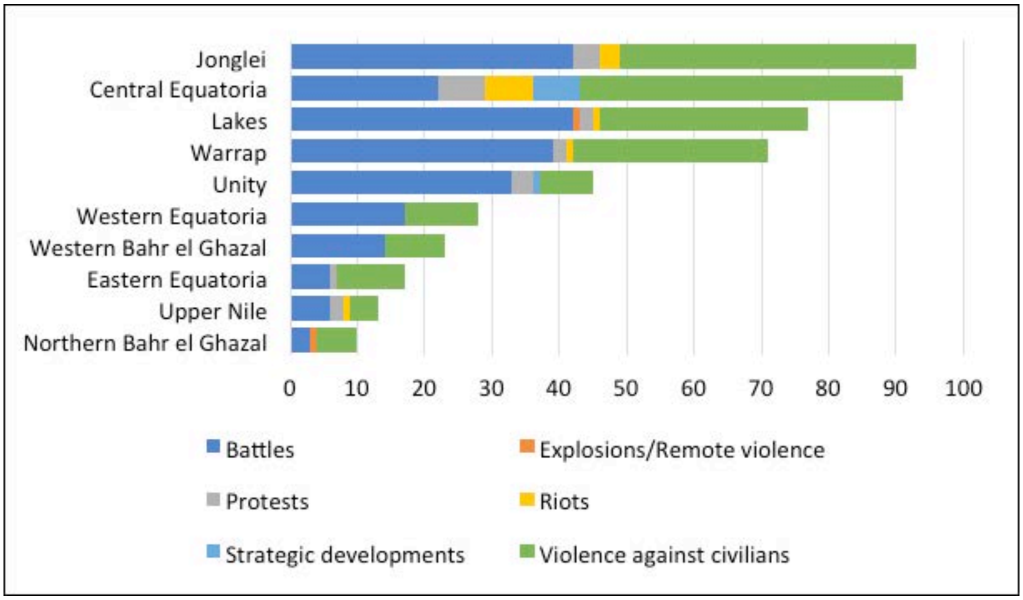
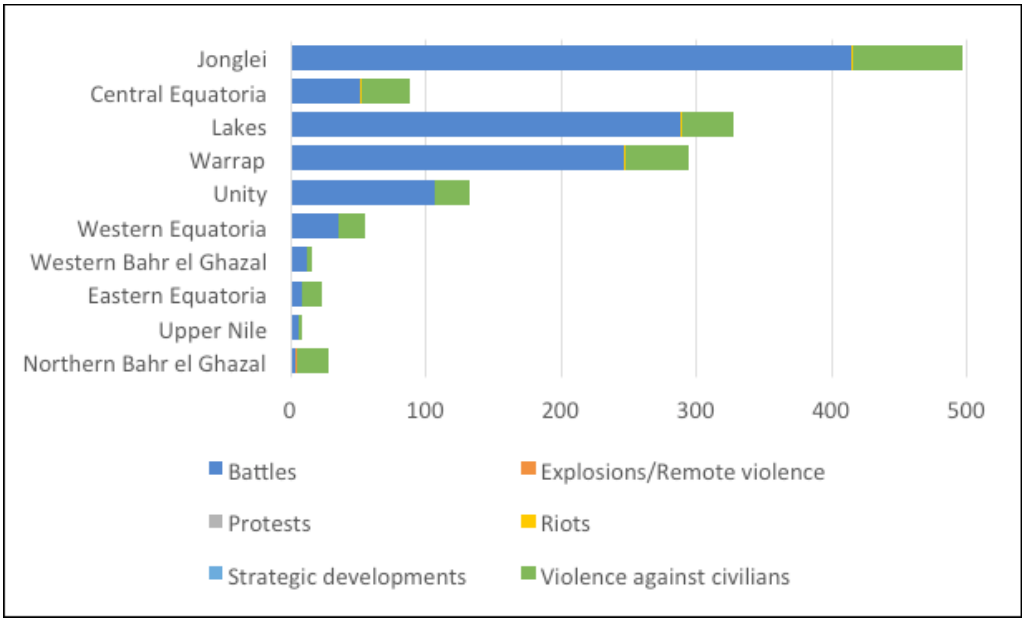


Figure 3: Causes of fatalities by event type and state



Source: Armed Conflict Location & Event Data project (2020)

Incidents of insecurity combined with COVID-19 related containment measures have put pressure on already weak healthcare systems in the country. Severe underfunding and recurring cycles of conflict have resulted in a gap in healthcare infrastructure, inadequate healthcare provider motivation/effort, and in significant shortages of qualified health care workers. In South Sudan, only 22% of health facilities are fully functional, with nearly 3.6 million people lacking access to health assistance. At the same time, the health budget accounted for less than 0.5% of FY2019/20 government expenditure. With these challenges, South Sudan struggled to mount a credible and adequate COVID-19 response nationally without external support. While humanitarian actors help to bridge the gaps in service delivery to some degree, the recent rise in incidents of intercommunal violence at a time when medical facilities are putting in place social distancing measures have strained existing capacities. In May 2020, the International Committee of the Red Cross (ICRC) reported that COVID-19 measures had reduced its surgical capacity by 30%, as physical distancing measures meant that the number of hospital beds had to be reduced. At the same time, implementation of COVID-19 containment measures, including restrictions on people movement, made it difficult to arrange movement of sick persons and healthcare personnel and to quickly scale up operations in the event of a large patient influx[3].

Large parts of the country experienced unusually heavy and frequent rains over the past six months, leading to displacement. More than 1,000,000 have been affected by flooding in eight of South Sudan's ten states, and one administrative area. According to the United Nations Office for Coordination of Humanitarian Assistance (UNOCHA), flooding has resulted in the displacement of more than 480,000 people. Jonglei has been the worst affected (over 400,000 people affected), followed by the Greater Pibor Administrative Area (more than 125,000 people), and Lakes area (147,000 people). Continued flooding has weighed heavily on South Sudan's already vulnerable population, with findings from UNOCHA's rapid needs assessment indicate that women and children are most affected[4]. According to UNOCHA, a coordinated humanitarian response scale-up in the most affected states of Jonglei, Lakes and Unity was initiated to respond to the increased needs of people affected and displaced by the floodwaters.

In addition to destroying assets, crops, and pasturelands, floods have led to an increase in waterborne and malarial diseases. Reports from across the country indicated an upsurge in malaria cases, as rainfall and vegetation provided good breeding conditions for mosquitoes. According to available data, malaria is the leading cause of morbidity in South Sudan, accounting for 20 – 40% of all health facility visits and 30% of hospitalizations. About one-third of South Sudan's population relies on surface water as its main source, with a minimal reliance on utility provided water. Even in urban areas, over half the population is forced to defecate in open areas, while the rate is 80% in rural areas. Increased rainfall and flooding in the context of inadequate household access to safe water, sanitation, and hygiene facilities has resulted in outbreaks of diarrheal illnesses across the country. The increased morbidity constrains household labour supply, affecting agricultural and off-farm activities, with implications for household welfare.

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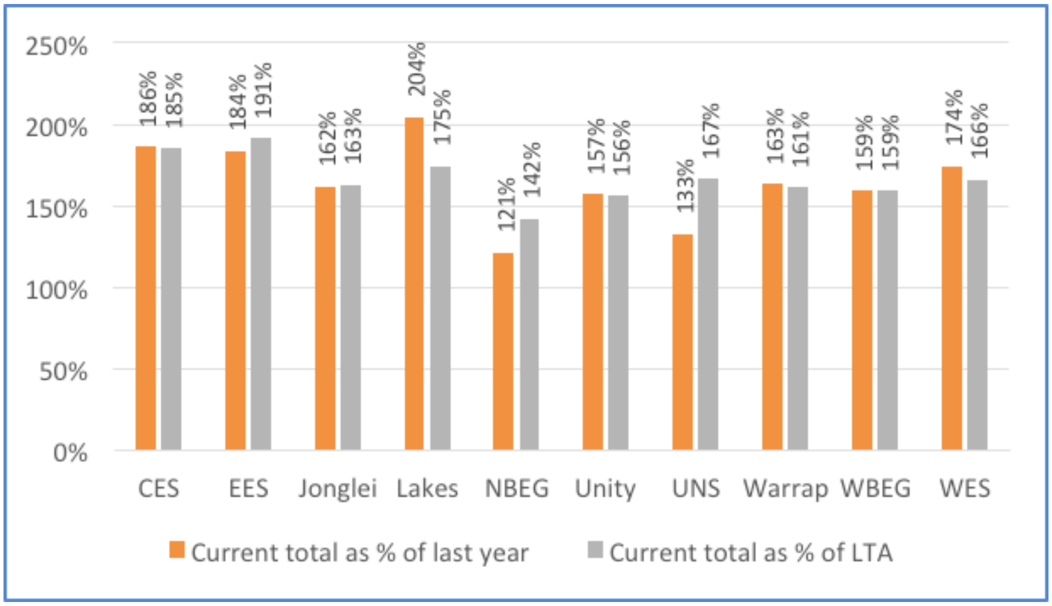
[3] https://reliefweb.int/report/south-sudan/south-sudan-jonglei-state-clashes-leave-hundreds-dead-and-injured-Covid19

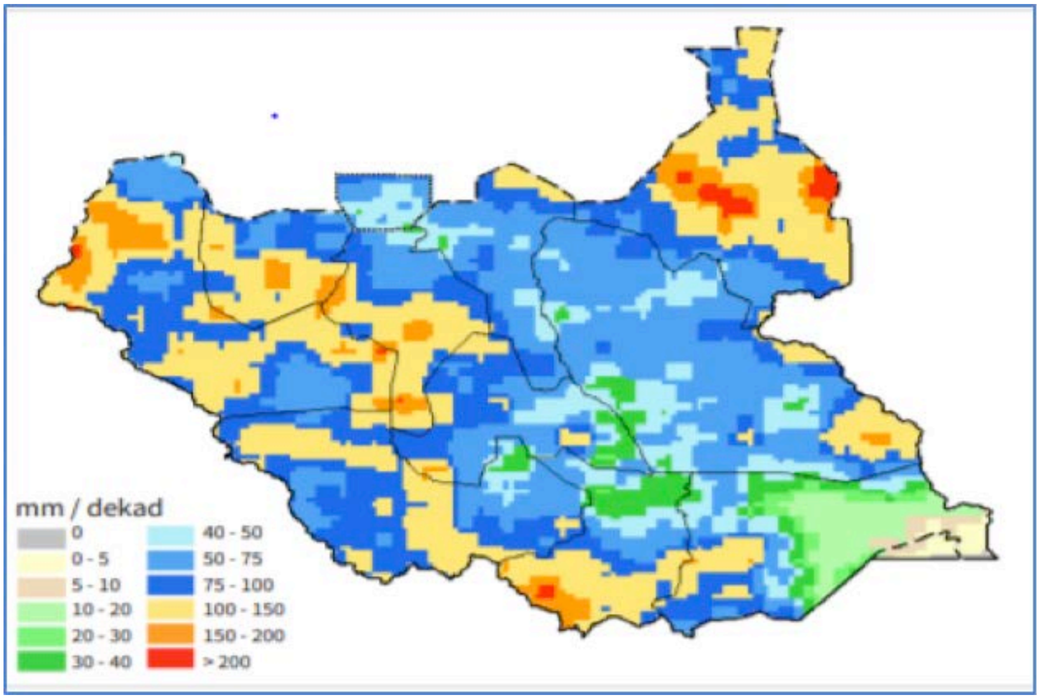
[4] UNOCHA (2020). South Sudan: Flooding Situation Report Inter-Cluster Coordination Group as of 18 November 2020. United Nations Office for the Coordination of Humanitarian Assistance

Figure 4: Annual cumulative rainfall as % of last year and long-term average (LTA)



Source: FAO - Global Information and Early Warning System (GIEWS)

Figure 5: Estimate rainfall, Dekad 3, August 2020



Source: FAO - Global Information and Early Warning System (GIEWS)

1.2 COVID-19 has exacerbated existing vulnerabilities

South Sudan confirmed the first positive COVID-19 case on April 5, 2020. The number of confirmed cases has risen since to just over 3,000 by November 15, 2020. The first death was recorded on 14 May. While the first few cases were imported, the latest data suggest a high level of community transmission of COVID-19. At the same time, the movement of cargo trucks within East Africa has emerged as a source of cross-border transmissions. Before the first case was confirmed, government had instituted guidelines enforcing social distancing measures and an emphasis on personal hygiene. The COVID-19 pandemic came on the back of two other shocks including floods and locust infestation that have affected agricultural production in parts of the country.

The government endorsed a National COVID-19 Response Plan for 6 months with an indicative budget of USD 10.9 million to control and contain the transmission of the virus. The plan consists of 9 pillars, namely; i) Coordination and leadership; ii) Risk Communication and Community Engagement; iii) Surveillance and Risk Assessment; iv) Sustaining Points of Entry at borders and airports; v) Laboratories and investigation capacity; vi) Infection Prevention and Control; vii) Case management; viii) Operational Support and Logistics.

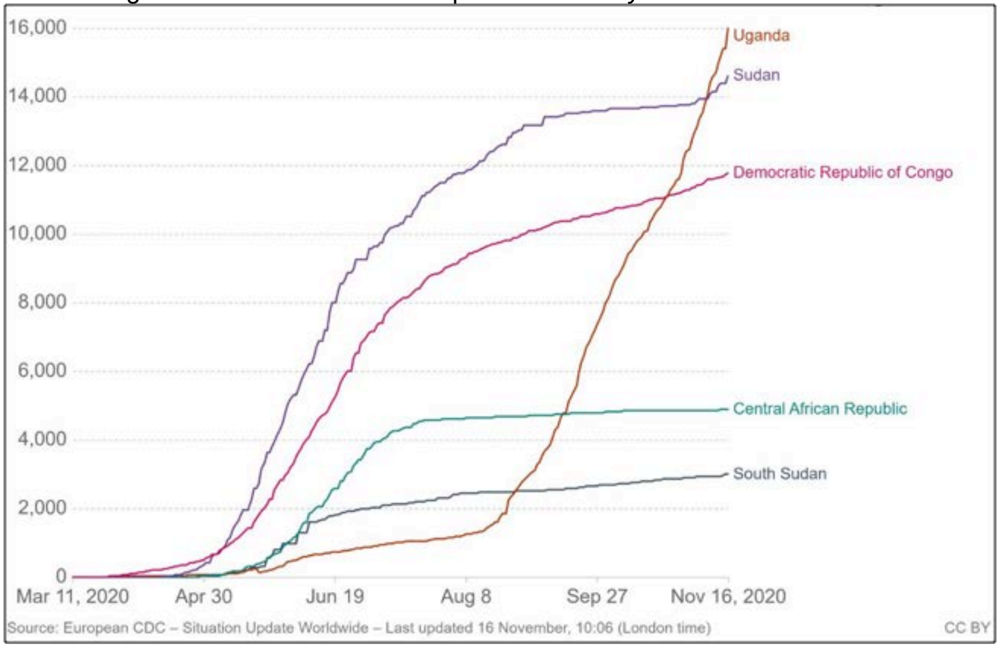
South Sudan authorities moved fast and rolled out the National COVID-19 preparedness response for the period April to September 2020. The government instituted several preventive measures that included the following: closure of all education institutions and health science institutes for 30 days. Events (sports, religious, weddings, funeral rites and political) were suspended for six weeks effective 20 March. And all non-essential businesses were asked to close as of 28 March. On 24 March, a nationwide curfew, effective for 30 days, was imposed from 8p.m. to 6a.m., with the exception of medical emergencies and those with special permits. The Government of South Sudan suspended all flights and closed all land border crossing points on 23 March to prevent the spread of COVID-19. Exception was given for cargo planes, emergency and relief flights to land. Additionally, only food trucks and fuel tankers were allowed through the land borders. All shops and businesses selling non-essential commodities were ordered to close. However, shops and businesses dealing in food commodities, medicines, fuel, groceries, fruits and vegetables were allowed to continue operations. Finally, the authorities put in place restrictions on all inter-state travel.

However, South Sudan's COVID-19 response was constrained by inadequate provision of essential supplies. Inadequate provision of essential supplies has constrained the ability of authorities to sustain containment and preparedness measures. According to a Ministry of Health COVID-19 situation report for the period 13-19 April 2020, the country was faced with inadequate provision of essential supplies such as PPEs across all states. In addition, authorities have been faced with challenges related to the management of persons under quarantine especially at the State level, with financing shortfalls reported for accommodation, food, and adherence to the recommended 14-day quarantine. Given limited financial resources and an expensive peace agreement yet to be fully implemented, the country is looking to international support to mitigate the economic and social impacts of COVID-19.

The number of reported COVID-19 cases rose sharply amidst concerns over lax enforcement of containment guidelines. South Sudan was the last country in East Africa to report a positive case of COVID-19 and relatively few cases have been confirmed since the first was reported in the first week of April 2020. However, the number of confirmed cases increased sharply starting the last week of April, rising from just six on April 26 to 994 by May 27, 2020 (Figure 6). While several social distancing measures were instituted, there were concerns that these were not applied and enforced consistently. At the same time, inadequate provision of essential supplies continues to constrain South Sudan COVID-19 response, with recent media reports suggesting that new confirmed cases are being managed from home – consistent with available guidelines – as the country lacks adequately equipped facilities for quarantining and treatment of infected persons.

South Sudan was among the first countries in East Africa to ease lockdown restrictions even as COVID-19 cases surged in May 2020. South Sudan authorities begun to ease some lockdown restrictions, including constraints on travel and trade in May 2020. In a directive by the Presidency published on May 7, 2020, businesses including bars, restaurants, motorcycle taxis (boda boda), rickshaws, and others were allowed to reopen during non-curfew hours. The directive has also relaxed curfew time from the previous 7pm-6am to 10pm -6am. On May 11, 2020, the South Sudan Civil Aviation Authority officially announced the reopening of all airports to domestic and international flights. These directives came at a time when the number of confirmed cases has increased sharply both in-country and in-region, even as there has been concerns about consistency in enforcement of restrictions.

Figure 6: South Sudan has reported relatively few COVID-19 cases



South Sudan authorities reconstituted the COVID-19 taskforce amidst rising cases and criticism over perceived inefficiency. On May 18, 2020, President Salva Kiir dissolved the High-Level Taskforce on COVID-19 pandemic and reconstituted a new one, with the issuance of order no. 13/2020, for the *reconstitution and appointment of members of the national taskforce committee on Corona Virus Disease*. The High-Level Taskforce is government's main source of expert advice on the pandemic and the central planning body for its response. However, the taskforce came under intense criticism over its handling of the pandemic. The South Sudan Doctors' Union and civil society organizations particularly criticized the body after it eased some lockdown restrictions despite rising COVID-19 cases. The new taskforce drew on technical and political leadership relevant for managing a health pandemic with the Vice President in charge of the service cluster, and Minister of Health recruited as chairperson and secretary respectively. News of the reconstitution of the taskforce came at a time when cases of community transmission were rising with reported cases among protection of civilian sites and exacerbated by government decision to ease rather than enforce containment measures.

The East African Community (EAC) issued administrative guidelines to facilitate movement of essential goods and services during COVID-19 pandemic. The East African community has issued guidelines to safeguard trade in essential goods within the region while containing COVID-19 cross-border transmission. Guidelines have been provided for the following: trade facilitation, priority treatment for cargo mitigating the COVID-19 pandemic, information sharing, training and capacity building, as well as creating awareness on national, regional, and international measures and requirements. In addition, guidelines meant to support micro, small, and medium enterprises to remain in business and expand as a foundation for post COVID-19 recovery have been put in place. The new guidelines are meant to address some of these issues while maintaining the flow of goods.

World Bank allocated quick disbursing resources in Support of Coronavirus emergency response. In response to the Government of South Sudan's request and to help the country better manage the COVID-19 pandemic and strengthen national systems for public health preparedness, the World Bank on April 6 activated the Contingency Emergency Response Component (CERC) under the ongoing Provision of Essential Health Services Project (PEHSP) (USD 5 million) while reprogramming some remaining funds from the earlier activated Ebola CERC (USD 2.6 million), for a total of USD 7.6 million. The funding, which is channeled through UNICEF, is supporting different pillars including i) Risk Communication and community engagement, ii) Infection Prevention and Control; iii) Points of Entry; and iv) Operations and logistics. The World Bank is processing an additional financing of USD 5 million under COVID-19 Fast Track Facility to replenish the already activated CERC. In addition, an amount of USD 1.58m was approved and transferred to WHO to support the procurement of PPE and diagnostics in the country. At the same time, project interventions under the Safety Net Project ($40 million) and the Enhancing Community Resilience and Local Governance Project ($45m) will be critical for alleviating the socio-economic impact of COVID-19 in target areas. By October 2020, i) 250 health facilities were supported with IPC or WASH activities and screening / triage are ongoing in prioritized facilities, and ii) Nearly four million people have been reached with COVID-19 prevention and control messages and 4,844 community mobilizers, hygiene promotors and health facility staff trained on COVID-19 risk communication strategy.

COVID-19 effects have been indirect, mainly reflected through an increase of the prices of basic commodities, restrictions on humanitarian operations on the ground, and lower revenue going into the budget. South Sudan had recorded approximately 3,000 cumulative COVID-19 cases, approximately 1,300 recoveries and less than 60 deaths as at November 15, 2020. In March 2020, the government had announced various precautionary measures, including suspension of most international flights, land border restrictions, evening curfews, social distancing, school closures; and a mandatory 14-day quarantine period for travelers. The government also encouraged businesses to allow their employees to telework and warned the business community against increasing prices and hoarding essential goods and commodities. With the exception of mandatory 14-day quarantine period for travelers, many of these restrictions have since been eased. The pandemic has been associated with rising prices of basic commodities as supply chain disruptions created intermittent scarcities. Humanitarian activities were affected as movement restrictions and social distancing measures affected operations. At the same time, a sharp decline in the price of oil – the mainstay of the economy, affected budget revenue and execution, and led to significant delays in the FY21 budget preparation. These effects are discussed at length in the next part of the report

Box 1: South Sudan – COVID-19 transmission channels and impact

The macroeconomic impact of COVID-19 comprises spillovers from the global recession, falling oil prices, disruptions to trade and supply chains, and from domestic containment restrictions, with the following key transmission channels:

The main economic shock has been transmitted through lower oil prices as global demand has fallen and a price war erupted. The fall in the global oil price from nearly USD 70 a barrel in early January 2020 to about USD 43/bbl. in July 2029 has already impacted Government revenues. As discussed earlier, falling oil prices have had a negative impact on the economic outlook and budget. It has resulted in upward pressure on the market exchange rate as the country's access to foreign exchange has reduced.

Disruptions to trade, supply chains, and longer travel time have contributed to higher prices for essential commodities. Market prices for basic foodstuff have risen by about 20% between late March and May when COVID-19 containment measures were introduced. Although borders remained open to commercial traffic, cargo volumes passing through Nimule nonetheless fell by between 50-70% because screening processes slowed down the movement of commodities. At the same time, informal cross border imports collapsed from April and did not recover by August 2020 (see figure 15). Given that a large share of non-agricultural commodities sold in South Sudan's retail stores are shipped, these disruptions led to depletion of stock and higher consumer prices.

Restrictions on humanitarian response. While humanitarian actors help to bridge the gaps in service delivery to some degree, the recent rise in incidents of intercommunal violence at a time when medical facilities are putting in place social distancing measures have strained existing capacities. As stated earlier in this report, the International Committee of the Red Cross (ICRC) reported in May 2020 that COVID-19 measures reduced its surgical capacity by 30%, as physical distancing measures meant that the number of hospital beds had to be reduced. At the same time, implementation of COVID-19 containment measures, including restrictions on people movement, made it difficult to arrange movement of sick persons and healthcare personnel and to quickly scale up operations in the event of a large patient influx[5].

Diaspora remittances. Diaspora remittances are an important source of foreign exchange and funds for household consumption. Remittances accounted for about 27% of GDP in 2019, placing South Sudan among the most reliant on these flows. With the COVID-19 induced global recession, it has been projected that remittances to Sub Saharan Africa could decline by more than 23% during 2020. For South Sudan, remittances are projected to be more resilient, declining by about 6% in 2020. These funds, coming from Europe, the Middle East, Australia and North America, are critical for consumption smoothing and providing a lifeline for many households that rely on them.

Foreign direct investment. Recent FDI has been largely into the oil industry (especially from companies in Asia and China), as well as mining sectors. Net FDI inflows are expected to decline significantly due to the negative impact of the virus on FDI source country economies and the significant drop in oil prices. Earlier in July, the government announced that it had postponed plans for opening new oil exploration blocks due to the uncertainty caused by COVID-19.

[5] https://reliefweb.int/report/south-sudan/south-sudan-jonglei-state-clashes-leave-hundreds-dead-and-injured-Covid19

The authorities have accelerated dialogue on key reforms necessary to cushion the economy amidst a double health and economic crisis. The current dialogue with key international counterparts has centered on Public Financial Management Reforms. These include the formation of an oversight committee for Public Financial Management Reform Strategy (PFMRS) and its governance structures, as well as a technical committee on the economy whose role is to advise on ways to diversify both sources of growth and revenue. More recently, in a significant move announced on 19 August 2020, the Bank of South Sudan announced the closure of special accounts with immediate effect, paving the way for a partial foreign exchange reform. In the medium term, the authorities will have to consider efforts to strengthen service delivery institutions, diversify the economy, and commit substantial resources to invest in the people, necessary to build the resilience of the economy to future shocks and place the country on a solid foundation for an inclusive and sustainable growth path.

Despite the challenges, there are effective actions the Government and development partners can take to improve livelihoods. Progress toward peace in 2019 went hand in hand with more optimism among businesses, greater activity in the markets, and opportunities for farmers to re-connect to markets. Sustainable growth requires deep reforms, but even in the short term, there are actions the Government and development partners can take that would yield real results for South Sudanese. Businesses at all levels – from small household activities to larger businesses – stress that efforts to limit inflation are decisive for them. Lower fees in markets and check points can also help lift a burden on business activities. Further, with low consumer demand, development partners can look to ramp up humanitarian purchases to create opportunities for farmers, and Government efforts to regularly pay public servants can do much to restore a customer base for market traders. Finally, direct support to cash-strapped households can help workers do better in self-employment and household businesses, first of all, in processing and trading food products.[6]

[6] World Bank (2020). *Jobs, Peacebuilding, and Recovery in Urban South Sudan – Synthesis Report*.

PART 2

RECENT ECONOMIC DEVELOPMENTS

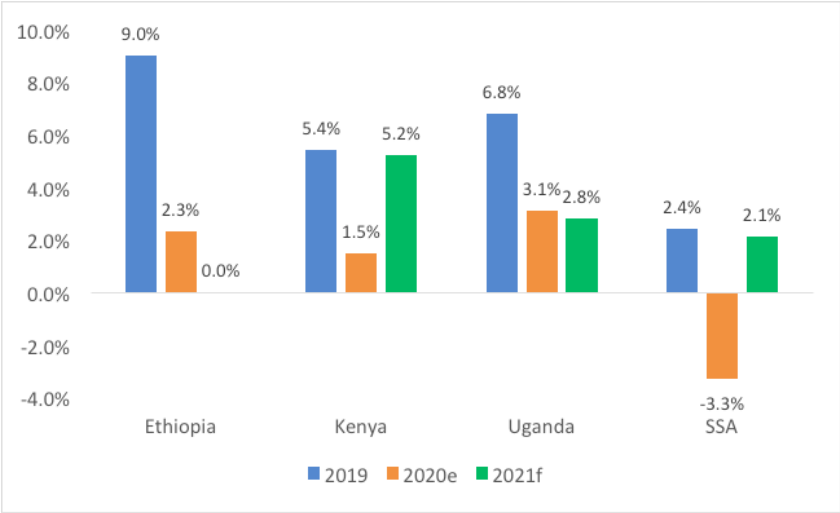
PART 2: RECENT ECONOMIC DEVELOPMENTS

2.1 The global and regional economies are projected to contract sharply

The global economy is projected to contract sharply by -4.4% in 2020, significantly worse than the 0.1% contraction in 2009 during the global financial crisis. The COVID-19 pandemic has triggered a global recession with major effects on commodity markets, supply chains, and financial markets[7]. The COVID-19 pandemic has, with alarming speed, delivered a global economic shock of enormous magnitude, leading to steep recessions in many countries. These developments represent the deepest global recession in eight decades, despite unprecedented policy support. Per capita incomes in the vast majority of low-income countries (LIC) and emerging market and developing economies (EMDEs) are expected to shrink this year, tipping many millions back into poverty. Global growth is projected at 5.2% in 2021, a little lower than earlier forecasts. After the rebound in 2021, global growth is expected to gradually slow to about 3.5% into the medium term.

Sub Saharan Africa will experience its first recession in 25 years. Economic activity in the Africa region is expected to contract by 3.3%. By the end of 2021, the region's real gross domestic product (GDP) per capita will likely regress to its 2007 level [8]. Efforts to contain the spread of the virus have disrupted the functioning of domestic economies and will be compounded by sharply lower growth in major trading partners and the collapse in commodity prices. Growth in the region is expected to rebound to 2.1% in 2021; however, the outlook is subject to substantial uncertainty. Per capita GDP this year is projected to fall by 6%, pushing up to 40 million people into extreme poverty, erasing at least five years of progress in fighting poverty. With the region already home to about 60% of the world's extreme poor, this rise is bound to further concentrate global poverty in the region.

Figure 7: Real GDP growth among South Sudan's main regional trading partners (percent y/y)



Source: World Bank, 2020 & World Bank staff estimates. Note: e = estimate; f = forecast;

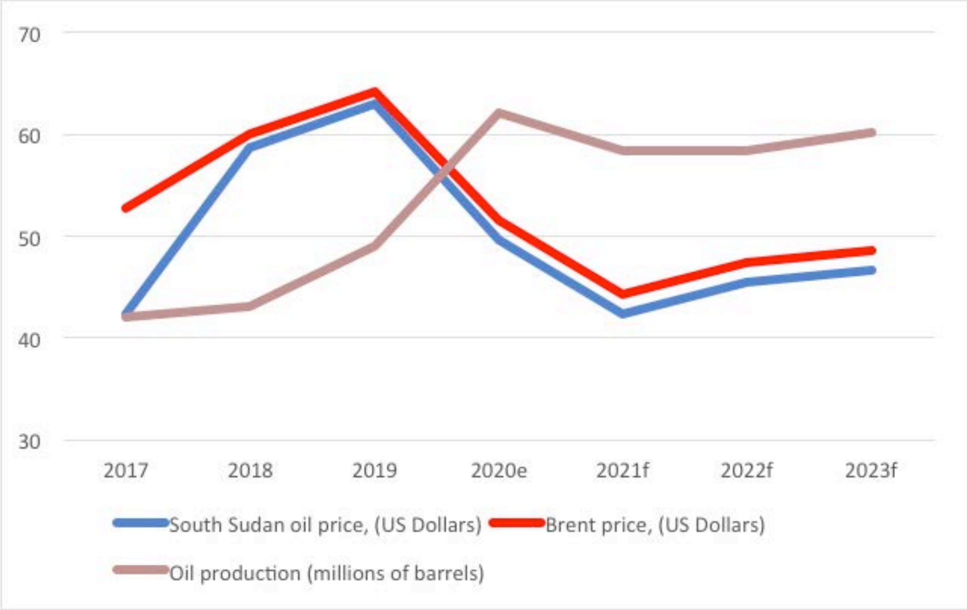
[7] IMF (2020). World Economic Outlook: A long and difficult ascent. International Monetary Fund: Washington, DC

[8] Zeufack, Albert G., Calderon, Cesar; Kambou, Gerard; Kubota, Megumi; Cantu Canales, Catalina; Korman, Vijdan. 2020. "Africa's Pulse, No. 22" (October), World Bank, Washington, DC. Doi: 10.1596/978-1-4648-1568-3.

Growth will decline substantially in East African countries due to weak external demand and disruptions to supply chains and domestic production. All of South Sudan's main trading partners in the region are expected to face a significant slowdown in 2020 (Figure 7). In Uganda, FY20 growth projections have been revised downward to 3.3% from 6.2%. In Kenya, growth is expected to turn out at 1% from 5.8% in the previous year - weighed down by COVID-19-induced shocks to the economy. Growth in Ethiopia has been downgraded from 6.3% to 3.2% with a very high possibility for a further downgrade, given the unfolding effects on the services sector and the effect of locust infestation on agriculture. However, there is significant downside risk to these projections. A slower-than-anticipated rebound in global economic activity would be disastrous for regional trade. Furthermore, a second-round locust invasion (expected in late 2020) is another risk to the regional outlook.

Oil and other commodity prices have declined sharply since the COVID-19 pandemic worsened. Crude oil prices have plummeted since the start of the year, dropping more than 65% between January and April before beginning to recover[9]. Oil demand has collapsed as a result of the pandemic, and the restrictions that were needed to stem its spread have severely disrupted transport, which accounts for around two-thirds of oil demand. Oil demand is expected to decline by an unprecedented 9% in 2020. Oil prices have seen a partial recovery in May, as some countries started to ease lockdown restrictions and oil producers have implemented sharp cuts to production. Weaker economic growth will further reduce overall commodity demand, with COVID-19-mitigation measures already causing an unprecedented decline in demand for oil. Crude oil prices are expected to average USD 42/bbl. in 2020 and USD 44/bbl. in 2021. For South Sudan, this dramatic fall in oil prices means loss of a lifeline, with estimates indicating a potential revenue shortfall of about USD 350 million in FY20.

Figure 8: Oil sector developments



Source: The World Bank commodity prices data (August 14, 2020); South Sudan data based on World Bank and IMF staff estimates. Note: e = estimate; f = forecast.

[9] World Bank, Commodity Markets Outlook, April 2020

A lower sulfur cap for global maritime shipping fuels helped push South Sudan oil into premium category, potentially averting a worse crisis. The International Marine Organization enforced a new 0.5% global sulfur cap on bunker fuels from January 1, 2020, lower from the present 3.5% limit. With the lower sulfur fuel emission standards, demand has skyrocketed for crudes that can yield heavy marine fuel in as few processing steps as possible. South Sudanese Nile and Dar Blend crudes for instance, have low sulfur content and high fuel oil yield, which suddenly pushed them into the spotlight amongst Asian crude traders. Consequently, price differentials for South Sudan's Dar Blend crude grade flipped into premiums in the first half of the year, helping South Sudan achieve a relatively high weighted average price in FY20.

2.2 The South Sudan economy has been affected by a multitude of concurrent shocks

Real GDP growth is projected to contract by -3.4% in FY2020/21, driven by declining exports and private consumption. The economy had recorded a strong growth pickup before the COVID-19 pandemic, with GDP growth reaching 9.3% in FY2019/20 driven by higher oil production and prices. South Sudan's oil sector has continued to be the primary driver of growth, with estimated oil production of 62.1 million barrels in FY2019/20, representing a 26.5% increase on the 49.1 million barrels of oil realized in FY2018/19. However, oil production is expected to be 58.4 million barrels in FY20/21, and further expansion will depend on higher oil investments which may be delayed by the COVID-19 pandemic. Activity in the oil sector is not expected to improve until FY2022/23 when oil production is projected to rise to 60.2 million barrels. Beyond FY2020/21, recovery is predicated on the assumption of a rebound in the global economy that may support higher oil prices, investment, and remittances; commitment to a credible reform process; sustainability of peace; and resilience to climatic shocks.

Despite floods that affected parts of the country, cereal production in 2019 is estimated to have increased by 10%, but the food security outlook remains dire. Cereal production was estimated at 818,500 tons in 2019 from 744,900 tons in 2018 representing a 10% increase. This increase is mainly attributed to security improvements that allowed returnees to farm. Consequently, the 2019 harvested area is estimated to have increased by more than 5% from 2018. At the same time, abundant seasonal rains boosted yields. However, harvests are still 4% below average of previous five years. As a result, the overall cereal deficit in 2020 is estimated at 482,500 tons, 7% below the deficit estimated for 2019, but still 22% above the 2015-2019 average[10].

The increase in agricultural production in 2019 was driven by a combination of increased productivity and cultivated area. Cultivated area increased by 5.3% to 929,000 hectares, still lower than the 2016 level. Agricultural productivity, defined as yields per hectare, increased by more than 4% as the country benefited from favorable rainfall conditions that aided better yields per unit cultivated land area. Use of modern inputs is still very low, but the importance of using animal manure is increasing, with its application largely performed by keeping over crop fields large herds of cattle for a certain number of days. Productivity per hectare of cultivated area increased from 0.84 metric tons of cereals to 0.88. Despite this increase however, productivity is still lower than the average for the past five years, which stands at 0.9 metric tons per hectare.

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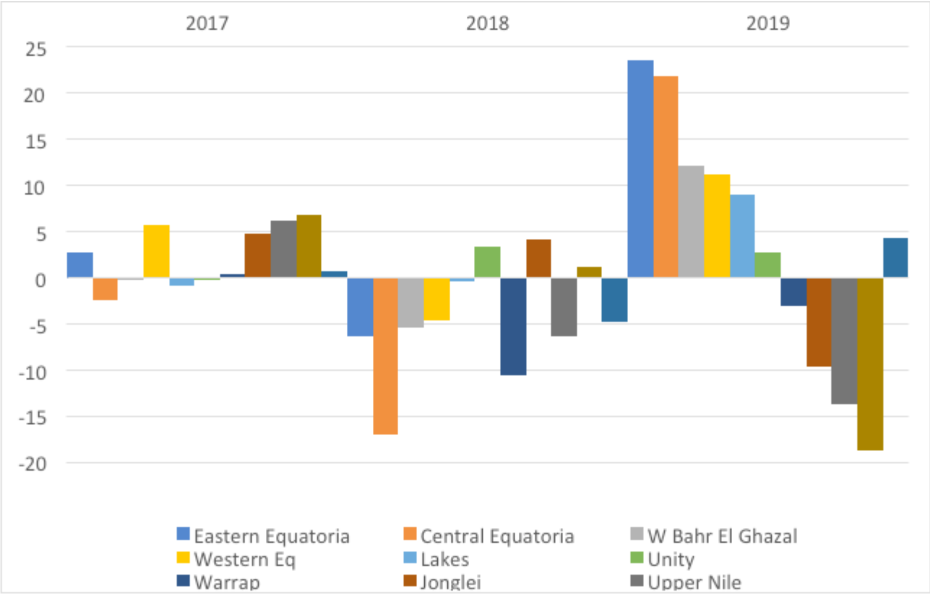
[10] FAO (2020). Global Information and Early Warning System (GIEWS): South Sudan Country Brief, April 2020

In addition to improved distribution of rainfall in the second half of 2019, differences in conflict intensity explain the observed differences across states. The increase in productivity is less pronounced in states with higher conflict intensity. Productivity declines were observed in Jonglei, Northern Bahr El Ghazal, Upper Nile and Warrap – the states with the highest burden of intercommunal violence in the second half of 2019 and the first half of 2020. Consistent with this narrative, the largest increases were observed in Eastern Equatoria, Western Equatoria, and Western Bahr El Ghazal.

Figure 9: Agricultural productivity growth, % y-o-y change



Source: FAO CFSAM

The current agriculture and food security outlook could be exacerbated by desert locust infestation in parts of the country. Large swarms of desert locusts are reported to have entered the South Eastern part of the country, arriving from North Eastern Uganda from February 2020 and are reported to have maintained their presence in the area since then. While no formal quantification of the extent of damage caused by these locusts has been completed, the potential damage could be large if control measures are not urgently put in place. Extensive damage to crops and pasture lands is likely to occur in affected areas with swarms of mature desert locusts reported to be spreading to new areas of South Sudan, including Central Equatoria, Jonglei, Lakes, and Western Equatoria states, as well as previously unaffected parts of Eastern Equatoria[11]. With these challenges, the food security outlook for South Sudan continues to be dire, exacerbated by COVID-19 containment measures and disrupted trade flows leading to a spike in the prices of essential commodities.

South Sudan ranked 185th among 190 countries in the 2020 World Bank Doing Business indicators, with particularly pressing challenges with enforcing contracts, resolving insolvency and protecting minority interests. Although its rank has slightly improved, from 187th in 2018, with a score of 35.34, South Sudan is firmly placed among the worst performers globally

[11] USAID (2020): https://reliefweb.int/report/south-sudan/south-sudan-crisis-fact-sheet-6-fiscal-year-fy-2020

and performs worse than most countries in the region and only better than Libya, Yemen, Venezuela, Eritrea and Somalia, many of which are fragile and conflict-affected countries themselves. The one indicator on which South Sudan performed well was “paying taxes.” With a score of 76.75 on this indicator, South Sudan was ranked 66th in the world and performed better than all its regional peers. With scores of zero, South Sudan continues to perform poorly in getting electricity and resolving insolvency. Strengthening government institutions and transparency are priority prerequisites to improving the business climate. It is worth noting that businesses in South Sudan view far more basic constraints as being most important to their operations: insecurity, poor roads, limited access to funding, and low consumer demand related to inflation.

2.3 Developments in the oil and extractives sector

South Sudan’s oil sector has continued to be the primary driver of GDP growth, but further expansion will depend on higher oil investments. South Sudan has the third largest proven crude oil reserves in Sub Saharan Africa with a reported 3.5 billion barrels. With increased production following resumption of production in formerly damaged oil wells, the country is now estimated to export 62.1 million barrels in FY2020 from 49.1 million barrels in FY2019. However, current oil revenue has been heavily impacted by lower oil prices and OPEC+ production cuts, with South Sudan’s oil production down to an estimated 58.4 million barrels in FY2021. Government has postponed plans for an oil licensing round until FY2022 because of the impact of the COVID-19 crisis. While current oil production is still about half of what it used to be before the conflict, the sector is estimated to account for more than one-third of GDP, 90% of central government revenue, and more than 95% of the country’s exports.

Plans to increase oil production have been affected by COVID-19. Oil production was estimated at about 62.1 million barrels in FY20, a 26% increase from 49.1 million barrels in FY2019. Dar Petroleum Operating Company is estimated to have contributed 43.8 million barrels with Greater Pioneer Operating Company contributing an estimated 18.3 million barrels. Plans to bring Sudd Petroleum Operating Company (SPOC) online are constrained by the refinery capacity in Khartoum. At the moment SPOC is expected to contribute an initial 2.9 million barrels to the South Sudan oil production mix, rising to 5.8 million barrels as production is gradually ramped up. Government plans to make calls for bids for an exploration and production licensing round in the current year have been postponed until FY22 due to COVID-19. While the authorities have expressed interest in building an oil refinery, it is generally expected that investment plans may cool in the current year and probably recover with the global economy and prices.

South Sudan’s oil production has been associated with breaches of environmental safeguards leading to environmental pollution, health risks, and destruction of ecosystems. Oil operations in South Sudan have resulted in soil and water being polluted with toxic chemicals and heavy metals that have serious consequences on the health of residents in oil-rich regions. Environmental Contaminations usually result from wastewater, drilling muds, and oil spills[12]. Media reports have detailed how soil and water pollution with toxic chemicals and heavy metals have resulted in dire consequences on the health of residents in oil-rich regions, with increased number of

[12] Zwijnenburg, W. 2020. Black Gold Burning: In Search of South Sudan’s Oil Production. January 23.

birth defects, still births, a spike in unexplained illnesses[13]. At the same time, the disregard for environmental standards to safeguard activities in the oil industry has contributed to localized intercommunal conflict, particularly when livestock are killed. In addition, conflicts usually arise when fires result from oil spills, destroying grazing and cropping lands, leading to increased competition over communal resources.

The government is considering a comprehensive environmental audit of all of South Sudan's active oilfields. The government announced on January 10, 2020 that an independent and comprehensive environmental audit would be undertaken before any new oil exploration or operations take place in the country. According to a statement from the Ministry of Petroleum, the audit is designed to review the current environmental impact from all oil fields in the country and will reportedly underpin future implementation of best practices and control measures. The statement also expressed that the South Sudanese government would be less tolerant of "irresponsible activities" in the oil industry and would work to prevent "bad business" in the sector.

Aside from oil, South Sudan has immense potential for the exploitation of a number of minerals including: iron, copper, chromium, nickel, cobalt, zinc, tungsten, mica, silver, and gold, among others. Yet, since the signing of the Comprehensive Peace Agreement (CPA) and the establishment of the regional government of Southern Sudan in 2005, South Sudan's mineral resources have remained almost completely untapped.[14] Much of the ongoing activity in the mining sector is informal and of an artisanal nature. Consequently, trade in minerals is almost entirely unregulated and there is no effective legal framework to regulate the export of South Sudanese minerals. Few export certificates have been issued and mineral exports are not recorded. While also partly the consequence of limited state capacity, all of South Sudan's non-oil mineral exports are therefore, in principle, illegal. However, it was reported in mid-2019 that the government of the Republic of South Sudan signed mineral exploration deals with Canadian and U.S firms[15].

Gold mining is thriving in many parts of the country. However, most gold production in South Sudan is artisanal, meaning that relatively shallow alluvial deposits are mined using only rudimentary equipment. For many such miners, gold mining is one part of a broader livelihood strategy and is not a full-time occupation. Artisanal mining is also seasonal in South Sudan, peaking, in most areas, during the rainy season when the necessary water is more easily available. It is, therefore, difficult to estimate a total number of artisanal miners with any degree of accuracy, although a number in tens of thousands during peak times is plausible (see box 2).

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[13] Mednick, Sam (2020). South Sudan buries reports on oil pollution, birth defects. Associated Press News. https://apnews.com/fade1c85f9c691448d04b7d1f2df14f8

[14] Deng, D.K., Mertenskoetter, P., and van de Vondervoort, L. (2013). "Establishing a Mining Sector in Postwar South Sudan" Special Report 330, United States Institute of Peace: Washington, DC

[15] Xuequan, W. (2019). South Sudan ink mineral exploration deal with U.S., Canadian mining firms. http://www.xinhuanet.com/english/2019-09/16/c_138396422.htm

Box 2: The status of Gold mining in South Sudan

South Sudan has significant alluvial gold deposits. These are concentrated mainly in Central and Eastern Equatoria, although there is also gold-mining activity in Western Bahr el-Ghazal, Western Equatoria and Upper Nile. Unlike oil, alluvial gold deposits are relatively easy to exploit, with almost no capital or specialist equipment required. Gold has become more significant to the conflict economy in recent years. It could, however, also become an important source of public resources and local livelihoods. Gold mining in South Sudan is regulated by the Mining Act, 2012, which provides for a number of license categories, from prospecting to production, at various scales. According to the Ministry of Mining, however, only exploration licenses have been issued to date; these licenses give the holder the right to explore within the allocated concession area, but do not permit gold production. According to the Ministry, around 57 exploration licenses have been issued to date, although only a handful of companies are actively exploring their concessions owing to conflict and instability. The licenses are valid for five years and include an annual rental fee of $1.43 per cadastral unit. Informal artisanal mining down to a depth of 10 meters is also permitted under the Mining Act, 2012, but requires a mining license to be issued by local state authorities. No such licenses are being issued at present, largely because there is no capacity to do so at the state level. According to the Ministry of Mining, therefore, all gold produced in South Sudan is in effect produced illegally. In many cases, however, this illegality is a consequence of limited state capacity and reach, rather than criminality, with artisanal gold mining offering an important source of income to individuals and families with few alternatives available to them.

Source: United Nations Security Council (2019). Final report of the Panel of Experts on South Sudan

2.4 Pressure on prices and exchange rate has increased in the second half of 2020

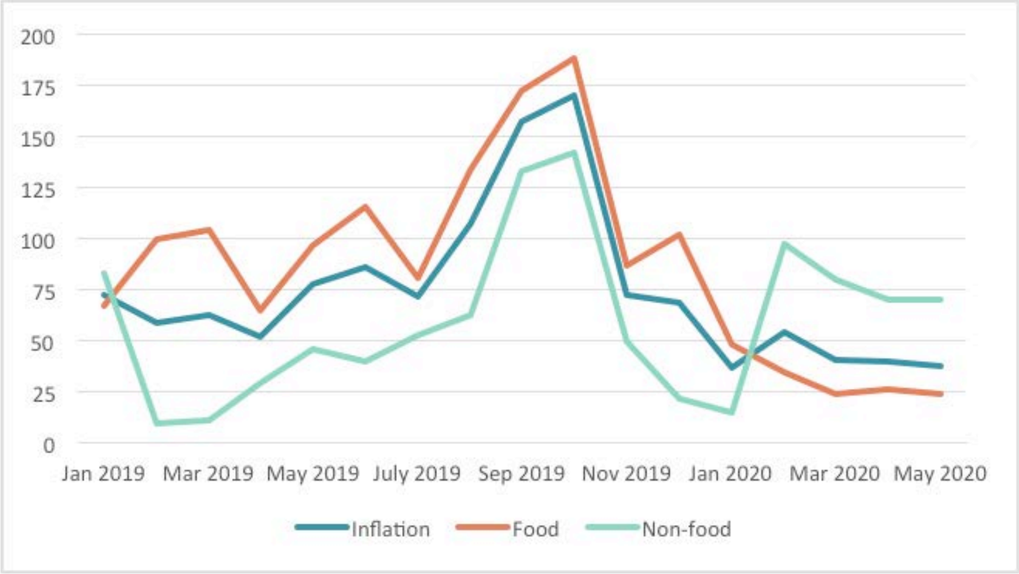
Inflation was high but declining in the pre-COVID-19 period. According to official data from the South Sudan National Bureau of Statistics, inflation had declined to 38% in May 2020 from 69% in December 2019, continuing a downward trend that started in the second half of 2019 after inflation peaked at 171% in October 2019. However, these trends are not supported by data from alternative sources as prices of essential commodities spiked starting in the first quarter of 2020, probably reflecting COVID-19 effects. During this time, movement of cargo trucks transporting petroleum, food items, and construction materials slowed down significantly as truck drivers were required to undergo COVID-19 screening procedures. However, to understand the exact impact of COVID-19 restrictions on food prices, the more frequent food prices data may be referred to. Thankfully, these data are available from the CLIMIS databases and are used in the following paragraph.

South Sudan has experienced pressure on food prices from COVID-19 trade restrictions and exchange rate depreciation. Data from the CLIMIS databases show visible food price pressure episodes. In the first such episode, border restrictions instituted to control the spread of COVID-19 slowed the movement of trade goods into South Sudan with a resulting impact on prices across the country. Consequently, the year-on-year increase of Juba prices of Maize flour was 44% in March, rising to 101% in April and 137% in June. Likewise, the year-on-year change in the prices of beans was 23% in March, 35% in April, and 58% in May. The pressure on food prices had started to dissipate in June and July as South Sudan inter-state and cross border movement restrictions were lifted. This is reflected, for example, in the decline in maize flour inflation from 137% in May to 74% in July. However, food inflation started rising again in a second episode from August 2020 as the exchange rate depreciated significantly on the parallel market. Combined with an approaching lean agricultural season and effects of floods in parts of the country, these developments have contributed to increases in prices of agricultural commodities.

Significant expansion of net claims on Government led monetary expansion in the first half of 2020. The monetary base expanded at a faster rate in the first half of 2020, more than at any time during 2019. This growth was led by large increases in net claims on government which nearly doubled to SSP 77 billion in June from SSP 35 billion in January 2020, and to SSP 141 billion in July 2020. This sustained expansion of Central Bank overdrafts to Government and associated monetary base expansion could partly explain developments in the foreign exchange rate markets with the SSP depreciating rapidly starting in the second half of 2020.

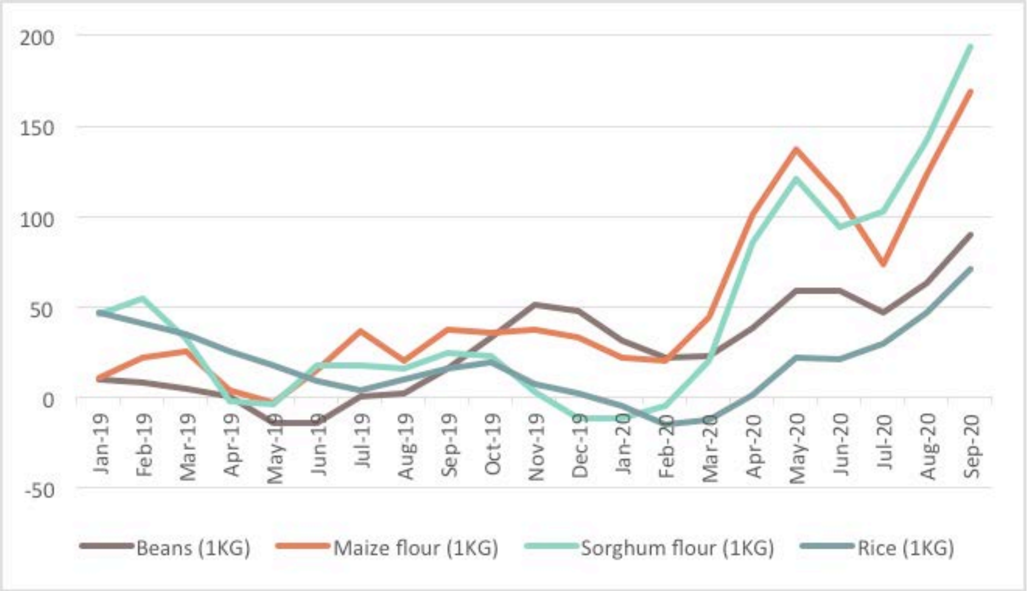
The market exchange rate has depreciated significantly in the first half of FY21. The market exchange rate had appreciated at the start of 2020 amid growing business confidence in the period leading to the formation of the unity government, and again in late March as the demand for SSP increased relative to that for USD after the RTGoNU introduced COVID-19 containment measures (hence limiting imports). The SSP traded at 260 in the second week of February and averaged 285 through much of March and April. However, a period of rapid depreciation followed and the SSP reached 500 for 1 USD during the 4th week of September 2020, and 750 by the second week of October 2020. Monetization of the budget deficit is the most likely cause of the sharp depreciation as data available Bank of South Sudan up to May 2020 show a significant growth in Government overdrafts from the Central Bank. The situation has been exacerbated by existing vulnerabilities, including lower oil prices and a decline in inward remittances. Given South Sudan’s high import dependence, the current developments have exerted upward pressure on prices leading to higher inflation.

Figure 10: Inflation developments



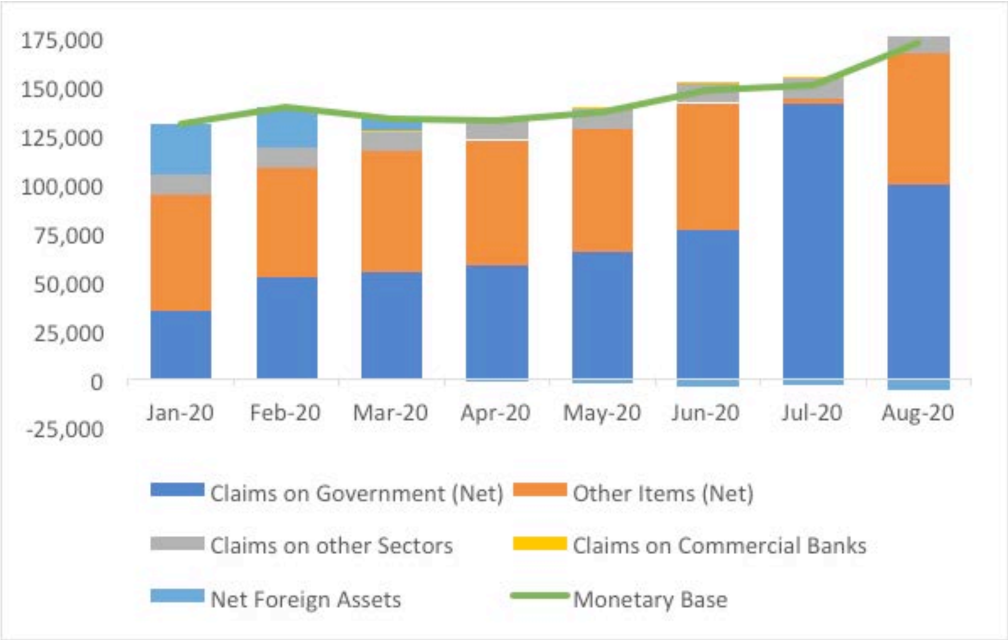
Source: South Sudan National Bureau of Statistics

Figure 11: Food prices have increased at a faster rate in 2020



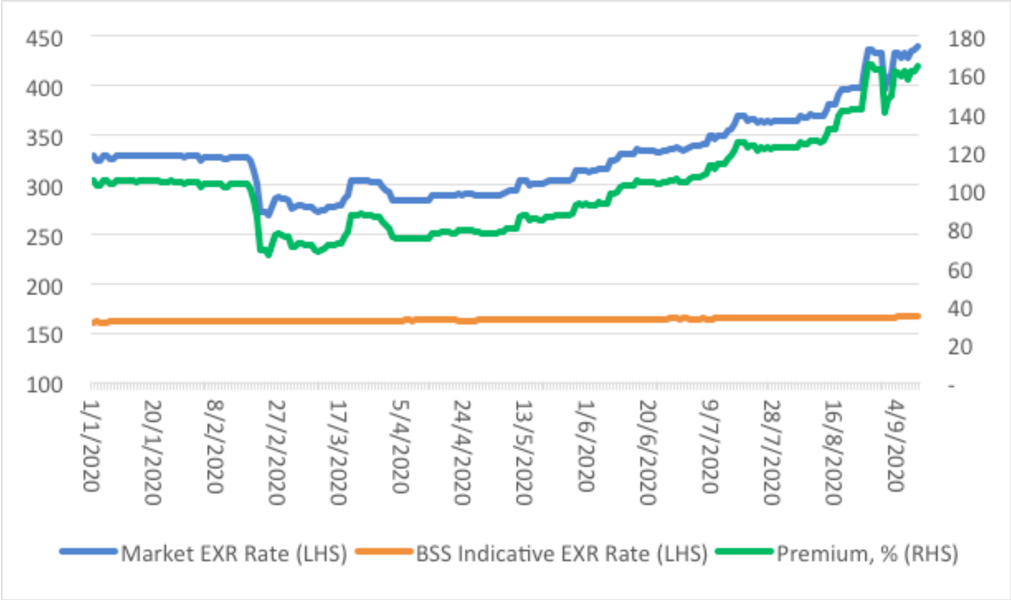
Source: Climis Database - http://www.climis-southsudan.org.

Figure 12: Central Bank Survey (SSP millions)



Source: Bank of South Sudan

Figure 13: Exchange rate developments



Source: Bank of South Sudan

The gap between the official and the parallel rates constitutes loss of revenue and therefore entails a large cost on investment and development resources flowing into South Sudan. The FX market has not been aligned to economic fundamentals, and the sharp depreciation of the SSP is mostly reflected in the parallel market and not the official market, showing that the foreign exchange market is already distorted. The current FX regime of maintaining "special accounts" had given rise to multiple currency practices, with an official BSS rate, commercial bank rate; and parallel market rates. However, in a significant move announced on August 19, 2020, the Bank of South Sudan announced the closure of special accounts with immediate effect, signalling a potential move towards a partial foreign exchange reform.

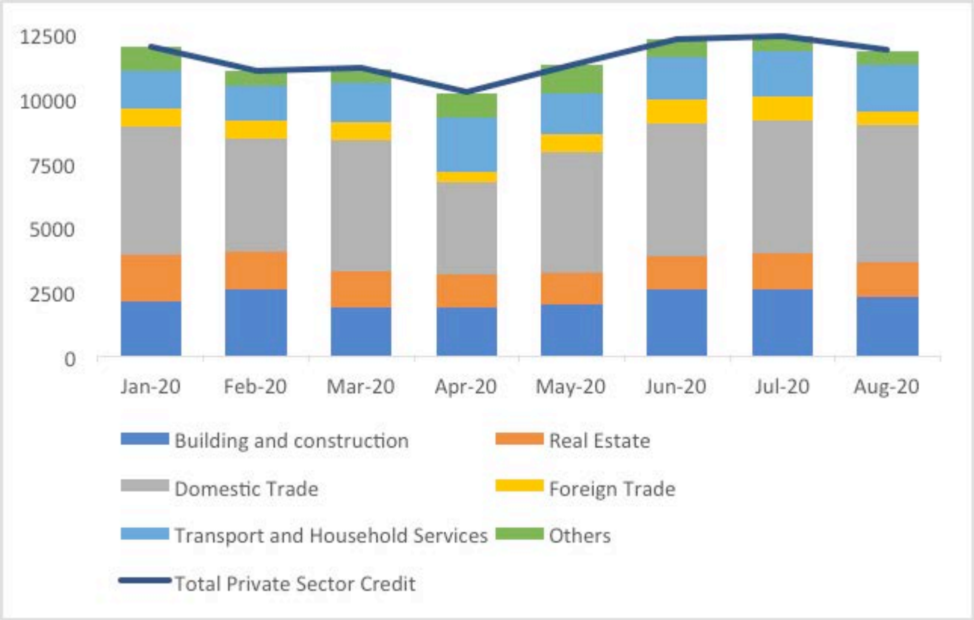
Exchange rate depreciation and rising inflation have affected purchasing power, putting households in both urban and rural areas in a difficult situation and depressing market demand. The cost of the national median Multi-Sectoral Minimum Expenditure Basket (MSSMEB) increased by about 18% between July and August, and 86% year-on-year. Locations in Northern Bahr el Ghazal and Lakes reported MSSMEB price increases more commonly than locations in other states, largely driven by currency depreciation and poor road conditions. The depreciation of the South Sudan pound has continued at a faster rate over the weeks preceding the writing of this report in October 2020, with the SSP trading at 750 for 1 USD in the second week of October, up from 450 one month earlier. In Juba, the depreciation of the SSP led to a rise in the cost of food basket by about 42% between August to mid-September 2020. These developments have led to a rise in the share of food expenditure, leaving households little to no resources to cover non-food needs, and depressing demand for the many self-employed South Sudanese offering non-food goods and services. There is a real risk that these price hikes will result in widespread poverty and force more people into a position where they depend on food assistance.

2.5 Financial sector developments

Private sector credit decelerated following COVID-19 containment restrictions but has since recovered to its low pre-COVID-19 levels. Credit conditions are dire and private sector credit growth weakened further in the first half of 2020 as COVID-19 led to near shutdown of formal economic activity in Juba and major towns. The South Sudan banking sector is generally small with limited financial intermediation. It is generally understood that banks are reluctant to lend given the substantial risks and economic uncertainty. Discussions with industry highlighted the fact that the impact of the coronavirus on the economy has led to a deterioration in the financial markets and an expected increase in non-performing loans (NPLs). With these challenges, credit to the private sector declined by 16% from already low levels, over a five-month period up to April 2020, before starting to recover in May (Figure 14).

Disruptions in trade activity as well as reduced household demand were the primary drivers of declining bank lending to the private sector. Over this period, credit to domestic and foreign trade declined by 13% and 89% respectively as the world instituted lockdowns and other measures to contain the spread of the COVID-19 pandemic. The recovery in private sector credit observed starting in May 2020 was driven by positive month-on-month credit growth to these two sectors as well as building and construction. However, credit to real estate, transport and household activities continued a downward trend.

Figure 14: Bank lending to the private sector, million SSP



Source of data: Bank of South Sudan

Table 1: Access to finance

	All businesses	Micro businesses	Small businesses	Medium businesses	Large businesses
% with an SSP checking account	44%	37%	57%	67%	84%
% with a foreign currency account	10%	6%	15%	26%	42%
% have taken a formal sector loan in the past three years	3%	2%	5%	7%	6%
% of businesses that took a formal sector loan to cope with a shock	7%	5%	8%	11%	15%
% of businesses that borrowed from family or friends to cope with a shock	67%	70%	64%	54%	44%
Number of businesses	*13,184*	*9,199*	*2,548*	*538*	*854*
Notes: Micro businesses employ up to 3 workers; small business 4-5 workers; medium businesses 6-9 workers; and large business at least 20 workers					

Source: National Bureau of Statistics, Integrated Business and Enterprise Survey 2019

Financial intermediation is weak and access to finance continues to be a major constraint on firm level competitiveness, resilience to shocks, and growth. The National Bureau of Statistics, Integrated Business and Enterprise Survey (2019) indicate that 44% of sampled firms reported having an SSP checking account and 10% have a foreign currency account. However, firms essentially do not use the formal financial system to access finance and hardly any businesses take formal loans - even among large firms. Only about 3% of firms have taken a bank loan over the past three years, and even among large firms, this share is only 6%. Similarly, businesses say they cover losses from shocks through loans or gifts from family and friends (67%) or using earnings or cutting salaries (30%). A mere 7% said they had borrowed from a bank, again with no higher use of credit among large firms.[16] While almost all loan applications require collateral, whose value is usually more than double the loan value, the land market is undeveloped, further constraining access to finance. In addition, property rights are not established and legislation allowing the use of chattels does not exist.

2.6 Fiscal Policy developments

The FY2019/20 budget deficit widened with large shortfalls for oil revenue. The FY2020 budget envisaged the government share from oil exports to increase to SSP 268.8 billion from SSP 198.2 billion realized in FY2019. However, with a plunge in oil prices, gross oil revenues are estimated to have turned out at SSP 201.1 billion, representing a shortfall of about SSP 67.7 billion. Non-oil tax revenues were more resilient and are estimated at SSP 31.8 billion compared to SSP 29.9 that was budgeted. At the same time, expenditures turned out at an estimated SSP 289.4 billion, lower than the budgeted SSP 311.5 billion. This was due to under execution of the capital budget: it was expected to contribute a sizeable proportion of expenditure (14.8% of GDP) but only 3% was realized. Despite improvements in revenue and capital budget under-execution, the overall cash balance is estimated to have widened to SSP 56.5 billion (6.8% of GDP) from the SSP 26.7 billion (3.2% of GDP) that was budgeted.

Revenue collection and the fiscal balance were improving before COVID-19 hit. Preliminary data for the first three quarters of FY20 suggested some improvements in tax collection. Indeed, some tax heads were collecting above the annual target as the National Revenue Authority continued the momentum built over the past two years. However, the COVID-19 containment measures affected business, and some policy decisions affected the gains made in the first half of the year. By the third quarter of FY2019/20, personal income tax collections were at 86% of target, sales tax were at 84.5%, excise taxes were at 121% (21% above target), business profit taxes were at 131% (31% above target). However, customs taxes were at 49%, signifying challenges in this particular tax head.

Poor budget execution has been exacerbated by lower revenue, with FY20 government spending on infrastructure and service delivery estimated to be lower than budgeted. The FY20 budget envisaged increased spending on roads infrastructure that would be operationalized through an oil-for-roads deal, with a daily allocation of 10,000 to 30,000 barrels approved for this purpose. However, estimates from official data indicate that under-execution challenges are more pronounced for capital and service delivery items. Capital spending is estimated at 22% of the amount budgeted, with significant under-execution in key sectors such as infrastructure (13% of the budgeted amount), health (27 %), social and humanitarian (9%), and education (73%). By contrast, current spending is estimated at 186% of budget, with accountability (483%), rule of law (345%), public administration (193%), and security (113%) all spending significantly above budget.

[16] World Bank (2020), *Insights from Surveys on Business and Enterprises in South Sudan*.

Table 2: Budgets and outturns, % of expenditure

	FY2019/20 allocations	FY2019/20 outturns (estimates)	FY2020/21 allocations
Accountability	6.8	36.6	0.2
Economic functions	1.4	0.3	8.2
Education	5.6	4.6	10.3
Health	1.1	0.3	1.9
Infrastructure	54.4	7.7	23.3
Natural Resources	0.7	0.6	2.8
Public Administration	9.7	20.9	10.2
Rule of Law	2.6	10.1	3.2
Security	10.5	13.3	8.4
Social & Humanitarian	2.7	0.3	1.1
Peace implementation	4.3	5.3	5.3
COVID-19 Fund	na	na	8.9
Arrears	na	na	10
Contingency Fund	1.4	0.0	5.3
Interest payments	0.5	1.0	1.0

Source: Ministry of Finance and Planning; IMF and World Bank staff estimates

Budget planning and execution challenges have led to persistence of expenditure arrears. Expenditure arrears continue to be a persistent and chronic problem in South Sudan and are a symptom of underlying weaknesses in the country's public financial management. The authorities estimate outstanding obligations for FY 2019/20 on the order of SSP 896 billion (108% of estimated FY20 GDP) excluding salaries. In addition, total salary arrears were estimated at SSP 18.45 billion and USD 1.63 billion categorized as follows: foreign missions, USD 1.63 billion (19 months); central government, SSP 6.17 billion (5 months), organized forces SSP 5.75 billion (5 months), state transfers SSP 6.53 billion (5 months). Without an approved arrears management strategy, budget execution will continue to be a challenge in the medium term.

The FY21 budget seeks to stabilize the economy, provide basic services, consolidate peace, and address COVID-19 effects. Given existing challenges, the available resources for spending are far less than the size of the government's expenditure outlays. Therefore, the focus shall be on existing obligations of salaries, operating expenses, capital, and outstanding salary arrears for FY 2019/2020 both at the national and subnational levels. The budget envisions 27% expenditure of available resources (net after deducting oil related expenses and TFA) on capital projects, 24% on wages, 13% on allocations to states, 13% on operating expenses, 9% on COVID-19 response, 5% on peace expenses, 5% on contingency items, and 1% on interest payments.

Table 3: Government fiscal operations, % of GDP

		2018/19 (Proj.)	2019/20 (Budget)	2019/20 (Est.)	2020/21 (Budget)	2020/21 (Proj.)
A	Total government revenue	29.1	36.2	28.2	16.8	25.8
	Oil revenue	25.5	32.5	24.4	15.3	24.1
	Non-oil tax revenue	3.6	3.6	3.8	1.6	1.7
	Grants	0.0	0.0	0.0	0.0	0.0
B	Government expenditure (C+E)	30.1	39.4	35.0	29.9	28.2
C	Recurrent spending	29.3	24.6	32.0	23.7	26.4
	Wages and salaries	3.1	3.3	4.4	4.5	3.8
D	Interest	0.5	0.1	2.0	0.2	1.0
E	Capital spending	0.8	14.8	3.0	6.2	1.8
	Primary balance (F+D)	-0.4	-3.1	-4.9	-12.8	-1.4
F	Overall balance (cash)	-0.9	-3.2	-6.8	-13.0	-2.4
	Variation arrears	2.2	3.2	3.2	0.0	0.0
	Financing	-3.2	-6.5	-10.1	-13.0	-2.4

Sources: Ministry of Finance and Economic Planning; IMF; World Bank staff estimates.

The FY21 budget envisages a more balanced allocation of resources, with a significant reduction on anticipated security sector spending. Across sectors, the budget envisions a large allocation to infrastructure (23%), which is expected to absorb 85% of capital spending. The security sector is expected to absorb 8.4% of budget while education has been allocated 10.3%; natural resources (including agriculture) 2.8%; and health 1.9%. The budget includes an allocation for the clearance of arrears both for central government and states, which is expected to absorb 10% of the budget.

The FY21 budget has a significant financing gap. The deficit in the FY21 is expected to rise to more than SSP 120 billion as both oil and non-oil revenues are expected to underperform. Oil revenues are expected to reach SSP 228.6 billion, with non-oil revenue declining to 15.7 billion. However, South Sudan must continue making transfers to Sudan estimated at SSP 91 billion. At the same time, other deductions will be made as follows: subsidies and transfers to public enterprises (8% of gross oil revenue); Ministry of Petroleum (3%); and oil producing states and communities (5%). However, going by past budget execution trends, outlays for capital spending are likely to be under executed, which combined with anticipated higher oil revenues, may help to narrow the deficit to about SSP 22 billion, significantly less than budget.

Box 3: Government COVID-19 response

The authorities instituted some monetary policy measures meant to alleviate the impacts of COVID-19 on the economy. On April 24, 2020, the Bank of South Sudan reduced the central bank rate by two percentage points to 13% from 15%. In addition, the reserve requirement ratio was reduced from 20% to 18%. This was followed by additional measures announced on July 7, 2020 that included reducing the Central Bank rate by a further 3 percentage points, down 10%, and further reduced the Reserve Requirement Ratio to 10%, and suspended the recent regulation of higher minimum paid-up capital for commercial banks[17]. BSS also reiterated that the South Sudanese Pound (SSP) is the only legal tender for settlement of domestic payments and encouraged banks to restructure loans as necessary. These measures were intended to reduce the cost of credit while supporting banking sector liquidity. According to the Governor, the Central Bank aims to restore confidence while providing additional liquidity support to the banking sector to address the fall in demand for credit.

Even before COVID-19 was confirmed in the country, the authorities set up a high-level taskforce to oversee the COVID-19 preparedness and response. The South Sudan government established a COVID-19 management structure with a High-Level Task Force (HLTF) chaired by the First Vice President Dr Riek Machar Teny soon after the declaration of the pandemic. This Task Force coordinated and communicated to the people of South Sudan the measures needed for the prevention of spread of the disease. At the same time, the government has allocated a COVID-19 fund of USD 8.0 million. Of which, USD 5.0 million was allocated to the Ministry of Health to combat the pandemic.

In addition, South Sudan has created two special committees to oversee critical economic and PFM reforms in response to COVID-19. On 17 April 2020, the South Sudan Minister of Finance released an order for the formation of a PFM oversight committee to implement the recommendation of the IMF. This ministerial committee order was intended to provide for the formation of PFM structures as follows: PFM oversight committee, PFM technical committee and the PFM secretariat. In addition, authorities have set up a technical committee to develop urgent alternative strategic sources of non-oil revenue to supplement the gap being created by dwindling global oil prices. At the same time, authorities are looking to explore the potential for trade in Gum Arabic, Gold, Sesame, Honey, and Diamond among other minerals as alternative sources of export revenue.

The Ministry of General Education launched a distance learning program for both primary and secondary school students during the COVID-19 lockdown. With the support of UNICEF and Girls Education South Sudan (GESS), South Sudan authorities have rolled out a distance-learning program to deliver lessons on core subjects including English, Mathematics, and Science. These were delivered over the radio and Television. According to Minister of General Education, Hon. Awut Deng Acuil, lessons would be delivered both in the mornings and afternoons aimed to reach the majority of learners in rural areas across the country.

[17] These measures were reversed in November 2020, increasing the central bank rate by 200 basis points to 15% and the reserve requirement ratio to 20% from 18%, signaling a tightening of the monetary policy stance.

2.7 Trade and external sector developments

Oil dominates South Sudan's exports. A reconstruction of South Sudan's trade data from international databases shows that the country's exports were estimated at USD 1.6 billion in 2019, representing a 5% reduction from USD 1.7 billion in 2018. Oil exports, which were estimated at USD 1.55 billion in 2019 and USD 1.54 billion in 2018, accounted for 96% of total exports in 2019 and 90% in 2018. Consequently, South Sudan is one of the least diversified and most oil-dependent countries in the world.

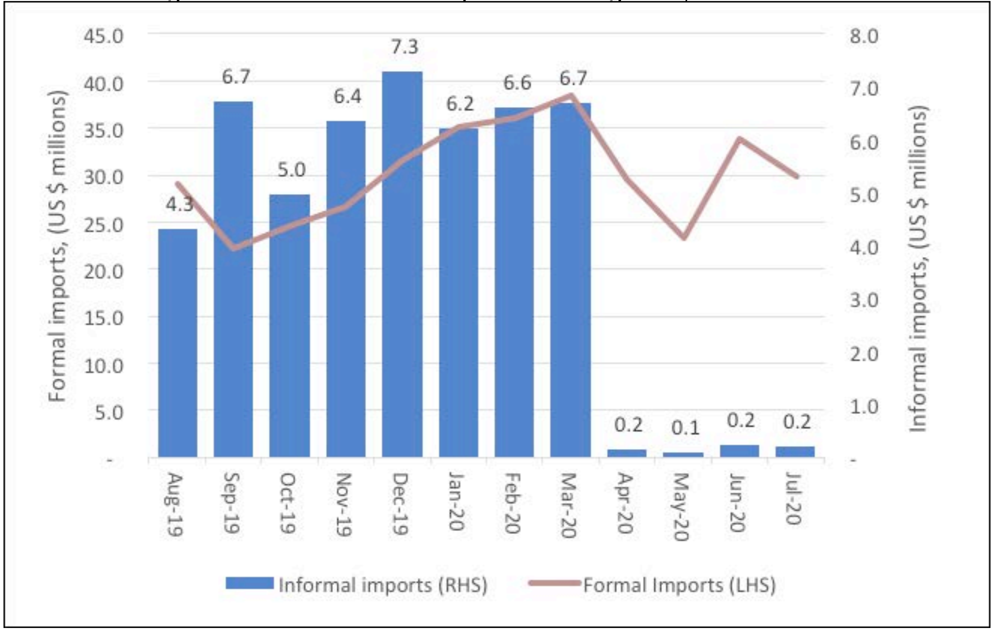
Outside of the oil sector, South Sudan has a diversity of low hanging fruits that could potentially lead diversification. Among South Sudan's official non-oil exports, the following could potentially play an important role: live animals, meats, hides, edible vegetables and fruit, oil seeds, wood and wood products, cotton, and non-oil minerals. In 2019, South Sudan exported live animals worth USD 107,000; oil seeds worth USD 294,000; and wood products worth USD 9.6 million. Other exports included meats, fish, dairy, and articles of apparel and textile. These products provide low hanging fruits that can be seized to build a diversified and competitive export sector that could provide opportunities for majority of South Sudanese.

COVID-19 safety measures affected the flow of cross border trade, resulting in longer clearance time and declining regional trade. This deterioration in the flow of trade was mostly related to delays at the border following the introduction of COVID-19 safety measures, such as the testing for truck drivers, with long queues developing at the borders. In early 2020, the Nimule-Elegu One Stop Border Post (OSBP) had been commissioned as the authorities sought to ease clearance of cargo along the South Sudan-Uganda border post, improving trade efficiency between South Sudan and Uganda, including trade among informal traders. Nimule is the most important border crossing for South Sudan, controlling over 90% of all trade cargo destined to the country. However, COVID-19-related safety measures, including restrictions on cross-border movement, and deteriorating economic conditions, resulted in lower trade volumes. Consequently, formal imports from Uganda declined 9.3% year-on-year over a three-month period March – May 2020.

The fall in informal trade was more dramatic as COVID-19 containment measures affected border movement. Uganda authorities started collecting data on informal cross border trade in 2007. The survey collects information on transactions in goods between residents and non-residents of Uganda that are not documented in the official customs clearance system and therefore are not included in the official trade statistics of the country. Bank of Uganda data show that informal cross border trade fell by 97% and did not immediately recover in the months that followed (at the time of writing, data was only available up to July 2020). Informal cross-border trade usually involves goods carried in small quantities across the border on foot, bicycle, motorbike, passenger car, and bus, and is a major livelihood source in border towns.

The functioning of markets and trade has been affected by conflict, deteriorating road conditions, and high transportation costs indirectly associated with COVID-19 restriction measures. Insecurity and inter-communal conflict in Central Equatoria, Jonglei, Unity, Lakes, Warrap, and Upper Nile periodically disrupt trade flows and market functioning in some rural areas. Since the start of the main season, rains in late May/early June, localized and heavy rainfall damaged segments of the western and eastern road corridors. In addition, measures in response to COVID-19 slowed down cross-border trade flows from source markets and domestic trade flows from market hubs, placing additional pressure on the local supply in key reference markets and rural markets. For example, quarterly import volumes of sorghum grain from Sudan were 93% below the 2018-2019 average from April to June; however, monthly import volumes from May to June increased by 19-28%, exhibiting some recovery. Similarly, import volumes of sorghum from Uganda via the Nimule cross-border entry point sharply declined between the first and second quarters of 2020, but have now stabilized. From April to June 2020, quarterly import volumes were 4% higher than the same period of 2019.

Figure 15: South Sudan imports from Uganda, USD millions



Source: Bank of Uganda

South Sudan's m-Gurush launched international remittance transfer service. South Sudan's mobile money service provider, m-Gurush, launched an international remittance transfer service on its mobile money platform in April 2020. Launched in 2019, m-Gurush has a wide network of agents across South Sudan that enable customers to register, deposit and withdraw money. With this service, the company aims to tap into the market for movement of funds across the region and the globe, with customers able to send and receive money denominated either in US dollars or South Sudanese pounds. The m-Gurush Mobile Money service is offered by Trinity Technologies Limited in partnership with Zain. Trinity Technologies is a local company specializing in the design and development of innovative financial services, online transactions and mobile payment systems.

South Sudan's remittances have been hit by the COVID-19 situation. It is anticipated that that remittances to South Sudan will decline by more than 6% during 2020[18]. Remittances accounted for about 27% of GDP in 2019, placing South Sudan among the most reliant on these flows. The fall in remittances will have a large impact on household consumption and poverty. Diaspora remittances are an important source of foreign exchange and funds for household consumption. Many South Sudanese, having fled the decades-long conflict in the country, have found work and residence abroad, usually sending remittances to their relations back home. These funds, coming from Europe, the Middle East, Australia, and North America, are critical for consumption smoothing and partly fund residential and commercial construction activities.

[18] https://www.knomad.org/publication/migration-and-development-brief-33 (Accessed: November 17, 2020)

PART 3
ECONOMIC OUTLOOK AND RISKS

PART 3: ECONOMIC OUTLOOK AND RISKS

3.1 The growth outlook has been affected by concurrent shocks

The COVID-19 pandemic, falling oil prices, and locust infestation have dramatically changed the macroeconomic outlook over a relatively short period of time. Economic growth prospects had improved prior to the COVID-19 pandemic, with South Sudan benefitting from increased production and a higher oil price, helping the economy to recover some growth during FY2019. The economy was expected to build on this positive turn and continue on a gradual growth trajectory. However, coupled with falling oil prices, COVID-19 containment measures scaled down economic activity significantly, resulting in a dire economic situation. In addition, parts of the country have been affected by an infestation of locusts, with preliminary FAO estimates indicating up to 20% crop losses in affected areas. At the same time, the flare-up of communal conflict in parts of the country is expected to stifle economic activity in affected states.

Looking forward, real GDP is projected to contract by -3.4% in FY21, driven by declining exports and private consumption. South Sudan's oil sector has continued to be the primary driver of growth, but further expansion will depend on higher oil investments. Recently, oil revenue has been heavily impacted by lower oil prices and OPEC+ production cuts, with South Sudan's oil production projected to decline to 58.4 million barrels in FY2021 from 62.1 million in FY2020. Activity in the oil sector is not expected to improve until FY2022/23 when oil production is projected to rise to 60.2 million barrels. At the same time, the current macroeconomic crisis with rising inflation, exchange rate depreciation and depressed demand is expected to weigh heavily on non-oil GDP, which is expected to contract by -1.9% in FY2020/21. No growth is projected for FY2021/22 as both oil and non-oil sectors will struggle to recover. Recovery beyond FY2020/21 is expected to be gradual and is predicated on the assumption of a rebound in the global economy that will support higher oil prices, investment, and remittances. In addition, commitment to a credible reform process, sustainability of peace, and resilience to climatic shocks are expected to play a critical role.

South Sudan's oil sector has continued to be the primary driver of GDP growth, but further expansion will depend on higher oil investments. South Sudan has the third largest proven crude oil reserves in Sub Saharan Africa with a reported 3.5 billion barrels. With increased production following resumption of production in formerly damaged oil wells, the country is now estimated to export 62.1 million barrels in FY2020 from 49.1 million barrels in FY2019. However, current oil revenue has been heavily impacted by lower oil prices and OPEC+ production cuts, with South Sudan's oil production down to an estimated 58.4 million barrels in FY2021. Government has postponed plans for an oil licensing round until FY2022 because of the impact of the COVID-19 crisis. While current oil production is still about half of what it used to be before the conflict, the sector is estimated to account for more than one-third of GDP, 90% of central government revenue, and more than 95% of the country's exports.

3.2 Risks to the outlook remain heavily tilted to the downside

The major risk to the outlook is the sustainability of peace and security in the country. While a government of national unity was formed in February 2020, the situation in South Sudan continues to be fluid. A flare-up in communal violence in parts of the country and slow implementation of key aspects of the peace agreement raise concerns on the sustainability of peace. A relapse to conflict would reverse the gains made in economy recovery and would exacerbate the macroeconomic and the humanitarian situation. A potential deadlock in implementing sustainable peace, and lack of political commitment to implement strong macroeconomic adjustment measures present major risks to the outlook.

Subdued oil prices on the international market could derail economic recovery. South Sudan heavily relies on the oil sector which is estimated to account for more than one-third of GDP, 90% of central government revenue, and more than 95% of the country's exports. Lower oil export revenue will affect government's resources, derailing government's investment program – which is already grossly underfunded. In addition, lower oil prices may affect sector investment plans, requiring South Sudan to quickly find alternative sources of growth. In the absence of major new oil discoveries to bring online, the known oil reserves could face rapid depletion in the coming years.

Table 4: Economic Outlook (annual percentage changes unless stated otherwise)

	FY2018/19 (Est.)	FY2019/20 (Proj.)	FY2020/21 (Proj.)	FY2021/22 (Proj.)	FY2022/23 (Proj.)
GDP at constant market prices	**3.2**	**9.3**	**-3.4**	**0.0**	**2.5**
Oil	10.7	27.5	-5.8	0.0	3.1
Non-oil	0.0	0.5	-1.9	0.0	2.2
GDP at constant factor prices	**3.2**	**9.3**	**-3.4**	**0.0**	**2.5**
Agriculture	9.9	3.8	1.5	2.2	2.3
Industry (Incl. oil)	20.9	27.5	-5.8	0.0	3.1
Services	-12.1	-9.6	-0.7	-0.5	1.8
Inflation (average)	63.6	72.2	32.2	24.4	18.7
Exchange rate, official (SSP/USD, average)	154	160	209	256	298
Exchange rate, market (SSP/USD, average)	251	308	…	…	…
Memorandum items					
Oil production (millions of barrels)	49.1	62.1	58.4	58.4	60.2
South Sudan's oil price ($US/bbl., average)	62.9	49.5	42.2	45.4	46.6
Brent price ($US/bbl., average)	64.9	51.5	44.2	47.4	48.6
Nominal GDP (SSP billions)	776	826	947	1,217	1,480

Source: South Sudanese authorities; World Bank, and IMF estimates

Reliance on rainfed and subsistence agriculture remains a downside risk to real GDP growth, the poor's income, and non-oil export earnings. As recent events highlight, households in South Sudan are particularly vulnerable to weather-related, pest, and other shocks. Thus, a renewed focus on building resilience—including through better water management, climate-smart farming practices, and more resilient seed varieties—is needed. With the security situation improving, the focus should also aim at triggering a year-round agricultural cycle that could improve household production and productivity.

Upside risks include recent advances in the development of a COVID-19 vaccine and faster-than-projected agricultural sector recovery. Recent advances in the development of a COVID-19 vaccine have raised hopes that the global economy could recover faster, which should support an uptick in oil prices, inward investment, and remittances. At the same time, recent analysis suggests that in coming years, growing seasons across South Sudan will start earlier, last longer, and have more days with greater than 5mm of rain[19]. This suggests that recovery of South Sudan's agricultural sector can potentially benefit from changing climatic trends. Finally, postwar reconstruction could potentially benefit from the peace dividends, leading to faster than anticipated growth in non-oil sectors.

The COVID-19 pandemic might leave lasting damage on the economy. While the major effects of COVID-19 on the South Sudan economy were indirect, these effects could have exacerbated existing vulnerabilities with long-term implications for growth and development. Earlier in April 2020, a University of Juba survey on the socioeconomic impacts of COVID-19 showed that the share of households that had only one meal per day had doubled from 33% in February to 64%[20]. At the same time, COVID-19 restrictions affected access to schools and hospitals, disrupted humanitarian programs, and reduced market activity, including cross-border trade. Part 4 of this economic update will delve into these issues further, providing a nuanced analysis of the socioeconomic impacts of COVID-19 on households, markets, and businesses and potential long-term consequences.

[19] World Bank (2020). Agricultural and Food Insecurity Dynamics (2006 – 2020). South Sudan Conflict Economy Dynamics.

[20] University of Juba, Socio-Economic Impact Assessment of Covid19 on the livelihood of people in South Sudan. Rapid Household Assessment in Juba.

PART 4

LIVING STANDARDS AND SOCIOECONOMIC IMPACTS OF COVID-19

PART 4: LIVING STANDARDS AND SOCIOECONOMIC IMPACTS OF COVID-19

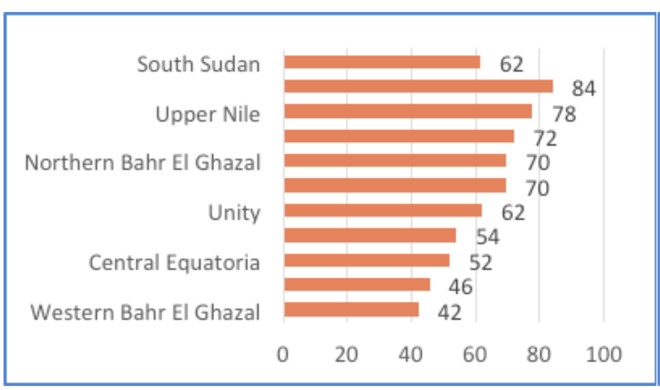
This section assesses the impact of COVID-19 using the World Bank's monitoring surveys and provides background analysis based on representative recent data from humanitarian partners. Collecting data is difficult in South Sudan's security environment, and the COVID-19 pandemic poses additional challenges. This section uses three of the World Bank's COVID-19 phone-based monitoring surveys (see Box 5) to describe the impact of the pandemic on household livelihoods, connections to the labor market, and welfare. In order to provide background on the state of welfare outcomes before the pandemic, it draws upon the most recent nationally representative data available, FAO's Food Security and Nutrition Monitoring Systems (FSNMS), as well as IOM's Displacement Tracking Matrix (DTM) data (see Box 4 for a brief description of these data).

4.1 Livelihood sources are limited and access to services constrained

In South Sudan's economy, it is at times hard to predict how macro-fiscal developments will affect livelihoods, so that it is useful to track living standards alongside macro-fiscal policy. The decision to start tracking living standards in South Sudan's Economic Updates was born out of an observed disconnect between the macro-level drivers of growth and micro-level developments with regard to improvements in people's living standards. Specifically, South Sudan's oil led growth has not been responsive to service delivery and human capital development needs on the ground, with the result that South Sudanese are among the poorest people in the world.

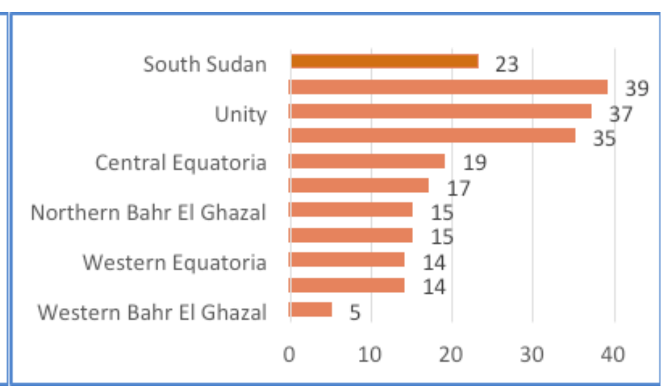
Most of the households in South Sudan are female-headed, and there are big variations across states. At national level, about 62% of the households are female-headed and only 38% are headed by males (see figure 16). At state level, Jonglei State has the highest percentage of female-headed households at 84% followed by Upper Nile (78%) and Lakes (72%). In all states, except Western Bahr El Ghazal and Warrap, more than a half of the households are female-headed. This may reflect conflict dynamics on the ground with men deserting their families to engage in combat or be displaced internally or as refugees.

Fig 16: Female headed households, %



Source: FAO's FSNMS data

Figure 17: Households with at least one member migrating during past one year, %



Source: FAO's FSNMS data

Migration within and across states as well as outside the country is common in South Sudan. Overall, 23% of households reported migration of at least one member to other parts of the country in the 12 twelve months prior to the survey for reasons not related to insecurity. Of those who migrated, 43% moved to a town or city within South Sudan, while 37% relocated to a neighboring country, mainly Uganda, Ethiopia, Democratic Republic of Congo, Kenya, Sudan or Central African Republic. The states with the high proportion of households with at least one member who migrated include Jonglei (39%), Unity (37%) and Upper Nile (35%) (see Figure 17). Migration is mainly driven by insecurity, food scarcity, and poor access to social services, among others. While rural-urban migration is good for skilled persons who are able to get better paying jobs and improve their livelihoods, it might have negative consequences for the unskilled, who after failing to obtain better opportunities may resort to the next available occupations, including crime. In this analysis, the data shows the destination of emigrants and what they are doing.

Box 4: FAO's Food Security and Nutrition Monitoring System (FSNMS) and IOM's Displacement Tracking Matrix (DTM) data

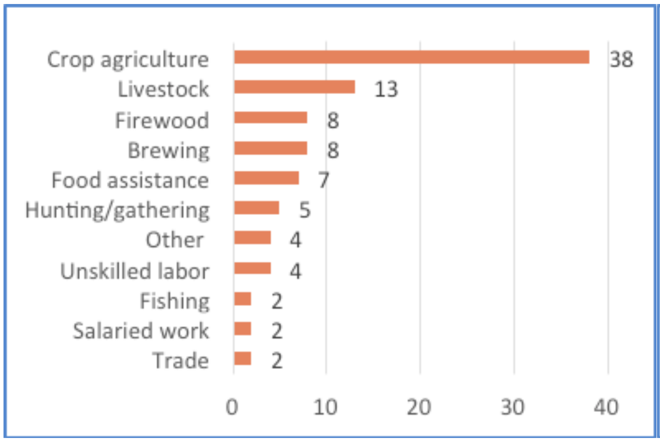
This edition of the South Sudan Economic Update used two datasets to provide insights into the evolution of and drivers of living standards in South Sudan before COVID-19.

First, the study uses the latest Food Security and Nutrition Monitoring System (FSNMS) which was collected in December 2019. FSNMS is a collaborative activity of WFP, FAO, UNICEF, Government of South Sudan and NGO partners from the Food Security and Livelihood cluster in South Sudan. The Update has taken advantage of Round 25 of FSNMS data which was collected in November and December 2019 and sampled 8,529 households in 78 counties. The sample design and sample calculation was based on standard food security indicators. Sample calculation for food security component was representative at county level. In each county, a total of 9 clusters were randomly selected and then 12 households within each cluster randomly selected to be included in the assessment. The Food Security Monitoring System (FSMS) started in 2010 and is seasonal, conducted nationally three times per a year to correspond with Post-harvest (March), Lean Season (June/July); and Harvest Season (November). FSNMS focuses mainly on Food Security-related information. While the data is nationally representative, the methodology of data collection has changed over time.

Second, the study uses International Organization for Migration (IOM)'s Displacement Tracking Matrix (DTM) data. Specifically, the study utilizes settlement level data from the eighth round of Mobility Tracking across South Sudan through key-informant based assessments conducted between February and March 2020. Mobility Tracking quantifies the presence of internally displaced persons (IDPs) and returnees in South Sudan in displacement sites and host communities. IOM DTM mapped a total of 1,600,254 IDPs (6% previously displaced abroad) and 1,533,390 returnees (33% previously displaced abroad) in 2,747 locations across South Sudan as of March 2020. The survey covered 500 payams (sub-areas) in all 78 counties. This subsection also uses WHO/IOM joint analysis on health service availability, based on WHO facility-level data collected in June 2020, which reflects gaps in access to functional health facilities by IDPs and returnees.

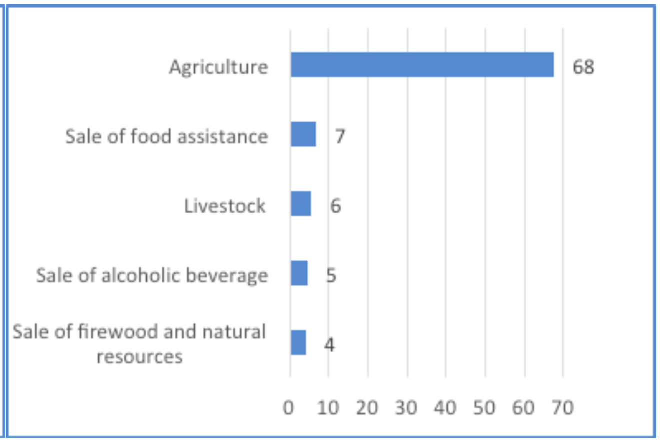
Households mainly depend on agriculture and livestock as the main livelihood sources, but a sizeable number depend on highly vulnerable livelihood sources. Overall, about 38% of the households reported that they depend on crop production and 13% on livestock as the main livelihood sources (Figure 18). The other reported livelihood sources are brewing and selling firewood (each reported by 8% of the households). Food assistance in the form of donations was also mentioned as a main livelihood source by 7% of the households while hunting and gathering was reported by 5% of the households. The reported livelihood sources such as dependence on food assistance, hunting and gathering, selling firewood and brewing are unsustainable and indicate high vulnerability levels. Households generate income from agriculture and livestock, followed by sale of food assistance, sale of alcoholic beverages, and sale of firewood and natural resources.

Figure 18: Sources of Livelihoods (Food and Income), %



Source: FAO's FSNMS data

Figure 19: Main source of income for household, %



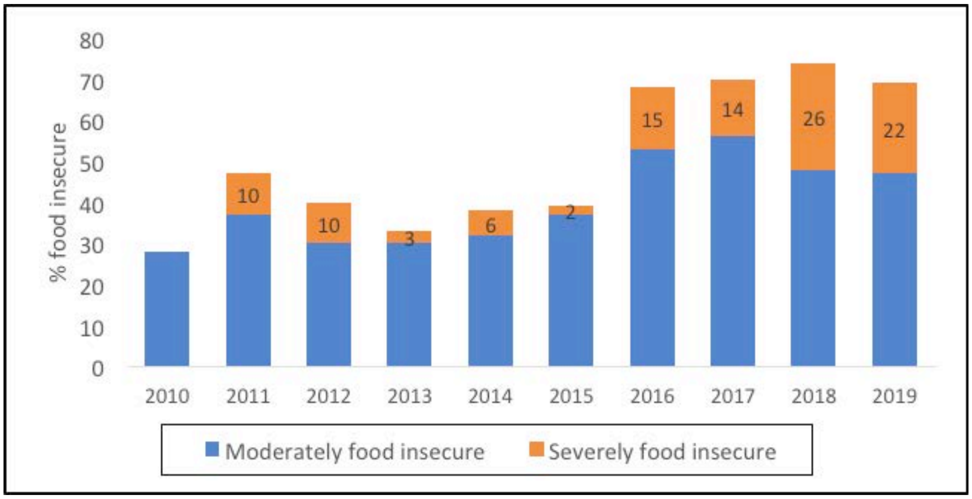
Source: FAO's FSNMS data

Across all the states, agriculture is the main source of livelihood, with reliance on food assistance highest among states with highest percentage of female-headed households. Overall, at the country level, the main households' sources for food and income were agriculture (38%), livestock (13%), sale of alcoholic beverages (8%), sale of firewood/natural resources (8%) and sale of food assistance (7%) (see Figure 18). Disaggregating by state shows that Jonglei state has the highest percentage of households which rely on food assistance (24%) followed by Unity state (19%) and Upper Nile (8%) in that order. These results corroborate with the findings above which shows that the same states had the highest percentage of households with migrants, and female-headed households.

Household food insecurity remains high in South Sudan and the percentage of moderately and severely food insecure households have increased over time. The high levels of food insecurity are driven by the insecurity which caused population displacements and livelihood disruptions; climatic shocks, including floods, have over the years led to crop destruction that impeded households' access to various food sources such as wild foods, fish and livestock products. Furthermore, high prices of food commodities and sustained depreciation of the South Sudanese pound against the United States Dollar has reduced the purchasing power of vulnerable households who are mostly dependent on markets to meet their food and other basic needs. Overall, the percentage of moderately and severely food insecure households have increased over time. For example, the percentage of severely food insecure households was 0 in 2010 and gradually increased to about 23% in 2019. In addition, the percentage of moderately poor households was 28% in 2010 and increased to 47% in 2019.

Limited livelihood sources have been associated with greater food insecurity. States with limited livelihood options, particularly those that have high dependence on food assistance, hunting and gathering, and selling firewood, are susceptible to suffer from food insecurity. Across all states, more than 50% of the households were classified as either moderately or severely food insecure, with Jonglei state sharing the highest burden of food insecurity with 87% of households either moderately food insecure (49%) or severely food insecure (38%) (Figure 22). Other states with high food insecurity include Upper Nile State (74%), Western Bahr el Ghazal (78), Central Equatorial (82%), Northern Bahr el Ghazal (70), and Lakes (69%).

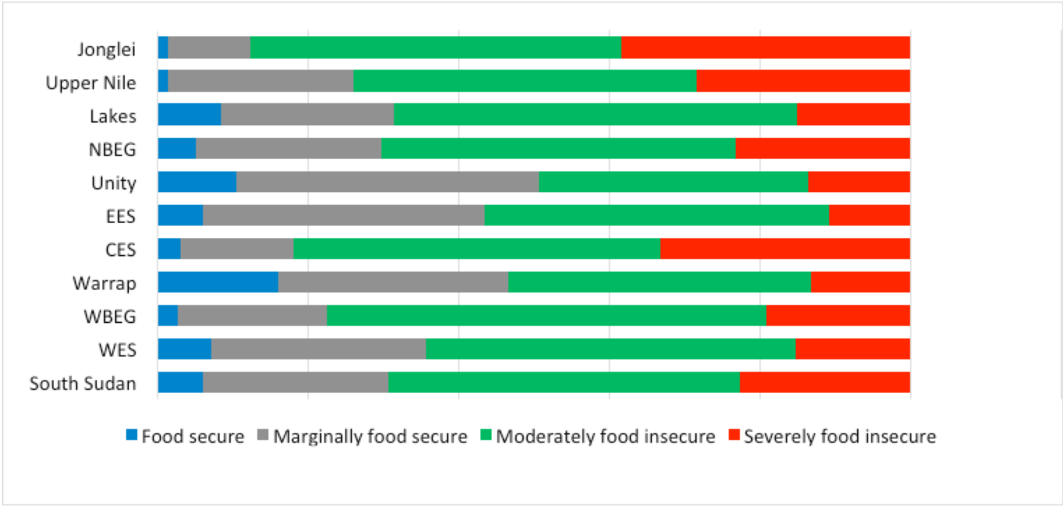
Figure 20: Evolution of food insecure households in South Sudan, %



Source: Computed using FAO's FSNMS data

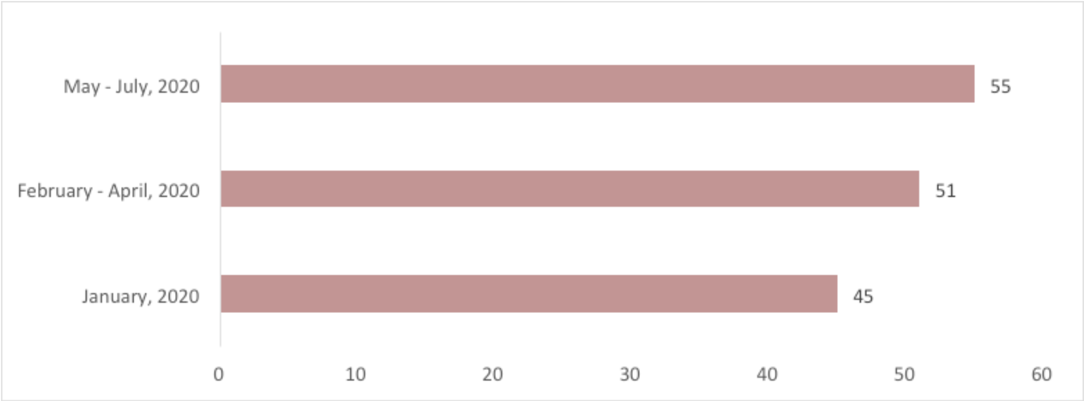
COVID-19 exacerbated the food insecurity situation, with the disruption of supply chains and increase in market prices. Based on the FAO's Integrated Food Security Phase Classification (IPC), acute food insecurity increased during 2020 from 45% of households falling into acute food insecurity category in January, to 51% for the period February to April, and to 55% during the period May-July 2020. The rapid increase in acute food insecurity during 2020 is explained by COVID-19 which affected the supply chains leading to an increase in prices. In addition, COVID-19 could have greatly affected the states that relied most on food assistance resulting in an increase in acute food insecurity.

Figure 21: Food Security by state in 2019, %



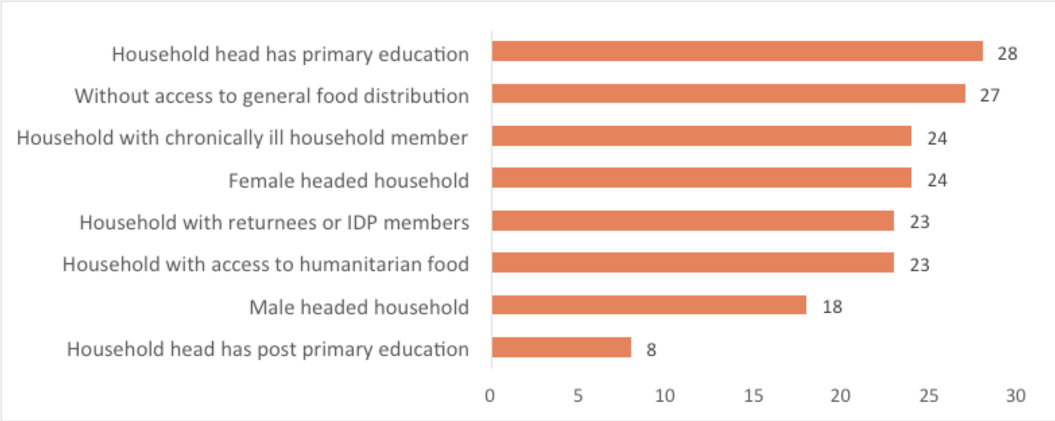
Source: Computed using FAO's FSNMS data

Figure 22: Households facings acute food insecurity, %



Source: Computed using FAO's FSNMS data

Figure 23: Characteristics of households that are severely food insecure, %



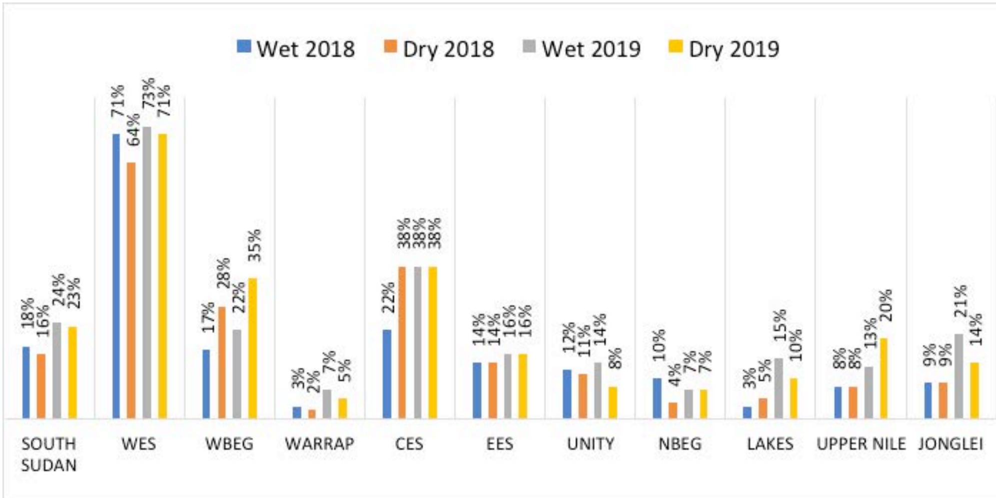
Source: Computed using FAO's FSNMS data

Food insecurity outcomes are associated with gender of the household head and education attainment to a significant degree. Female headed households are particularly vulnerable to severe food insecurity, with 24% of female headed households severely food insecure compared to 18% of male headed households. At the same time, food insecurity is associated with low educational attainment, with 28% of the households whose household head is educated up to maximum of primary level facing severe food insecurity compared to only 8% of those whose head had post-primary education. These results suggest that those with no or very low education attainment have limited access to better paying employment opportunities and hence are more likely to suffer from food insecurity.

Safety net interventions such as in-kind transfers have a potential to reduce severe food insecurity. Vulnerable households are more susceptible to severe food insecurity, with 23% of the household hosting orphans/ returnees and IDPs suffering from severe food insecurity. In addition, 24% of the households with a physically/mentally disabled/chronically ill or injured member faced severe food insecurity. Food insecurity was shown to be higher among households without access to general food distribution in the last month preceding the survey, facing severe food insecurity (27%), and lower among households that benefited from the general food distribution (23 %).

Access to basic hygiene has improved but many households lack improved water, sanitation and hygiene facilities, reflecting the general lack of service delivery. At national-level, access to latrines increased from 16-18% in 2018 to 23-24% in 2019. However, only 17% of households had a latrine in the compound. 34% of the households reported that they have access to clean water within 30 minutes walkable distance. In addition, the national level averages are driven by the high levels of reported access in Western Equatorial by more than 60% of the households. The disaggregation shows that less than 10% of households in some states such as Warrap and Northern Bahr el Ghazal have access to latrines. Apart from Western Equatorial, less than 40% of households have access to latrines in all other states and the national average is 23%.

Figure 24: Access to latrine by state, %



Source: Computed using FAO's FSNMS data

4.2 Internally displaced populations experience significant service delivery gaps

South Sudan has had 1.6 million internally displaced persons (IDPs) who arrived between 2014 and 2020 and about 1.5 returnees who reached their areas of habitual residence since 2016. The vast majority of IDPs (94%) were previously displaced only within South Sudan whereas the remaining 6% were previously displaced abroad. Likewise, most of the returnees arrived from within the country (67%) while 33% returned to their areas of habitual residence from displacement abroad, mainly Uganda. In addition to flooding, the heightened conflict intensity has been a major driver of displacement. According to DTM event tracking data, more than 170,000 IDPs got displaced due to sub-national and inter-communal violence between January and early October 2020. Another 230,000 got displaced due to floods. The majority of displacement events tracked by DTM occurred in Warrap, Jonglei and Central Equatoria states.

Figure 25: Origin of IDPs

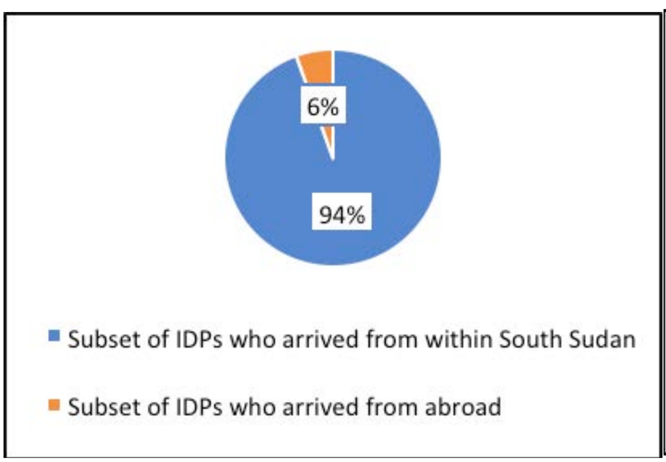
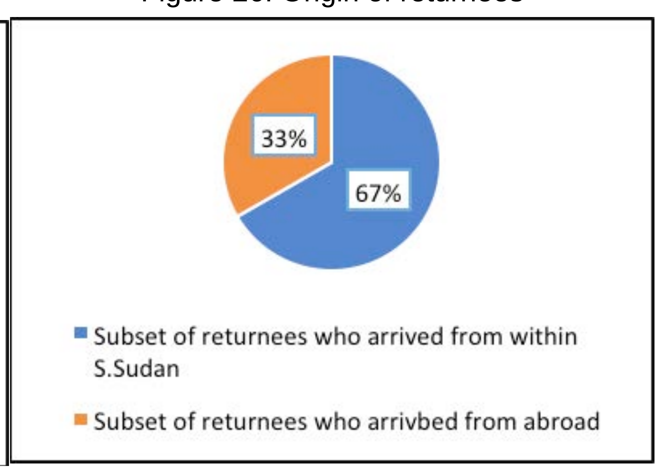


Figure 26: Origin of returnees



Source: Computed using IOM's Data Tracking Matrix, 2020

Females outnumber males among internally displaced populations. Data from IOM's Displacement Tracking indicated that nearly three out of five IDPS are women (56% in 2020 and 58% in 2019) and this is consistent with the findings in previous section which highlighted the fact that more households in the country are female-headed. Overall, most IDPs are aged between 18 and 45 years, followed by the age cohort 5-17 years and 46-59 years. Throughout all age groups, women dominate as IDPs compared to men.

Figure 27: IDPs by Sex in 2019

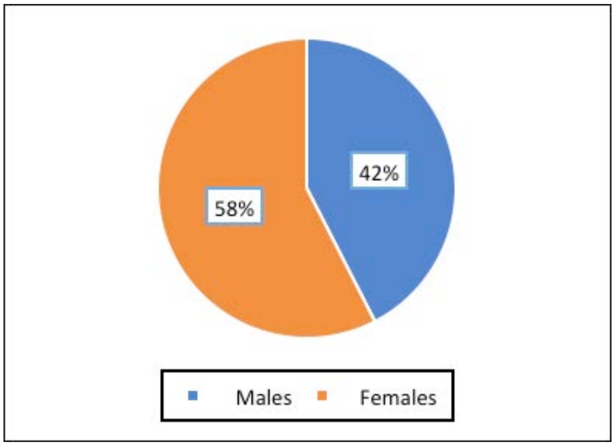
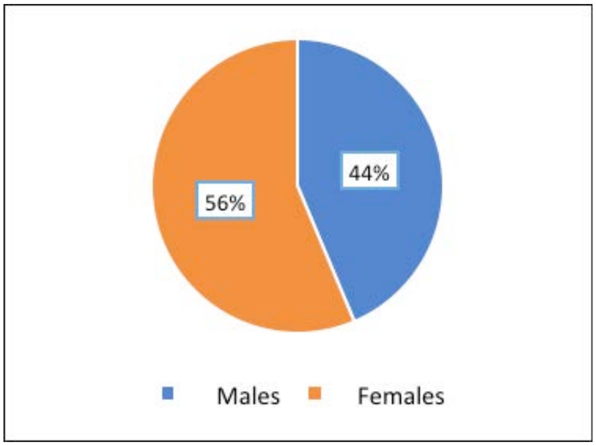


Figure 28: IDPs by Sex in 2020



Source: Computed using IOM's Data Tracking Matrix, 2020

Health service delivery is limited and access to functional health facilities is constrained among the IDP population. There is a significant number of IDPs who are located more than 5km from health centers. For instance, the latest IOM-WHO estimates show that 23.7% of IDPs and 25.4% of returnees live in settlements located more than 5km from a functional health facility while 0.3% of IDPs and 0.5% of returnees live in settlements that are within the 5km range of facilities with only limited functionality. The states with the largest health access gaps in terms of population are Upper Nile (25.1% of IDPs and returnees live in settlements more than 5km from the closest functional health facility), Jonglei (26.9% of IDPs and returnees) and Warrap (31.5% of IDPs and returnees).

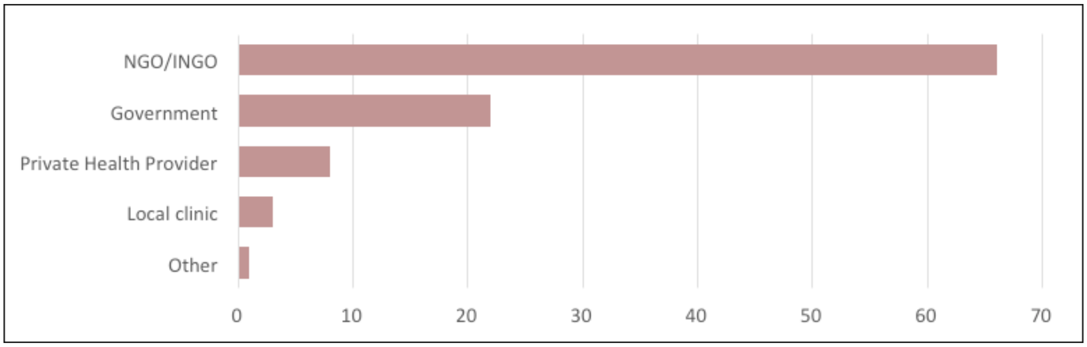
Non-governmental organizations (NGO) and international non-governmental organizations (INGO) are the main providers of health services in IDPs' settlements. Healthcare services are provided by non-governmental organizations in two out of three (66%) IDP settlements. Services from government (22%) and private health service providers (8%) do exist at a lower scale. Overall, healthcare services were available in 88% of IDP settlements in 2020.

Malaria was reported as the most common health concern among the internally displaced population. More than four in five IDPs (82%) reported malaria as the most challenging health concern. Other common diseases include diarrhea, skin diseases, respiratory diseases, and complicated pregnancies for mothers. It should be noted that diarrhea, and skin diseases such as scabies are caused by poor hygiene which is a major challenge in IDP camps. While most IDPs (88%) reported that they would have access to health services if needed, more detailed analysis points to significant gaps in health service delivery.

With limited physical infrastructure, most school-going children in IDP settlements receive education from temporary learning spaces. The settlement level data indicates that almost nine out of ten (88%) of the surveyed IDP settlements in South Sudan have access to primary schools. However, more than 50% of IDP settlements have their children learn in temporary spaces and only 36% of the settlements have access to formal primary education schools. This puts a question to the sustainability of the education especially if the support to the temporary structures reduces.

Most of the learning centers and schools are located near settlements. School going children receive their education within 1 kilometer's distance from their home in 43% of IDP settlements, while the distance covered to access schools increases to 1-2 kilometers in 29% of IDP settlements. This might largely be explained by the use of temporary structures which are placed near IDP settlements. Also, at individual level, the DTM mobility tracking data shows that 21.8% of IDPs, and 22.7% of returnees live in settlements that are farther than 6 kilometers away from the closest primary education facility, and that 57.8% of IDPs and 62.7% of returnees live in settlements where no more than half of the children are attending primary education.

Figure 29: Provider of Health Service/Facility



Source: Computed using IOM's Data Tracking Matrix, 2020

Figure 30: Distance to the nearby Primary Facility

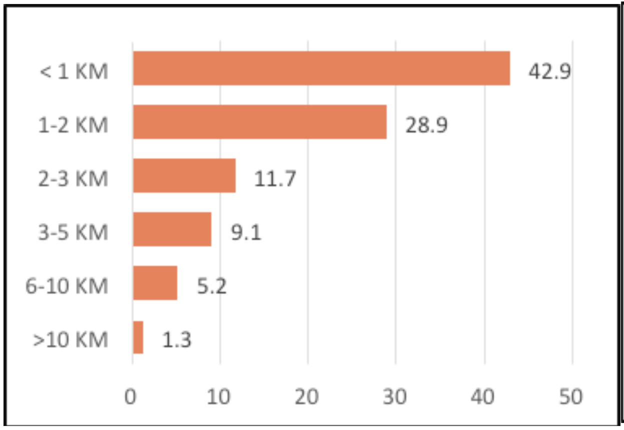
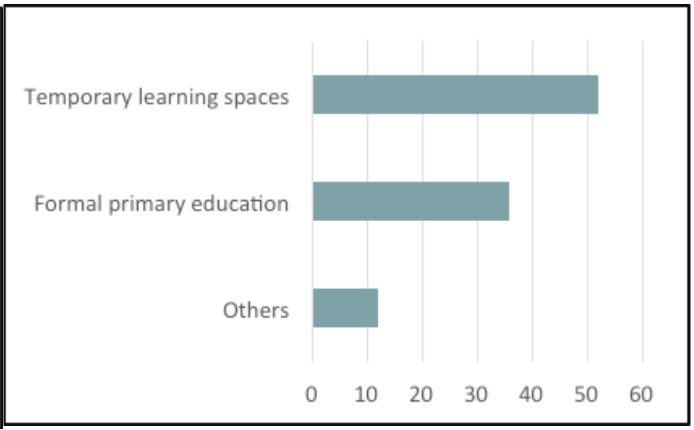


Figure 31: Type of Education Facility, % of total



Source: Computed using IOM's Data Tracking Matrix, 2020

To track the impact of the COVID-19 pandemic in South Sudan, the World Bank conducted rapid phone surveys between June 9 and July 3, 2020. Respondents included 1,213 mostly urban households, 118 market traders, and 612 businesses[21]. In summary, since the onset of the COVID-19 pandemic, health concerns, containment measures, and the global economic downturn have taken a toll on livelihoods. Mandated closures to COVID-19 have subsided, and there has been limited change in urban job activities and the main business constraints, though supply chains remain affected. However, income from business activities at all levels has declined markedly, chiefly due to depressed aggregate demand – a second-round effect of the macro-fiscal difficulties that result from the pandemic (discussed in Part 1 of this report). Policy priorities to promote better jobs and growth in business activities remain the same as before the pandemic. However, support has become more urgent, in particular, activities to strengthen resilience at the household level, and restore aggregate demand for business activities.

Whose experience is captured in the rapid surveys?

Box 5 describes the methods used in collecting data through the rapid phone surveys, and explains to what degree results are representative. In brief, readers should keep in mind the following aspects.

Household Monitoring Survey: household-related statistics largely representative of urban households, but individual respondents more likely to be men, household heads, and educated. Not representative of rural households.

Business Monitoring Survey: representative of urban businesses.

Market Monitoring Survey: not representative of all traders; should be viewed as illustrative.

4.3 COVID-19 has disrupted economic life

The pandemic's effects have slowed economic activity at a time when greater stability had allowed recovery to begin. When last surveyed in summer and fall 2019, households, market traders, and businesses alike reported that they were beginning to see some improvements in their economic lives after years of conflict.[22] The arrival of the pandemic and its systemic effects in the world economy has reversed some of these dynamics. Households report some difficulties in accessing markets, health care, and education. While few businesses and traders have ended their market activities, many more worry about the prospects for their businesses, in particular in the face of depressed consumer demand. NGOs – an important part of economic life in South Sudan – have reduced their activities.

[21] World Bank (2020), *Monitoring Covid19 Impacts on Households in South Sudan;* World Bank (2020), *Monitoring Covid19 Impacts on Businesses and Markets in South Sudan.*

[22] World Bank (2020), *Jobs, Recovery, and Peacebuilding in Urban South Sudan – Synthesis Report*.

COVID-19 has disrupted household access to markets and other essential services, including healthcare. A fifth of HMS households (19%) reported being unable to access any market at some point during the first three months since containment measures were put in place. This response could speak to market disruption while lock-down policies were in place in April and early May, but might also be due to unrelated factors such as road inaccessibility or insecurity. Nearly half of households (46%) reported that they had not been able to buy their main staple food at some point in time since containment measures were put in place. As shown in Table 5, however, the most common reason cited for their inability to buy their main staple food did not relate to closure of markets. Rather, it was due to a lack of money (44%), consistent with the high initial poverty level and further loss of income during the crisis. The second most prevalent reason for not being able to purchase staple food was an unaffordable increase in price, with rather similar experiences across the country.[23] About one sixth of households with a member who had sought medical care since the containment measures said they had been unable to access treatment. The main reasons provided were because of a lack of money to pay for treatment, and because medical personnel were not available.

Table 5: Reasons why households were unable to buy main staple food

Could not buy main staple food because…	C.E.	Urban excl. C.E.	Rural	National
…shops out of stock	6%	8%	8%	7%
…local markets closed	3%	2%	2%	2%
...no transport	0%	0%	2%	1%
…restrictions to going outside	1%	2%	0%	1%
…increase in price	11%	10%	12%	11%
…lack of money	45%	43%	45%	44%

COVID-19 mandated closures affected school learners, with implications for long-term human capital development. In March 2020, South Sudan closed schools across the country, affecting almost two million learners. For children in poor families in particular, the long-term impacts of lost months of schooling and nutrition will jeopardize their development of human capital and their earning potential. As of June 2020, less than one third of children (32%) who attended schools before they were closed were engaged in distance learning activities. The differences across the country are large. In rural areas, only 20% of households have children engaged in any form of learning activity, compared to 30% of households in urban areas outside Central Equatoria, and 48% in Central Equatoria (Figure 32). For school-age children in South Sudan, the most common learning activity taking place during school shutdowns was listening to classes on the radio (Figure 33). There were once again large differences over the three strata of the survey for this variable – from 24% in Central Equatoria to 8% in rural areas.

[23] Sorghum is considered as the main staple in this study.

Figure 32: Households with learners who previously attended school and are now engaged in distance learning activities

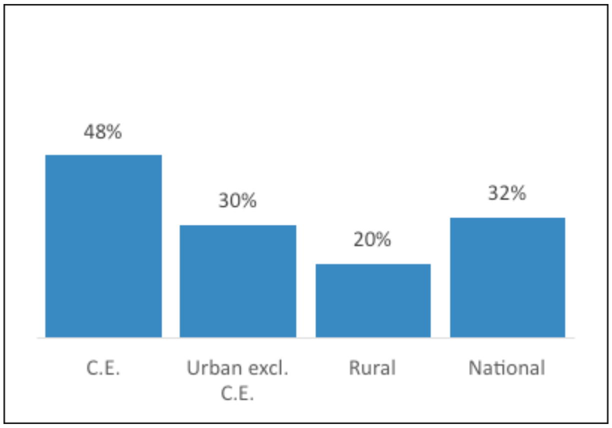
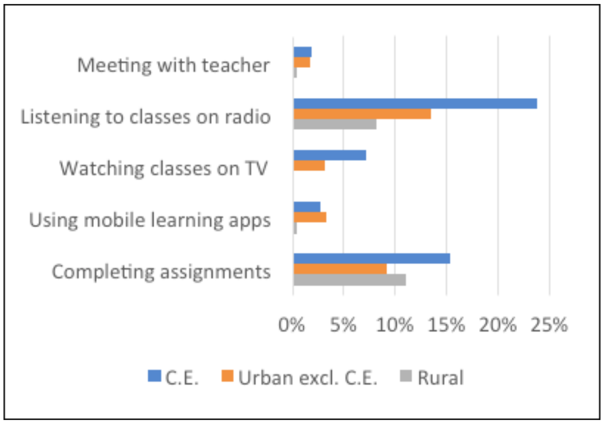


Figure 33: Educational activities students engage in during school closures (all age-eligible children)



Few businesses, and about one in seven market traders have permanently closed since the beginning of COVID-19. Among the businesses interviewed, barely any said that they had permanently closed (0.3%).[24] Among market traders, one in seven (15%) reported having lost their business – due to travel restrictions due to COVID-19 (33%), but also a broad range of other issues both related and unrelated to the pandemic. The real but limited extent to which activities have been lost may be expected, given that households and businesses in South Sudan have weathered many shocks. It is worth recalling that, since 2013, conflict led to the loss of primary activities for 47% of households, while 50% of businesses lost assets and 43% had to temporarily close.[25]

Far more businesses worry about going out of business, in particular in Juba. While there are few reported business closures, nearly half of all respondents reported that they knew a direct competitor who had gone out of business (47%), and one in three (35%) reported that they had considered going out of businesses since April, reflecting the serious worries caused by the crisis. Activities in Juba, where lockdown measures were reportedly most consistently applied, seem to have been particularly affected, with higher loss of activity among market traders (31%), and more businesses considering closing (52%) and having competitors who closed (58%). Foreign-owned businesses (42%), and micro businesses (39%) are also more likely to have considered closing, while few NGOs (10%) have considered ending operations.[26]

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[24] It is worth noting that permanent business closure is hard to measure in a phone survey in South Sudan: mobile phone coverage is unreliable and numbers change, so that it is difficult to distinguish whether a non-response is due to technical issues or to a business having closed.

[25] World Bank (2020), *Jobs in Recovery and Peacebuilding in Urban South Sudan – Synthesis Report.*

[26] Where this note reports correlates of impacts, the reader can assume that they are statistically significant (or near-significant) in a regression including business ownership, size, location, and activity. Where no correlates are discussed, there are no significant differences.

More than half of NGOs were temporarily closed as of June, but most businesses were operating and market traders maintained a significant level of activity. When contacted in late June, most commercial businesses were open (93%), rather than temporarily closed. This includes both foreign (94%) and domestic (92%) businesses. Among market traders who remained active, most said they worked in the market daily (81%) – a high level of activity, but lower than in September 2019, when nearly all respondents (96%) were in the market daily. NGOs – many of them schools – were far more likely to say they were temporarily closed as mandated (59%); most of those who were closed (73%) said they did not know when they would re-open.

Table 6: Closures and loss of income since before the pandemic

	Established businesses	Market traders	Households (main job activity)
Activity has stopped since April 2020	0.3%	15%	13%
Income has decreased since April 2020	81%	59%	52%

NGOs have reduced their activity levels. NGOs are large employers in South Sudan, providing about one in five of all jobs in private businesses; jobs in NGOs also tend to pay better than others, and commonly account for the livelihood of entire households.[27] In addition, NGOs are also big customers for businesses, in particular, outside of Juba. Thus, it is regrettable that three in four NGOs (76%) said their level of activity had decreased since before the pandemic, and one in five said activity had declined by more than half (21%) (5% said it had stayed the same, and 18% reported an increase). NGOs were unlikely to have moved any staff to Juba or other localities (87%), and hardly any (2%) said they had moved half or more of their staff. But half of those who had not yet moved staff reported that they expected to do so over the month following the interview.

Low market demand already posed an important obstacle before the pandemic, and it has further declined. Even before the pandemic, businesses of all sizes viewed constrained demand for goods and services as a key obstacle.[28] The pandemic has decreased household incomes and further reduced purchasing power. Thus, not surprisingly, businesses and market traders agreed that demand for their goods and services had further tightened. A majority of market traders explained that they had fewer customers on a typical market day (63%), and that individual customers bought less (60%), resulting in lower overall sales (58%). Among businesses, most (73%) said that demand for their products had declined, and every other business (52%) said that it had dropped by half or more. While most businesses reported such a substantial drop in demand, larger businesses (57%) were somewhat more likely to experience it than micro businesses (48%), and those in hospitality (63%) more so than those in other large activity groups.

Demand from the international community and government did not counterbalance the loss of business from consumers. With a large presence of humanitarian actors in South Sudan, the UN and NGOs are important customers for businesses and traders – both through their procurement and through demand from their employees.[29] While in the longer term, demand must eventually

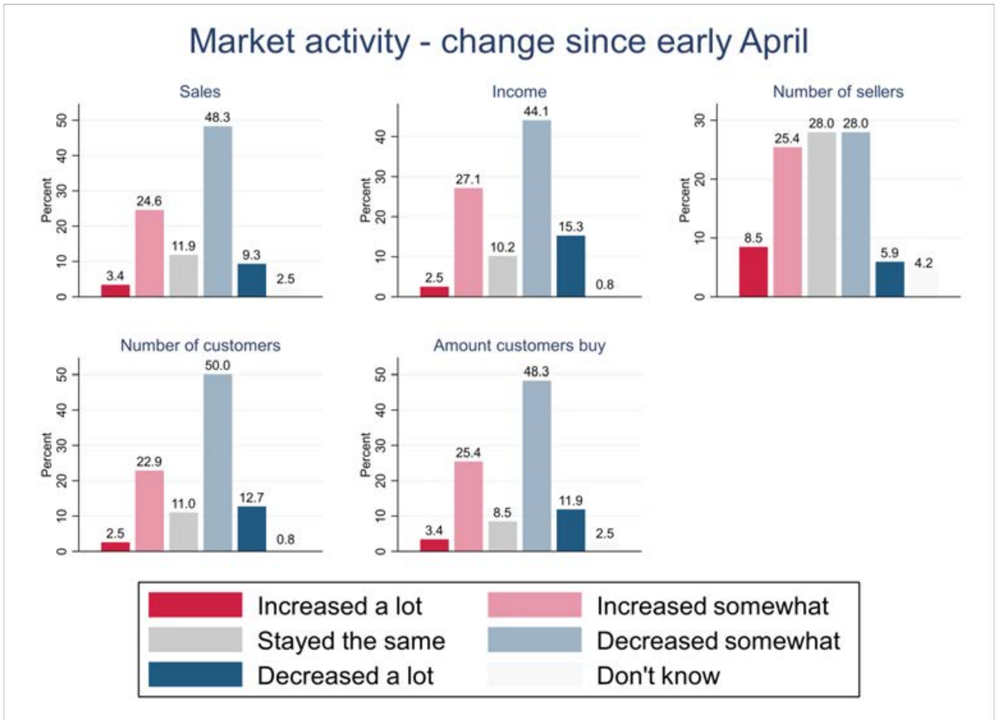
[27] World Bank (2020), *Insights from Surveys on Business and Enterprises in South Sudan.*

[28] World Bank (2020), *Jobs in Recovery and Peacebuilding in Urban South Sudan – Synthesis Report.*

[29] World Bank (2020), *Jobs in Recovery and Peacebuilding in Urban South Sudan – Synthesis Report.*

emerge from private business activity, humanitarian actors are important in the short run, and steady demand form them could have cushioned some of the loss of business from households. Regrettably, this has not been the case. Of the businesses interviewed, nearly two thirds (64%) said that public and non-profit entities were usually important customers. Of these businesses, seven in ten (69%) said they had seen demand from these customers decrease since the onset of the pandemic – including nearly half of respondents (49%) who had experienced a decline by at least half.

Figure 34: Changes in market activity



Sourcing goods has become more difficult, but it is rarely considered a key business obstacle. Border closures and movement restrictions have raised transport cost and slowed down sourcing. Among market traders who source agricultural products from Juba or abroad, 85% said buying supplies had become more difficult since the onset of the pandemic. However, while traders mentioned poor availability of inputs (8%) and transport cost (13%) as obstacles, they gave far less prominence to them than to other constraints. Similarly, nearly four in five businesses (79%) said that since April, it had become more difficult to buy goods to re-sell or use as inputs. Yet, poor availability of inputs (2%) and transport cost (12%) were mentioned less frequently than more pressing constraints.

The main business obstacles today are the same as what respondents expressed when surveyed in 2019, but with the exception of insecurity, they have tightened. When surveyed in mid-2019, households, market traders, and businesses consistently identified insecurity, bad roads, access to funding, and low demand as their main obstacles. When re-surveyed in June 2020, businesses and traders flagged the same constraints, but were likely to say that the constraints had become more difficult to navigate. A notable and welcome exception is that businesses were more likely to report an improvement in the security situation (44%) than a deterioration (28%). Surveys in 2019 did not directly ask about inflation as an obstacle, while in 2020, inflation was the third-most

frequently cited obstacle among market traders, and the second-most frequently cited among businesses, and 70% of businesses felt that its impact had worsened.

Table 7: Business obstacles in 2020 and 2019

	June 2019	June 2020	% "significant obstacle" (2020)
Businesses			
Most frequently cited obstacle	Bad or dangerous roads	Lack of funding	29%
2nd	Lack of funding	Rapid change in prices	17%
3rd	Low demand	Low demand	15%
Fourth-most frequently cited obstacle	Access to electricity	High transport cost	12%
Market traders			
Most frequently cited obstacle	Lack of funding	Lack of funding	29%
2nd	Bad or dangerous roads	Bad or dangerous roads	23%
3rd	Low demand	Rapid change in prices	17%
Fourth-most frequently cited obstacle	Rapid change in price	Low demand	16%

4.4 In a depressed business and market environment, income and wages have dropped

The disruption wrought by the pandemic has led to widespread losses of income among households, traders, and businesses. Half of all households reported that their incomes had fallen. Among those particularly affected were the many households that operate a non-farm business activity to contribute to their livelihood. While data on the jobs of individual respondents is less conclusive than data on household activities, it is clear that for many, loss of income has gone hand in hand with loss of some income-generating activities. Businesses and market traders likewise have seen drops in their revenue. While many have reduced wages of their workers, businesses have nonetheless continued adding some more workers.

Both farm and off-farm household incomes were greatly reduced by the pandemic through its associated restrictions of movement and assembly. Half of all respondent households (52%) reported that they had lost either some or all income from their main income source since the crisis began. This includes one in eight households (13%) that have lost all income from their main income source, and an additional two in five households (40%) whose income has decreased. Nonfarm business income has been most affected by the outbreak of COVID-19 (Table 8). Two in three households that cited nonfarm business as a means of livelihood in the past 12 months reported either less income from that source (47%) or a total loss of that income (20%). Such nonfarm business activities typically consist of small commerce or personal services such as tea stalls, moto taxis, or hairdressers.[30] They were arguably particularly vulnerable both to the closure of non-

[30] World Bank (2020), *Jobs outcomes in the towns of South Sudan*.

essential businesses in April and May, as well as to a decrease in consumer demand resulting from the erosion of real incomes. Income from farming was reduced for 38% of households and had stopped entirely for 11% of households. It is important to note, however, that the arrival of COVID-19 in South Sudan coincided with the onset of the lean season, which may account for some of the decline in income from agriculture. Domestic remittances have also fallen since the outbreak of the pandemic, with 42% of remittance-receiving households reporting a reduction in remittance income, and 16% reporting a cessation of this income source.

Table 8: Change in income from four main household income sources since outbreak

	Activity contributes…				**Activity contributes…**	
	Increased	Stayed the same	Reduced	Stopped	... some income	… most income
All sources	14%	48%	40%	13%		
Farming, livestock or fishing	18%	33%	38%	11%	57%	47%
Non-farm business	13%	20%	47%	20%	26%	16%
Wage employment	9%	46%	34%	11%	32%	20%
Remittance from family in SSD	12%	30%	42%	16%	9%	4%

For households engaged in family businesses, the fall in revenue was pronounced. Four in ten respondents in the household survey (41%) reported that a household member operated a family business (in agriculture or other activities). Of those, more than half (58%) indicated that since the beginning of the outbreak, their income from the family business was less than usual (42%) or that there was no income at all (16% – Table 8). This revenue loss was attributed to several different factors, but the most significant by far were a lack of customers (52%) and the usual place of business being closed due to public health restrictions imposed by the authorities (49%). The worsening of demand and market access is a significant concern, given that even prior to the crisis, households, market traders, and business alike perceived these as a key obstacle.[31] Inability to obtain required inputs was a cause of revenue loss for 13% of households, while restrictions on traveling or transporting goods affected a little more than one in ten households.

[31] World Bank (2020). *Jobs, Recovery, and Peacebuilding in Urban South Sudan.*

Table 9: Changes in non-farm family business revenue

Reported business revenue was…	C.E.	Urban excl. C.E.	Rural	National
…higher	13%	19%	23%	18%
…the same	29%	21%	23%	24%
…less	43%	44%	34%	42%
…no revenue	14%	15%	20%	16%

Table 10: Reasons for non-farm business revenue loss[32]

Revenue was lost because…	National
…no costumers or fewer customers	52%
…place of business closed due to COVID-19 restrictions	49%
…unable to get inputs	13%
…unable to travel or transport goods	11%
…ill or quarantined due to COVID-19	6%

Loss of income went hand in hand with respondents stopping work temporarily or more permanently, in particular in higher-skilled activities and personal services. While urban households captured in the Household Monitoring Survey look in many characteristics like the households surveyed in earlier representative surveys, the household members who answer the survey calls are not typical of the overall urban population. For instance, respondents are more likely to be men, household heads, educated, and to work in higher-skilled professions. Therefore, while it is reasonable to assume that the income loss among respondent households reported above will have been shared by urban households at large, results on whether respondents worked in the week preceding the survey may not reflect the experience of the overall urban workforce. With this caveat, the data suggests that more than one in three respondents who had been employed prior to the pandemic did not work in the week prior to the survey (38%). Such a shift was most likely for those active in skilled professions like health, education, professional services, finance, and administration (which employ about one in eight urban workers[33]), as well as for those in personal services such as hairdressers or tailors. Two in three of those affected (65%) explained that they had lost their activity because of business closures due to restrictions put in place to control the pandemic. This suggests that, although the government eased lockdown measures from May 7th, their repercussions continued to be felt throughout the economy in June 2020, when the survey was taken. However, some activities may in the meantime have resumed (Table 11 and Figure 35).

32 Respondents were able to provide multiple reasons for why revenue from the family business had fallen, hence columns may add up to more than 100%.

33 High Frequency Survey, 2017; authors' calculation.

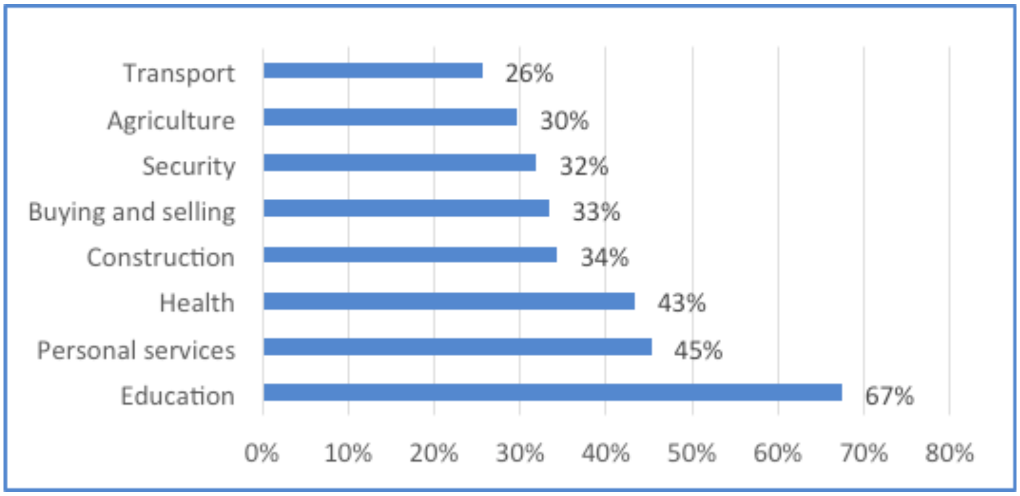
Table 11: Current and Pre-COVID-19 Employment Status, Percent

	C.E.	Urban excl. C.E.	Rural	National
Currently working	44.8	41.8	35.1	41.1
Currently not working	55.2	58.2	64.9	58.9
Out of those who are not currently working				
Working pre-COVID-19	38.8	38.6	42.4	39.4
Not working pre-COVID-19	61.2	61.4	57.6	60.6

Table 12: Reasons for job ending since the outbreak began[34]

Respondent stopped working because…	C.E.	Urban excl. C.E.	Rural	National
…business closed due to COVID-19 restrictions	69%	58%	73%	65%
…business closed for another reason	19%	14%	9%	14%
…they were laid off while business continues	7%	2%	1%	3%
…they were ill or quarantined	6%	8%	6%	7%
…they are a seasonal worker	3%	7%	7%	6%
…of restrictions on movement and travel	5%	2%	1%	3%

Figure 35: Sectors where respondents stopped working, %

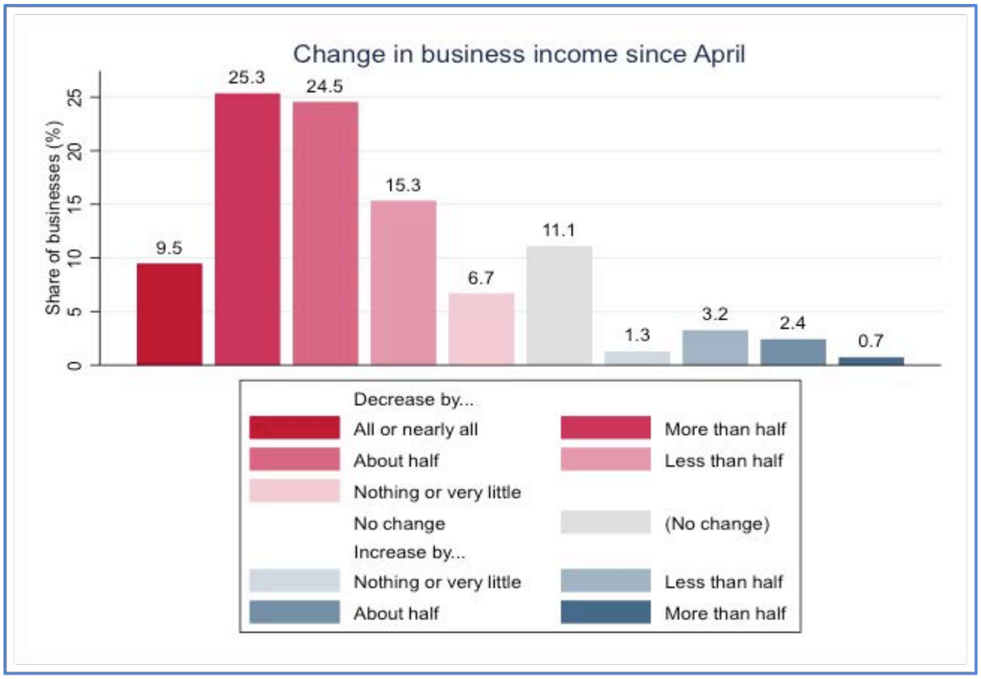


Most businesses and market traders have lost income – in particular, those who offer non-essential goods and services. While few business activities had stopped outright as of June 2020, many respondents reported losing income, in line with losses in household businesses. This is true of three in five market traders (59%). Traders who offer consumer commodities reported larger declines in revenue compared to September 2019 (a 35% drop at the median) than food traders (a 25% drop), consistent with temporary closures of non-food markets and a loss of consumer

[34] Respondents could provide multiple reasons for why their work had ended since the beginning of the outbreak. This means that totals will not necessarily add to 100%.

disposable income. Among businesses, four in five (81%) reported a decrease in income, including 59% who said income had declined by half or more. Among the largest activity groups, those active in hospitality were particularly likely to report a loss of at least half of their incomes (76%). The considerable levels of income loss are mirrored in recent household survey data (Table 12).[35]

Figure 36: Changes in business income



Amid an improved security environment, employment in businesses and markets had risen substantially since 2019 – and it continued to rise somewhat during the pandemic. Before the pandemic, established businesses accounted for about 6% of all jobs. Work in the markets was an important source of jobs, with every three market traders employing between them two workers from outside of their family.[36] Amid improving security, employment in businesses rose by 21% between June 2019 and April 2020 (before the lock-down measures) – at the median, businesses employed one additional worker. Employment had risen among most groups of businesses, including those in Juba and those active in hospitality, both among the hardest-hit by the pandemic. Similarly, market traders at the median reported that they employed a paid helper from outside their own family (1.8 per stall on average), a substantial increase over employment at the same stalls in 2019. Perhaps remarkably, businesses reported a further modest increase in the number of workers they employed by 7% between April and June 2020.

Even as hiring continued to rise, one in four businesses and NGOs reduced wages, consistent with more workers competing for jobs. Of those employers who pay workers in cash, one in four commercial businesses (25%) and every other NGO (50%) reported that they had

[35] World Bank (2020), *Monitoring COVID19 Impacts on Households in South Sudan*.

[36] World Bank (2020), *Jobs in Recovery and Peacebuilding in Urban South Sudan – Synthesis Report.*

reduced wages since the onset of the pandemic. Businesses typically reduced wages by about half (46%), or less than half (34%). Consistent with this result, about one third of households (34%) reported that their income from waged work had fallen. Foreign-owned businesses were much less likely to have reduced wages than their South Sudanese-owned competitors, but were more likely to have made big wage cuts. Conversely, NGOs were much more likely to have reduced wages, but more likely to have cut them by less than half (52%). Micro businesses were no more likely to have cut wages, but more likely to have made large cuts. Among market traders, there was no change at the median in wages paid to their helpers, compared to 2019.

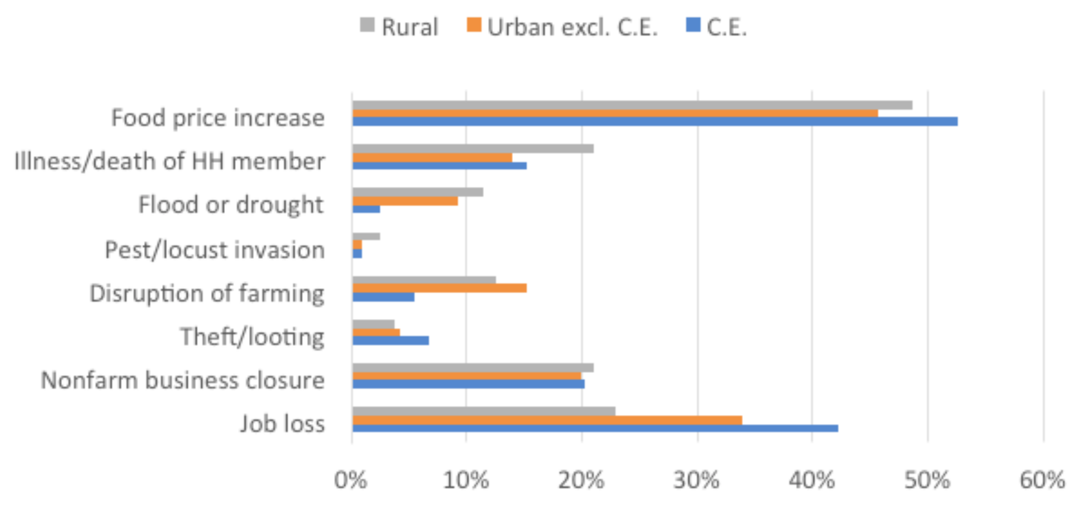
Table 13: Change in business employment since before the pandemic and since 2019

	Decrease	No change	Increase
Change in employment since April 2020			
Commercial businesses	6%	77%	17%
NGOs	9%	75%	16%
Change in employment since June 2019			
Commercial businesses	21%	26%	53%
NGOs	27%	10%	63%

4.5 Welfare impact and coping

The loss of income caused by the pandemic has taken a toll on welfare. Many households experience the pandemic as a series of shocks that affect health, business activities, jobs, and prices. Floods, crime, and violence have added additional challenges for households struggling to maintain a livelihood. Among those affected by the crisis, most took action to try to mitigate shocks – most often, through a new income-generating activity, or through help from their friends and family. However, despite these efforts, food insecurity remains very high. While it is at worrisome levels even among those households that report no losses due to the pandemic, it is yet more pronounced among those who have suffered adverse effects.

Figure 37: Shocks experienced by households since April 1, 2020



COVID-19 and concurrent shocks have stretched households' coping strategies. The most commonly reported shocks (Figure 37) were food price increases and loss of income-generating activities, both in line with the economic impact of the COVID-19 pandemic discussed above. Around half of households throughout the country reported that food prices had risen. Respondents stopping work was more commonly reported in Central Equatoria (42%) than in other urban areas (34%) and rural areas (23%). This could be associated with the greater stringency of lock-down measures in Juba, as well as the greater importance of wage work (including for NGOs) in the capital. Some households have experienced unrelated shocks since the arrival of the pandemic, including about one in ten households outside of Central Equatoria which were affected by floods or droughts, and about one in twenty which experienced crime over the three months between the onset of COVID-19 and survey time.

Not all households were able to take action to cushion shocks, but those that did relied mostly on new income-generating activities, sale of assets, or help from friends and family. The coping strategy most commonly employed to deal with economic shocks was to engage in additional income-generating activities (22%). Respondents in Central Equatoria were particularly likely to have tried to find additional income sources (31%). Other frequently used strategies were to sell household assets (18% nationally, but less common in Central Equatoria), or to rely on gifts or loans from friends and family (17 and 12%, respectively). However, about one quarter of all households did not take any particular action to deal with a given shock, whether they did not find it necessary to do so or were unable (24%).

Table 14: Coping mechanisms employed to mitigate the impact of economic shocks

In response to a shock the household…	C.E.	Urban excl. C.E.	Rural	National
…sold assets	8%	23%	18%	18%
…engaged in additional income gen. activities	31%	20%	17%	22%
…received assistance from friends and family	16%	16%	19%	17%
…borrowed from friends and family	15%	11%	12%	12%
…reduced food consumption	12%	10%	13%	11%
…reduced non-food consumption	5%	3%	7%	4%
…relied on savings	5%	7%	7%	6%
…received assistance from NGO	0%	1%	4%	2%
…did nothing	21%	26%	24%	24%

The food security situation in South Sudan was alarming even before the onset of the pandemic, and has remained dire. The UN Food and Agriculture Organization (FAO) noted that more than half the population was facing severe acute food insecurity in February 2020.[37] Although the Household Monitoring Survey (HMS) format did not allow for a complete food consumption module, several questions were asked to give a general indication of food security at the household level. The results confirm the heightened concern over food security. More than eight in ten (82%) survey respondents reported that in the last 30 days they themselves or some other adult in the household was worried about not having enough food to eat because of lack of money or other resources (Table 9). The proportion of households in which at least one person was forced to skip a meal during that period due to lack of money or resources was similarly high (83%). Finally, almost three quarters (73%) of households reported someone going without food for an entire day. Given

[37] http://www.fao.org/emergencies/fao-in-action/stories/stories-detail/en/c/1263021/

that the HMS was forced to exclude respondents without access to a telephone, it is reasonable to assume that such food insecurity indicators would be even more severe in a more broadly representative national sample. However, it is also important to note that a survey of urban households taken in June 2019 found similar shares of households that owned cellphones skipping meals (83%) or running out of food (81%) as reported in the HMS.[38] Thus, while the level of food insecurity is alarming, it is not entirely clear how much the crisis has contributed to it.

Households that experienced drops in income were most food insecure, but in economies where few jobs pay well, most households face difficulties in providing enough food. As noted, households that had been unable to buy staples were likely to explain that their difficulties were due to a lack of money or high prices, rather than closure of markets or insufficient stocks. Consistent with this observation, it is households that have lost income since the pandemic began that were most likely to report food insecurity (Table 10). For instance, nine in ten of those whose incomes from their main activity had stopped reported that a household member had found it necessary to skip a meal (91%), compared to about eight in ten among those whose incomes had remained stable or increased (79 and 77%, respectively). However, it is important to recall that even prior to the pandemic, most job activities in the towns of South Sudan provide income or wages of about USD2 per day[39] – a level of income at which even households whose activities continued through the pandemic struggle to access enough food.

Table 15: Household food insecurity experience

During the past 30 days was there a time…	C.E.	Urban excl. C.E.	Rural	National
…when you worried about having enough food	85%	81%	82%	82%
…someone in your household skipped a meal	82%	81%	87%	83%
…your household ran out of food	77%	76%	85%	78%
…a household member did not eat for a whole day	71%	72%	76%	73%

Table 16: Household food insecurity experience

During the past 30 days was there a time…	Household been able to buy main staple since COVID-19		Last week, did you do work for pay in cash/in kind		Lost the job since COVID-19	Household income since COVID-19 has?			
	Yes	No	No	Yes	Yes	Increased	Sam e	Reduced	Stopped
Worried not enough food to eat	81.6	82.8	84.7	78.7	86	72.2	78.1	86.5	89.7
Household member went without eating for a whole day	71.4	74.9	75.2	68.8	77.3	64.2	69.4	75.3	81.1
Household member had to skip a meal	82.7	83	85.2	79.2	85.7	76.5	79.2	84.7	90.5
Household ran out of food	77.3	80.7	80.6	75.1	81.3	65.8	75.6	82.2	85.7

[38] Youth Jobs Survey, 2019; authors' calculations.

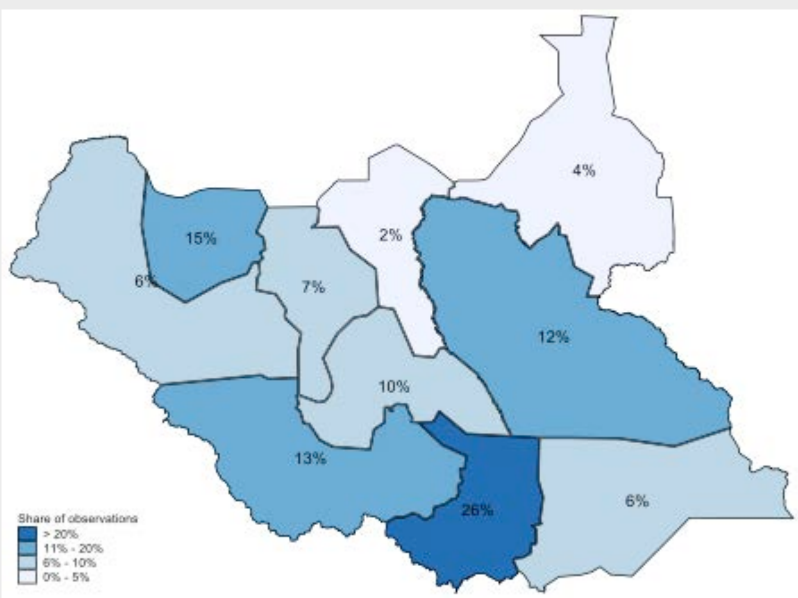
[39] World Bank (2020), *Jobs in Recovery and Peacebuilding in Urban South Sudan – Synthesis Report.*

BOX 5: METHODOLOGY USED IN THE COVID MONITORING SURVEYS

Phone monitoring surveys of households, businesses, and market traders provide updates on the impact of the impact of the COVID-19 pandemic. Business Monitoring Surveys (BMS) and Household Monitoring Surveys (HMS) monitor the level of activity of businesses and market traders. All surveys were collected by phone, in June 2020. To the extent possible, the same households and respondents will be tracked for twelve months, with selected respondents completing phone-based interviews every six to eight weeks. This high-frequency follow-up allows for a better understanding of the effects of and responses to the COVID-19 pandemic in order to inform interventions and policy responses and monitor their effects.

The household survey was collected through a process of random digit dialing. The HMS achieved a sample size of 1,213 households in round 1, covering all the former 10 states with 26% in Central Equatoria, 15% in Northern Bahr el Ghazal, 13% in Western Equatoria, and 12% in Jonglei. The share in the remaining states was 10% or lower. Phone penetration rates in South Sudan are very low nationally, and extremely low in rural areas in particular[40]. No attempt was made to calculate sampling weights both because the low penetration rates would make significant imputation necessary, and because no recent comprehensive survey exists that could provide a reliable base for such an effort.

Share of HMS Round 1 households by former 10 states



The household sample is reasonably characteristic of urban households, but much less representative of rural households and of individual workers. To understand how results

[40] A mobile-cellular subscription per 100 inhabitants is 33.5% (Source: International Telecommunication Union (ITU) World Telecommunication/ICT Indicators Database, 2018 estimate).

should be interpreted, it is useful to compare some household and respondent characteristics (pre-crisis) in the household monitoring survey to those observed in recent household surveys conducted in person. Such a comparison is most meaningful for urban areas; in rural areas, the low phone coverage rate creates a sample that is very distinct from the general population. In urban areas, the profiles of individual respondents are meaningfully different from the overall population. Respondents are more likely to be men and to be head of their household (Table 11). They are more than twice as likely to be employed in a number of high-skill activities, and much less likely to be working in agriculture. They are twice as likely to have at least some secondary schooling, and half as likely to have no education. Monitoring results that speak to individual outcomes among respondents are therefore best interpreted as outcomes among a relatively better-of stratum of urban residents. At the same time, the households urban respondents live in are quite similar in important ways to other urban households. For instance, urban households in the HMS are of similar size as those in the recent in-person survey, and have similar income-generating activities. An important caveat is that urban households that own cellphones, though in the majority, are quite substantially wealthier than those that do not. In the World Bank's 2019 Youth Jobs Survey, 83% of urban households owned a cellphone. Of those that did, 12% were in the lowest asset wealth quintile, compared to 45% of those that did not. Thus, household-level results in the urban HMS are best interpreted as reflecting outcomes for a large stratum of households, with some under-representation of the most marginal.

Table 11: HMS respondent characteristics

	Urban population (prior observations)[41]	Urban HMS respondents
Demographics		
Male	51%	67%
Percent household heads	24%	54%
Sector of main job activity		
Agriculture, forestry, fishing	37%	21%
Education, health, professional/ financial services	7%	17%
Level of education		
No education	30%	14%
More than secondary	31%	60%

The business monitoring data is representative of established urban businesses in South Sudan. The sample was drawn from among the respondents of the 2019 Integrated Business Enterprise Survey (IBES), who in turn were sampled from a full listing of established businesses in urban South Sudan conducted in 2018. In line with the IBES sample's characteristics, the BMS sample was stratified by town (Aweil, Juba, Rumbek, Wau, or other, entity type (commercial business or NGO), and size (micro or larger); the corresponding sampling weights were computed and used in analysis. Enumeration was standard. The

[41] Sources: Sex ratio – UN DESA; Household heads – Youth Jobs Survey, 2019; All others – High Frequency Survey, 2017.

resulting sample is fully representative of the stratum of businesses of any size that have at least some degree of permanence – a place of business and a name. While it is important to recall that such businesses provided only one in every seventeen jobs even in the towns of South Sudan, the data can nonetheless provide a good sense of the vibrancy of economic activity.

Given very high non-response rates, the market trader survey is best thought of as a sample of convenience. The MMS sample was drawn from among the respondents to a September 2019 survey of market traders. Respondents in the earlier survey were selected by a random walk procedure within each market, without a full listing. The 2019 data was therefore representative within each market, but not of market traders overall. Regrettably, survey enumeration was beset with very significant problems due to refusals (4% of those sampled), non-response (39%), and defunct phone numbers (30%). Ultimately, interviews could only be completed with 118 respondents out of a sample of 540. Because of this serious limitation, results are not representative of a well-defined group of traders, and must be viewed with caution. It is, however, possible, to link BMS responses to responses in the earlier survey round, and to compare outcomes for individual traders over time.

The HMS sample is collected through a process of random digit dialing, so that there is no sampling frame against which one could weigh. In order to compute weights, one would model how a set of time-invariant characteristics predict phone ownership in the most recent representative survey data available, the 2016-2017 High-Frequency Survey (HFS), covering seven out of ten states (the 2017 sample covers only urban areas). However, computing weights requires the assumption that variables usually thought of as time-invariant really were stable – which is unlikely to be the case in South Sudan, where much has changed since 2017 (for instance, displacement is likely to have greatly affected demographic variables commonly used for matching.) Furthermore, the sampling frame for the HFS (and the basis for weighting in that survey) is the Sudan Housing and Population Census from 2008, which was conducted prior to independence. For these reasons, the team believes weighting would create as many new questions of representativeness as it would resolve.

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