South Sudan

- South Sudan’s economy contracted by 6.1% in 2017, less than the 13.1% contraction it suffered in 2016. The contraction is expected to narrow even more in 2018, to 2.7%, thanks mainly to rising international oil prices.
- South Sudan has taken measures to address climate change issues by ratifying the United Nations Framework Convention on Climate Change, signing the Paris Agreement in 2015, developing a national adaptation programme of action, drafting a disaster risk management policy, and developing an environmental health policy.
- The Government of South Sudan’s infrastructure action programme 2011-2020, developed in collaboration with its development partners, focuses on rehabilitation of existing infrastructure assets, capacity building, and technical support.

OVERVIEW

The economy of South Sudan is highly dependent on oil, which represented 90% of the Government’s revenues and accounted for 60% of GDP in 2016. In recent years, various events, notably the civil war that broke out in 2016 and the decline in global oil prices, have negatively affected the economy, leading to high unemployment (50% youth unemployment) and debt distress. South Sudan’s economy contracted by 6.1% in 2017, less than the 13.1% contraction in 2016. It is expected to record another contraction of 2.7% in 2018, lower than in the previous two years thanks to increases in international oil prices.

South Sudan followed an expansionary fiscal policy. It invested heavily in the security sector, which fuelled inflation (117% in December 2017) and caused the South Sudan pound (SSP) to decline from SSP 1.513 to SSP 1.31 to the US dollar. The high national debt (62.1% of GDP in 2017) limits the country’s access to additional funding for development projects. However, as a member of the East African Community (EAC), South Sudan has the potential to increase food security and develop its markets, provided that peace is restored soon.

The private sector, although embryonic, offers opportunities in the agriculture, tourism, and natural resource sectors. Firms in South Sudan are mostly small and medium-sized enterprises (SME) engaged in the wholesale and retail trade. Because 80% of its commercial banks are foreign, the banking sector is highly vulnerable to external shocks.

Transparency International’s Corruption Perception Index ranked South Sudan one of the most corrupt countries in the world in 2017. The Government suffers from a lack of transparency and accountability. Several internal conflicts in the country compromise peace, both between the Government and the opposition and to some extent between ethnic communities. The country is endowed with rich and fertile land for agriculture. With good governance, agriculture could provide a base for sustainable economic growth and development.

The adult literacy rate remains low, with high gender disparity. Only 58.7% of the population had access to safe water in 2015, and a mere 6.7% had access to sanitation. Maternal mortality is high, at 789 per 100,000 in 2015 against 238 per 100,000 in developing countries overall. Poverty is omnipresent, mainly due to conflicts and high inflation. By January 2018, 48% of the population was expected to suffer from food insecurity, according to the World Food Program.
RECENT DEVELOPMENTS AND PROSPECTS

South Sudan’s economy is highly dependent on the export of oil, which accounted for 90% of the Government’s revenue, 60% of GDP, and 95% of total exports in 2016. Economic performance has been affected mainly by the outbreak of civil war, which resulted in a decline in oil production. Nonetheless, in 2017, the economy contracted less than previous years. Real GDP was estimated to have contracted by 6.1% in 2017. This ‘improvement’ relative to 2016 (when the economy contracted by 13.1%) was due to the rise in international oil prices from USD 40.6 a barrel (2016) to USD 52.5 (2017). For this reason, although the economy is still contracting, GDP growth rate is projected to be minus 2.7% in 2018. High youth unemployment and under-employment are major challenges for the country. According to recent statistics, more than 50% of youths are underemployed and only 12% are formally employed. The country is in dire need of continued investment in security to give confidence to and boost the private sector investment that is vital to transformation of South Sudan’s economy.

The economy is dominated by a monopolistic supply structure that is highly dependent on oil production. Oil will continue to be the key driver of real GDP growth. But there is significant potential in the non-oil sector, notably in agriculture, livestock, tourism, and construction. In 2016, the agriculture sector accounted for 15% of GDP and employed 78% of the workforce.

Economic demand was driven by imports of goods and services, which increased to 75.4% of GDP in 2017 from 72.8% of GDP in 2016. Exports of goods and services declined to 61.1% of GDP in 2017 from 66.3% of GDP in 2016. As a result, the current account deficit, including transfers, is estimated to have widened to 7% of GDP in 2017 from 0.4% of GDP in 2016. Meanwhile, foreign direct investment and public borrowing are estimated to have reached USD 80 million and USD 161 million in 2017, respectively, and were the main sources of public spending.

Public consumption was high in 2017, led by a 56% increase in salaries, which accounted for 52% of total expenditure. Transfers and oil service payments to Sudan remain key components of Government spending: despite a 13.2% decline in 2017, they accounted for 46.5% of current expenditure. In the medium to long term, Government consumption is projected to increase due to expected continued spending on defence and security. Meanwhile, private consumption declined in 2017 owing to high inflation and high personal income taxes.

Although the Government recognized the need for fiscal consolidation, the 2017/18 State budget expanded spending by 1% compared with 2016. Tax revenues and grants are estimated to have fallen slightly to 33.4% of GDP from 34.4% in 2016, while expenditure increased to 36.9% from 36.3%. As a result, the overall fiscal deficit is projected to be 3.5% of GDP in 2017, up from 1.3% in 2016. Total public debt was estimated at 62.1% of GDP in 2017 (42.1% of which was foreign), a sharp drop from 127.9% (of which 87.8% was foreign) in 2016. Notwithstanding this, South Sudan’s debt position is classified as distressed due to the combined effects of high Government spending and the fall in oil production and prices.

The continuing financing of the Government fiscal deficit by the central bank has weakened the consumer price index. Inflation was projected at 110.7% in 2017, lower than the 476% reported in 2016. Inflation is expected to improve significantly in the medium term as the Government takes measures to reduce financing of the fiscal deficit by printing money. The financial sector faces demand-side constraints and is characterized by limited competition and low access to credit despite the fact that 27 commercial banks (80% of which are foreign owned) are in operation.

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<th>TABLE 1. Macroeconomic indicators</th>
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<td>Real GDP per capita growth</td>
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<td>Budget balance (% of GDP)</td>
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<td>Current account (% of GDP)</td>
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Source. Data from domestic authorities; estimates (e) and predictions (p) are based on the authors’ calculations.
Implementation of structural reforms is urgently needed to enhance transparency and accountability in the management of public funds, and thereby restore the credibility of public sector institutions. After independence in 2011, the Government embarked on a public financial management reform strategy, but resurgence of the civil war in 2016 compromised the reform efforts. To restore the credibility of the public financial management system, it will be crucial to implement the following policy reforms: (i) reduce the monetization of debt; (ii) implement domestic oil market reforms, including the removal of fuel subsidies; (iii) shift Government spending from security to social services and infrastructure investment; and (iv) reinforce minimum capital requirements for all commercial banks, to reduce vulnerability in the banking system. In addition, continued engagement with development partners, with a focus on humanitarian response, is required to address growing food insecurity in urban areas.

**MACROECONOMIC POLICY**

**Fiscal policy**

In FY 2017/18, the Government of South Sudan implemented an expansionary fiscal policy. The budget aimed to achieve macroeconomic stability, increase domestic revenue collection, control expenditure, and implement measures to reduce inflation and restore the Government’s credibility in public finance management.

The 2017/18 budget planned total spending of SSP 43.691 million (of which 52% was allocated to security sector salaries, 20% for operating and capital expenditures, and 18.8% for transfers), a 31% increase over FY 2016/17. Public administration was the main beneficiary of the new budget, accounting for 30.5% of the allocation, followed by the security sector at 29.1%. Key sectors such as education, health, and infrastructure benefited least, with allocations of only 4%, 2%, and 15%, respectively. Nonetheless, capital expenditure was projected at SSP 3.232 million, an increase of 103% over the previous year. Transfers to Sudan and subsidies to Nilepet (the national petroleum company) were projected to increase to SSP 70.3 million and SSP 28.3 million, representing increases of 80% and 142%, respectively, over 2016 transfers.

On the revenue side, total revenue and grants were programmed at SSP 32.145 million, with about 80% of the inflows derived from oil revenues, a 44% increase over 2016. Personal income tax and other revenues (from fees, licenses, fines, etc.) were expected to be the main drivers of non-oil revenue, accounting for 36.6% and 20.3% of income, respectively. The 2017 fiscal deficit is estimated to have sharply increased to -7% of GDP from -0.4% in 2016. The deficit is expected to be financed by treasury bills and concessional loans from the World Bank. The Government is likely to maintain an expansionary fiscal stance in 2018, on the back of planned policy reforms that seek to create more space for social and capital spending. The payment of sizeable fees to Sudan as part of the transitional financial arrangement will further reduce oil revenues.

To enhance fiscal consolidation and restore the Government’s budget credibility, the following structural reforms could help: (i) implement oil domestic market reforms (e.g., the Nilepet reform and enactment of the Petroleum Revenue Management Act), including removal of fuel subsidies; (ii) prioritize expenditure within the budget ceiling; (iii) reduce monetization of the fiscal deficit; (iv) revise the civil servant salary system; (v) improve transparency regarding the transfer of Government crude oil receipts to the budget; and (vi) strengthen budget preparation and execution, fiscal reporting, and the definition of roles in the fiscal decentralization system.

**Monetary policy**

The Central Bank of South Sudan (CBSS) has implemented an expansionary monetary policy to address the Government’s growing financing needs. Monetization of the fiscal deficits has resulted in money supply expansion, which in turn led inflation to rise to 117% in December 2017. Inflation is projected to rise further to 131% in 2018, fuelled by the printing of money to pay for the Government’s recurrent expenditures, particularly salary arrears, as well as by depreciation of the parallel market exchange rate. High inflation is making it very difficult for many households in rural and urban areas to afford the minimum food basket. This will have serious consequences: if it is not addressed, inflation will increase the country’s already high poverty levels.

On monetary aggregates, broad money was estimated to have declined to 38.7% change in 2017 from the 219.1% change observed in 2016, because of growing difficulty of the CBSS in mobilizing adequate deposits and short-term securities to quickly convert into cash. Furthermore, the reserve money supply plunged to 56.6% in 2017 from 239.6% in 2016, and credit supply to the private sector plummeted to 56.9% in 2017 from 172.6% in 2016. Commercial banks’ capital adequacy remains low at 9.5% (as at September 2016) while non-performing loans (NPL) were at a high of 54.9% in September 2016. Profitability and earnings, particularly return on assets, were also very low, at 2.4% as at September 2016.

South Sudan’s transition in 2015 to a floating exchange rate from a fixed exchange rate (which pegged the South Sudan pound to the US dollar) has yet to yield results. The change was intended to improve the fiscal and external positions by increasing oil revenues and reducing imports. Owing to a shortage of foreign
exchange Sudan, however, it has led to the resurgence of a parallel foreign exchange market which has contributed to a significant depreciation of the SSP. The pound fell from SSP 1.513 to SSP 131 to the US dollar in January 2018, while the parallel market rate stood at SSP 260 to the dollar. In this context, the following reforms, among others, would reduce the vulnerability of South Sudan’s financial system: (i) reinforce minimum capital requirement of all commercial banks; (ii) reduce central bank monetization of the fiscal deficit; and (iii) increase efforts to replenish international reserves.

Economic co-operation, regional integration and trade
South Sudan was admitted to the EAC in March 2016. Membership offers the newly independent country an important opportunity to integrate economically with its neighbours, particularly Sudan, Uganda, and Kenya. This is particularly important because of its land-locked geographical position. Successful integration within the EAC region can also help to address the humanitarian challenge of food security and enable long-term markets to develop. The country is also a new member of the Africa Trade Insurance Agency, facilitated by Bank financial assistance. Additional memberships in other regional economic organizations will enable the country to recover and develop once political stability is restored.

South Sudan is highly dependent on crude oil exports, which accounted for 90% of the Government’s revenue, 60% of GDP, and 95% of total exports in 2016. Uganda and Kenya have been the major sources of imports. The increased volume of imported consumer goods and the decline in oil exports have created trade imbalances. Imported goods and services increased to 75.4% of GDP in 2017 from 72.8% in 2016, while exports of goods and services declined to 61.1% of GDP in 2017 from 66.3% in 2016. As a result, the current account deficit, including transfers, is estimated to have reached -7% of GDP in 2017 (compared to a deficit of 0.4% in 2016). The current account deficit is expected to widen further to -8.8% of GDP in 2018 due to continued increases in imports and sluggish oil exports.

Debt policy
South Sudan’s high public debt represents a major development challenge, limiting the country’s access to additional financing for development projects. In spite of the country’s reasonable level of external debt, the fall in international oil prices, continued high fiscal spending, and the highly overvalued exchange rate have aggravated the debt situation. According to the IMF’s latest debt sustainability report, released in March 2017, South Sudan is in debt distress. In 2017 total public debt was estimated at 62.1% of GDP (of which 42.1% was foreign), a drop relative to 2016 (when he debt represented 127.9% of GDP, of which 87.8% was foreign). The value of public sector debt-to-revenue in 2017 was estimated to be 167.4% of GDP (of which 109.2% is external), down from 399.5% in 2016. Meanwhile, the debt service-to-revenue ratio increased to 11.7% of GDP in 2017 from 9.9% in 2016. The present value of public and publicly guaranteed external debt as a percentage of Government revenues stood at 109.2% (200% threshold) in 2017, while the present value of public and publicly guaranteed external debt as a percentage of external debt was estimated at 56.3% (100% threshold) in the same period. As of June 2016, South Sudan’s largest external creditor was the Qatar National Bank, the form of a line of credit valued at USD 963 million that was estimated to amount to 63.3% of the total external debt. Other important components of the external debt stock include outstanding arrears to Sudan as part of the transitional financial arrangement, oil-related advances from international oil companies (22.7%), China Exim Bank (10.5%), and the World Bank (IDA) (3.5%).

To address these growing concerns, it is imperative that the Government fast track implementation of the peace agreement and economic adjustment policies, including implementation of domestic oil market reforms, and limit financing from the Central Bank. This will help to improve the debt outlook, and could permit a gradual resumption of external financing to the country.

ECONOMIC AND POLITICAL GOVERNANCE

Private sector
South Sudan offers great investment opportunities but the private sector is still embryonic and in need of development assistance. The country is endowed with abundant natural resources (including oil, diamond, nickel, and copper) and the tourism and agriculture sectors also have economic potential. Nonetheless, there are serious challenges to developing these resource endowments. The private sector is characterized by small and medium-sized enterprises that focus on the wholesale and retail trade. Companies face various supply-side constraints, including difficulties in accessing finance, expensive energy (the country relies heavily on fuel generators for daily operations), and low direct foreign investment due to weak foreign investor confidence. The country’s public debt situation (see debt policy section) and weak socio-economic infrastructure hamper external borrowing and the development of public and private partnerships, notably for investment projects.
The World Bank’s 2017 Doing Business survey ranked South Sudan 186 (of 190 countries) in 2017, an improvement of one place relative to 2016. The country was ranked near the bottom in almost all categories. Its best performances were in the categories ‘paying taxes’ (68, up from 104) and ‘enforcing contracts’ (73, up from 76). The number of days (14) required to start a business, and the number of procedures, remained unchanged from previous years. ‘Access to electricity’ (188), ‘registering property’ (181), and ‘getting credit’ (175) had the lowest rankings. To address these challenges, it is critical to restore peace and stability. In addition, there is urgent need for economic reforms, which should be supported by appropriate legal and regulatory frameworks, and best practice policy measures, that will make it possible to enforce the rule of law and respect for property rights, among other things.

Financial sector
South Sudan’s financial sector is small and in need of development. The banking system is concentrated and inefficient, since most economic transactions are cash-based. Commercial banks provide a narrow range of financial products, including savings accounts, trade finance, and long-term credits. Access to finance is still limited, reflecting weak absorption capacity. Constraints include low financial literacy, lack of collateral, and limited demand for services because of poverty and unemployment. In addition, the financial sector is vulnerable to exogenous shocks since 80% of the commercial banks are foreign-owned.

According to the IMF Article IV report of March 2017, several prudential indicators relevant to capital adequacy and asset quality have deteriorated. Capital adequacy declined to 9.5% in September 2016 from 11.2% in the same period in 2015. In terms of asset quality, the ratio of NPLs to total credit increased by 144% to reach 54.9% in September 2016 from 22.5% in September 2015, reflecting the difficult environment and instability of the financial system. Foreign currency-denominated liabilities increased to 78.2% in September 2016 from 25.6% in September 2015. The availability of liquid assets decreased as the ratio of liquid assets to total assets declined to 46.7% in September 2016 from 78.8% in the previous year.

CBSS has taken measures to strengthen the financial sector, inter alia by raising the minimum capital requirement to USD 30 million for foreign banks and USD 15 million for domestic banks. In the future, the Central Bank should further strengthen its monitoring and supervision and implement measures to strengthen commercial banks’ risk management capacity.

Public sector management, institutions and reforms
South Sudan’s public finance management system is lacking in transparency and accountability. The ongoing civil conflict, and the fragilities for which it is responsible, have continued to amplify these challenges. The Government’s 2017 budget prioritized spending on security over improved public sector delivery and much-needed structural reforms to enhance transparency and accountability in managing public resources. Public consumption also increased in 2017, led by a 56% increase in salaries (relative to 2016), which represented 52% of total expenditure. This in turn led to increased rent-seeking behaviour by civil servants, which were exacerbated by institutional weaknesses that made it difficult for the State to mobilize domestic revenues outside the oil sector and pay public sector salaries. The 2017 State budget highlighted several priority measures including the importance of: (i) controlling public expenditure; (ii) increasing domestic revenue mobilization; and (iii) encouraging foreign and domestic investment to diversify the economy.

South Sudan’s governance indicators remain weak. Transparency International’s Corruption Perception Index for 2017 found South Sudan to be one of the most corrupt countries in the world. With an overall score of 12 on a scale of 100, it was ranked 179 (of 180 countries), one place above Somalia. The Mo Ibrahim index of African Governance ranked South Sudan 53 of 54 countries in 2016. With respect to the category ‘open budget’, South Sudan was described as having ‘limited openness or none’, and scored 5 (out of 100 points). This indicates that accountability mechanisms and financial inspection and oversight must improve if officials are to effectively oversee the public accounts.

Natural resource management and the environment
South Sudan is well endowed with a range of natural resources, including oil, diamond, nickel, copper, marble, iron, and gold. It also has very fertile agricultural land, aquatic and forest resources, and diverse natural forests and woodlands. Effective management of the vast potential in the non-mineral sector, notably agriculture, could enable the country to achieve high, inclusive, and sustainable economic growth and development. The hydropower potential of the White Nile river also offers opportunities for the country to address its energy deficiencies.

Despite these resources, South Sudan continues to face environmental issues, notably limited sources of potable water and variations in weather patterns that disrupt agricultural production. Water scarcity is responsible for tensions and conflict between communities and tribes who rely on this critical resource for their livelihoods.
In recognition of the critical importance of climate change to the country’s sustainable development, the South Sudan Government ratified the United Nations Framework Convention on Climate Change in February 2014. It is also a signatory to the 2015 Paris Agreement. At domestic level, South Sudan has published the national adaptation programme of action, drafted a disaster risk management policy, and prepared an environmental health policy. These programmes and policies can underpin the development of a sustainable and inclusive low-carbon and green economy that is resilient to climate change and integrate it in national strategies to eradicate poverty. Preparation of the Intended Nationally Determined Contribution is also critical. Effective implementation of these programmes and policies remains a challenge, due to the country’s institutional and human capacity weaknesses.

**Political context**

South Sudan is a nascent country that gained sovereignty in July 2011. Since then, the country’s political trajectory has been affected by several internal conflicts, which have compromised peace and stability for the population. In July 2016, conflict between the Government and opposition forces erupted and further exacerbated the country’s humanitarian crises. Many people left because of food insecurity. To restore peace and stability, a peace agreement was signed in 2015 that promised to bring national unity and peace. However, the agreement was short lived; conflict erupted again in 2016. The implementation of the Peace Agreement has been compromised by ongoing inter- and intra-community conflicts, power struggles, and vested interests.

In the 2016 Mo Ibrahim Index of African Governance, all South Sudan's indicators were low. For instance, in the category ‘participation and human rights’, the country registered 20.7, higher only than Eritrea (17.9).

**SOCIAL CONTEXT AND HUMAN DEVELOPMENT**

**Building human resources**

South Sudan’s social indicators are very poor and have deteriorated in recent years, reflecting the Government’s ongoing development challenges, to which inter- and intra-community conflicts only add. In the United Nations Development Programme’s Human Development Report for 2016, South Sudan’s human development index was 0.418 (unchanged from the previous year, placing the country in the ‘low human development’ group. The score of 0.418 is below the average for this group (0.497) and also lower than the average for all Sub-Saharan Africa (0.523).

Gross total primary school enrolment averaged 84.2% in 2015. Gender disparity in access to education is high. The literacy rate of male adults in 2015 was 38.6%, that of female adults 25.4%; 58.7% of the population had access to safe water; only 6.7% had access to sanitation. Maternal and infant mortality rates remain high compared with other developing countries. In 2015, the maternal mortality rate was 789 per 100 000 (compared to 238 per 100 000 in developing countries), and infant mortality was 60 per 1 000 (compared to 35 per 1 000).

The poor performance indicators are a reflection of the Government’s inability to provide basic social services to its population and implement social safety net programmes effectively. The country needs to expand and improve comprehensive early childhood care and education, especially for the most vulnerable and disadvantaged children. Adequate policies to prevent and treat diseases, including HIV/AIDS, tuberculosis, and malaria, are lacking, a problem exacerbated by the limited funding these sectors received in the Government’s 2017/18 budget. The budget prioritized spending on security, while education and health received low allocations of 2% and 4% of total expenditure respectively.

According to the 2017 Global Nutrition Report, South Sudan's Government budget allocation for specific nutrition-sensitive interventions was 4.4%.

**Poverty reduction, social protection and labour**

Poverty levels in South Sudan remain high because of ongoing political instability generated by successive internal conflicts that have left millions of people displaced and without secure access to food. Urban poverty increased to 70% in 2016 from 49% in 2015, due to high inflation and rising food prices as well as static wages and salaries and slowing economic activity. Rural poverty also increased, to 36% in 2016 from 22% in 2015. By January 2018, about 5.3 million people – 48% of the population – were projected to be food insecure, according to an Integrated food security phase classification report prepared by the World Food Programme. Displacements of people have also disrupted agriculture crop production.

Labour force participation in South Sudan declined to 33% in 2016 from 50% in 2015, lifting the unemployment rate to 11% in 2016 from 9% in 2015. The low adult literacy rate (averaging 32% in the period 2010 to 2015 compared to an average of 67% across Africa), as well as low levels of school enrolment, undermine the quality of personnel available in the labour market supply, undermining South Sudan’s economic prospects in the medium to long term. This situation reflects the lack of employment policies and opportunities in the country. The slowdown in economic activity, including the decline in foreign direct
investment and limited resources for capital expenditure, led to a shift in employment patterns, as business incomes, wages, and salaries become less reliable sources of revenue. The Government’s priority on security spending contributed to this. As a result, agriculture has become the most promising sector for employment. There are reports that working-age children are abandoning school in order to work to help their families provide.

Gender equality
Gender inequality is a serious concern in South Sudan. Significant efforts by the Government are required to close gender inequities. Inequality continues to be visible in all sectors, most notably in access to education, labour force participation, and decision making.

The education system is characterized by marked gender disparity between boys and girls. While the overall adult literacy rate is estimated to have risen to 32% between 2010 and 2015, fewer women (25.4%) are literate than men (38.6%). Girls can expect an average of 3.8 years of schooling, whereas boys can expect 6.3. South Sudan was ranked 181 of 188 countries in the UNDP’s 2016 Gender Inequality Index. According to the report, women hold 24.3% of parliamentary seats. Participation in the labour force was more equal: 71.2% of women aged 15 to 65 participated compared to 75.3% of men in the same age bracket. The life expectancy of women at birth was 57.1 years; that of men was 55.2 years.

To promote gender sustainable and inclusive economic growth, the Government prepared a national gender policy and implementation strategy in 2013. Its implementation lags because of persistent internal conflict and the Government’s decision to prioritize expenditure on security over expenditure on the social sector.

THEMATIC ANALYSIS: INFRASTRUCTURE FINANCING

Overview
South Sudan’s lack of basic socio-economic infrastructure is one of the most serious obstacles to the country’s economic growth and development. Infrastructure has suffered from low and declining investment during the past quarter of a century. As a result, access to basic infrastructure is limited and transportation, electricity, and communication services are expensive, constraining the development of non-oil sectors.

The country is inadequately connected. The current transport network has 7,000 km of main roads and about 6,000 km of secondary roads, only 2% of which are paved. Most roads are impassable during the wet season. This hinders the flow of people, goods, and services, increases transportation costs, and limits connectivity between rural and urban areas.

An inadequate supply of electricity, and its high cost, are the main constraints on doing business in South Sudan. About 70% of businesses use their own generators to generate power, increasing their overheads. The South Sudan Electricity Corporation has 18.8 MW of installed capacity, and rural areas are mainly served by electricity cooperatives, which provide 2.8 MW. Access to water and sanitation infrastructures is also limited. Only 58.7% of the population has access to safe drinking water, and access to sanitation is extremely low at 6.7% in 2015. In addition, three quarters of the population have no access to sanitation facilities. The information, communications, and technology sector remains embryonic and in need of improvement: data services are limited and expensive.

Finance landscape
The Government of South Sudan prepared the 2011-2020 infrastructure action programme in 2010, collaboration with its development partners. The programme, budgeted at USD 13.8 billion, concentrates on capacity building, technical support, and rehabilitation of existing infrastructure assets. The top priority is development of the road infrastructure, with the aim of creating a national road network that reliably connects South Sudan to neighbouring countries and international ports, and expands the rural road network. Road projects are estimated to cost USD 6.3 billion, and account for about 45% of all infrastructure projects in the coming decade. In the power sector, about USD 2.3 billion will be invested in creating an affordable and reliable supply of electric power for urban areas and business communities. USD 1.9 billion has been allocated for water supply and sanitation. The Government’s spending on infrastructure maintenance is low, an estimated USD 20-25 million.

The Government’s contribution to public sector projects associated with the programme is set at USD 7.13 billion. Private sector investment is expected to be USD 2.9 billion. The donor community will provide USD 3.75 billion, including assistance for capacity building and technical support.
Challenges
South Sudan faces the following risks and uncertainties, including institutional and operational challenges to its infrastructure.

- Political risks linked to the deterioration of internal security or civil disturbances in neighbouring countries may affect conditions in South Sudan and reduce its attractiveness as a foreign investment destination. Changes in the legal and regulatory environment are also cause for concern.
- Risks that stem from the international environment include the possibility of high and volatile prices of food and raw materials that South Sudan might export, as well as currency exchange problems.
- Institutional weaknesses, lack of competition, and the absence of adequate regulations in a number of areas, including the labour market, may harm the business climate.
- If oil prices weaken in the coming decade or oil production falls, this could have adverse effects on the national Government’s financing capacities.
- It is uncertain to what extent South Sudan will be able to use the waters of the Nile Basin to develop irrigated agriculture or exploit the hydropower potential of particular sites on the White Nile that are located in South Sudan.
- Risks related to the availability of funding. To mobilize the programme’s funding will require strong co-operation between private and public entities, as well as the international donor community. To mobilize USD 3.5 billion of private investment for basic infrastructure and irrigation, the Government must develop the capacity to effectively address potential investors’ concerns in a timely manner.

Policy consideration
Given current security challenges and the high risk of infrastructure degradation, Government and development partners will have to provide the bulk of support for infrastructure. Once peace is fully restored, the Government of South Sudan can take steps to promote business opportunities for domestic and international firms.

First, it could support SMEs by establishing business development centres across the country. SMEs will benefit from training and support, and should be able to bid for construction and maintenance contracts.

Second, the Government could improve the supply of technical skills required for infrastructure development (building and maintenance, etc.). The key issue will be the manner in which the people are trained, by whom and at what cost. In the case of equipment operators, successful contractors often hire and train their workers. For electricians, surveyors, and welders, South Sudan could develop accredited training centres. In the absence of agreed standards and accreditation processes, donor support may be considered.

Third, the Government should establish procurement policies and programmes for the domestic market, to create a domestic industry to supply materials.

Fourth, the authorities could improve the business environment by targeting key areas for improvement and acting to remove bottlenecks in those areas. South Sudan can follow the path of successful reformers in Sub-Saharan Africa such as Ghana, Mali, and Rwanda, whose programmes typically include all relevant stakeholders, set specific goals, institutionalize reform efforts, and regularly monitor and evaluate progress.