SOUTH SUDAN

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- **Macroeconomic performance has continued to deteriorate because of the country's fragile situation and continuing low worldwide oil prices while growth fell by 0.2% in 2015 and the fiscal and current account deficits have increased sharply.**
- **On 14 December 2016 the president announced the launch of a national dialogue initiative with the aim of protecting and preserving the unity of the people of South Sudan, ending their suffering, restoring the economy, and focusing on state and nation building.**
- **South Sudan does not have a broad and substantive history of private sector development from which entrepreneurial culture will easily develop.**

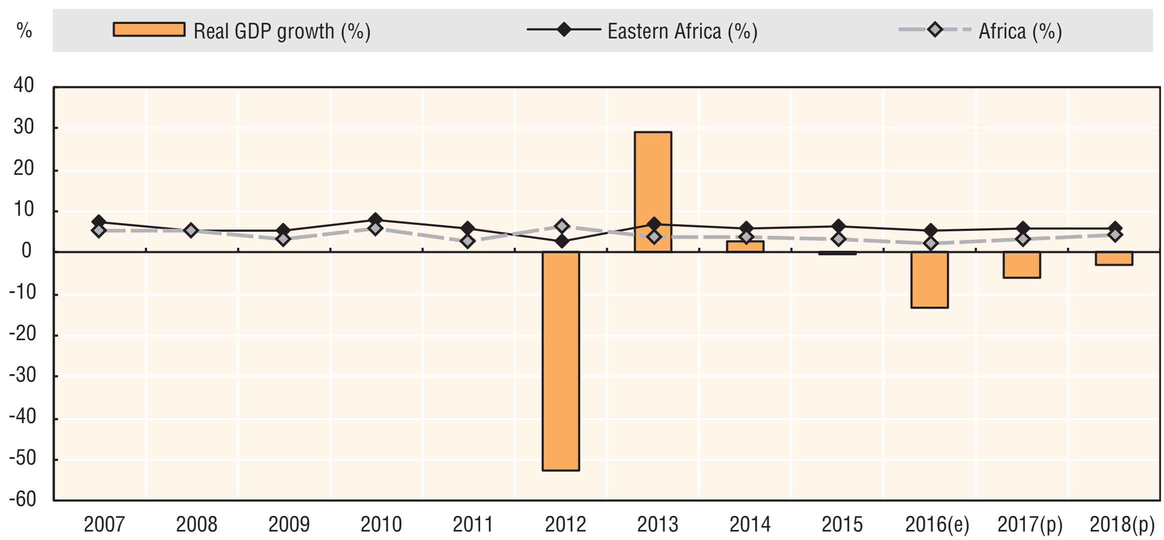
Overview

Economic performance has continued to deteriorate because of the civil war, the sharp fall in oil production, and the collapse of global oil prices. This has meant that the government is unable to raise the resources required to finance peace-related costs. In fact, financing even the normal 2015/16 budget, as approved by the assembly, remains a daunting challenge. South Sudan is the most oil-dependent country in the world, with oil accounting for almost the totality of exports, around 60% of its gross domestic product (GDP), and over 95% of government revenues in previous fiscal years. Global oil prices fell from USD 110 in 2014 to USD 30 before recovering to about USD 50 per barrel in early 2017. Net oil revenues in 2015/16 are expected to be only 17% of those of the previous year. This has had an adverse impact on economic performance. Real GDP growth fell by 0.2% in 2015. The fiscal budget and current account deficits have risen sharply resulting in a huge drop in foreign reserves, an increase in domestic and external debts, depreciation of the parallel domestic currency exchange rate, and acceleration in consumer inflation. GDP is estimated to have fallen drastically by 13.1% in 2016. The country's economic prospects remain bleak, and will depend on the successful implementation of the peace agreement, a significant recovery in global oil prices, and the implementation of the economic and fiscal measures announced in September 2016.

On 14 December 2016, President Salva Kiir announced the launch of a National Dialogue initiative with the purpose of protecting and preserving the unity of the people of South Sudan, ending their suffering, restoring the economy, and focusing on the state and nation building. It is both a process and a forum through which the people of South Sudan should redefine the basis for their unity as it relates to nationhood, refine citizenship and belonging, restructure the state and renegotiate the social contract, and revitalise their aspirations for development and membership of the world of nations. The national dialogue does not violate the terms of the Agreement on the Resolution of the Conflict in South Sudan (ARCSS). The political situation remains tense. In August 2015 parties to the South Sudan civil conflict signed a peace agreement, led by the Intergovernmental Authority on Development (IGAD). A key step in this peace accord was the formation of a unity government, which was finally announced on 29 April 2016. However, on 7 July 2016 new fighting erupted between the South Sudanese army (SPLA) and the opposition forces of the SPLA-IO. This opened a new wave of violence and since then a precarious calm has prevailed in the country.

The overall humanitarian situation continues to deteriorate sharply. In November 2016 about 1.67 million people remained internally displaced, while over a million had fled to neighbouring countries and 201 997 were seeking United Nations (UN) shelter. UN reports point to a borderline famine situation in many regions, especially in parts of the Unity State. An estimated 4.8 million people are in emergency or crisis level food insecurity. The food crisis and displacement of the populations are expected to worsen if insecurity continues.

Figure 1. **Real GDP growth**



Source: AfDB, Statistics Department AEO. Estimates (e); projections (p).

Table 1. **Macroeconomic indicators**

	2015	2016(e)	2017(p)	2018(p)
Real GDP growth	-0.2	-13.1	-6.1	-2.7
Real GDP per capital growth	-4.2	-16.7	-9.3	-5.9
CPI inflation	52.8	476.0	110.7	49.1
Budget balance % GDP	-25.2	-21.8	-11.4	3.1
Current account % GDP	-22.8	-0.4	-7.0	-8.8

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

Recent developments and prospects

South Sudan is the most oil-dependent country in the world. Oil exports account for almost the whole of the country's export revenues, contributing 95% of government revenues, and around 60% of its GDP. Given its overdependence on oil, slight changes in oil production, prices and demand can quickly translate into massive economic shocks for the country. The country's GDP contracted by 0.2% in 2015. The troubled political history of South Sudan has had a negative impact on its economic progress over the course of the past years. The annual GDP growth rate averaged -2.4% during the period between 2009 and 2015, and was also characterised by high volatility as it reached an all-time high of 29.3% in 2013 and a record low of -52.4% in 2012. The country's economic prospects remain bleak because of unresolved political, social and economic fragilities and continuing global headwinds. Real GDP is projected to fall drastically by 13.1% in 2016 and 6.1% in 2017. However, these projections depend on the recovery of global oil prices and local oil production, and the successful and full implementation of the peace agreement.

The economic situation of South Sudan has dramatically deteriorated since the outbreak of the latest civil conflict and the collapse of production and global oil prices. The civil war and deep economic crisis have taken a heavy toll on the government's finances and on economic development. The armed conflict, in particular, which is affecting northern oil-rich states, continued to disturb South Sudan's oil production in 2016. This situation has been further compounded by the collapse of international oil prices, which fell from USD 110 in 2014 to around USD 50 per barrel in early 2017, after reaching USD 30 per barrel. Net oil revenues in 2015/16 were only around 17% of those of the previous year. Falling oil prices and low oil production have cut fiscal revenue as a percentage of GDP by about half since 2013/14, while government spending has remained high, including needs resulting from the peace process. This has had an adverse impact on economic performance. Revenue collection has become considerably more difficult and at the same time, government expenditures have continued to increase and shift from capital expenditures to security outlays. The fiscal budget and current account deficits have risen sharply. Monetisation of the fiscal deficit has in turn resulted in massive macroeconomic imbalances characterised by high inflation, depletion of foreign exchange reserves, exchange rate devaluation, and a growing stock of expenditure arrears all of which have exacerbated the economic challenges. The bulk of the budgets for spending ministries are assigned to consumption and on meeting operational expenses, primarily salaries and basic running costs for fuel and utilities.

To address the armed conflict, the warring parties signed on 27 August 2015 a comprehensive peace agreement that was negotiated by IGAD. This agreement establishes a transitional government tasked with overseeing a permanent constitution, national elections, institutional reforms, humanitarian assistance and reconstruction. Its implementation, although lethargic, registered some progress. On 29 April 2016 President Salva Kiir unveiled the ministerial appointments of the new Transitional Government of National Unity (TGoNU) in accordance with the implementation of the power-sharing deal of the peace agreement. The formation of the TGoNU followed the return to the capital Juba of the opposition leader Riek Machar who was sworn in as first vice-president of the transitional government, as part of the deal for ending the conflict. The 30 ministerial posts and 8 deputy ministries were split between 4 factions: namely, President Salva Kiir's (Sudan People's Liberation Movement [SPLM] – 53%), First Vice-President Riek Machar's (Sudan People's Liberation Movement-In-Opposition [SPLM-IO] – 33%), Former Detainees (FD – 7%), and other political parties (7%). However, on 7 July 2016 renewed fighting erupted in Juba causing at least 300 deaths and leading to the withdrawal of non-essential staff of international organisations and foreign governments from Juba because of increasing insecurity. The controversial decision by President Kiir to replace the opposition leader Riek Machar as first vice-president after Machar fled the country following the upsurge of violence has also raised concerns about the likelihood of a reversal of the progress made so far in restoring the country's peace process.

The country's socio-economic situation remains broadly difficult. The effectiveness of the administration in delivering basic services is very minimal as the government has been unable to pay consistently civil servants' salaries since May 2016. On the social front, the recent armed conflict has worsened South Sudan's already endemic poverty with poverty increasing to 65.9% in 2015/16. The country has one of the lowest human development indicators in the world. The last Human Development Report ranked South Sudan at 169th out of 188 countries with a Human Development Index (HDI) of 0.467. The prolonged brutal civil war with Sudan left the country with an extremely poor and underdeveloped infrastructure and limited human capital. The country was born without the core administrative structures and institutional mechanisms critical for the delivery of basic services to the population and promoting sustainable economic growth and development. The overall humanitarian situation also continues rapidly to deteriorate. According to the World Food Programme (WFP) in September 2016, about 1.67 million people remained internally displaced, while over 1 million had fled to neighbouring countries and 201 997 were seeking UN shelter. UN reports point to a borderline famine situation in many regions, especially in parts of Unity State. An estimated 4.8 million people were in emergency or crisis level food insecurity in early 2017. The food crisis and displacement of the populations are expected to worsen if insecurity continues.

Macroeconomic policy

Fiscal policy

Fiscal management worsened markedly. Following independence in 2011, the South Sudan government embarked on a public finance management (PFM) reform strategy with substantial support from external donors. However, the subsequent conflict has either undermined or reversed the early reforms. As a result, approved budgets in the last few years have been unrealistic with artificial inflation of revenue to match a level of expenditure in line with that of previous years. This has contributed to a continuous accumulation of arrears, which, coupled with the emergence of conflict and post-conflict expenditure, have led the Ministry of Finance and Planning to waive or circumvent the financial controls for a substantial part of the budget expenditure. In addition, the assignment of expenditures may be classified as *ad hoc* as there are no clear criteria for the assignment of expenditures to the extent that the bulk of the budgets for spending ministries are assigned to consumption and on meeting operational expenses, primarily salaries and basic running costs for fuel and utilities.

Revenue collection has become considerably more difficult and at the same time, government expenditures have continued to increase and shift from capital expenditures to security outlays. Falling oil prices and production have cut fiscal revenue as a percentage of GDP by about half since 2013/14, while government spending has remained high, including needs resulting from the peace process. The fiscal budget and current account deficits have risen sharply. With the withdrawal of development partners' support following the eruption of the conflict, borrowing from the central bank has become the main source of financing the government's growing budget deficit.

Net oil revenues are estimated at SSP 1 515 million (South Sudanese pounds) in 2015/16, SSP 7 384 million lower than the net oil revenues estimated for 2014/15. Non-oil revenues are estimated to increase significantly to SSP 5 328 million in 2015/16, a 300% increase arising from an expected improvement in sales tax and customs revenue collection. Total spending from government resources for the 2015/16 fiscal year is estimated to be SSP 10 286 million, representing a SSP 555 million, or 6%, decrease from the budgeted levels for 2014/15. At the state level, not all potential revenue collections are exploited, and to date revenues collected at the state level are not captured by the central government because of a lack of an operational system. According to the International Monetary Fund (IMF) the fiscal deficit in 2016/17 could top USD 1.1 billion, or 25% of GDP, which, if again financed through borrowing from the central bank or accumulation of arrears, will continue to fuel domestic currency depreciation and high inflation.

Table 2. **Public finances (percentage of GDP at current prices)**

	2012/13	2013/14	2014/15	2015/16(e)	2016/17(p)	2017/18(p)
Total revenue and grants	**20.7**	**29.1**	**25.0**	**35.6**	**45.3**	**48.1**
Tax revenue	13.9	21.9	14.1	17.5	24.7	34.4
Oil revenues	6.4	6.8	10.3	17.7	20.0	12.9
Total expenditure and net lending (a)	**26.4**	**37.5**	**50.2**	**57.4**	**56.7**	**45.0**
Current expenditure	22.2	34.0	43.5	50.8	54.2	42.8
Excluding interest	22.1	33.3	42.5	50.0	53.5	41.9
Wages and salaries	6.8	10.4	11.8	7.8	6.0	4.5
Interest	0.0	0.7	1.0	0.8	0.7	0.9
Capital expenditure	4.2	3.5	6.7	6.6	2.5	2.2
Primary balance	**-3.3**	**-1.7**	**-2.4**	**-2.7**	**-3.8**	**-3.2**
Overall balance	**-5.7**	**-8.5**	**-25.2**	**-21.8**	**-11.4**	**3.1**

Note: a. Only major items are reported.
Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

Monetary policy

The South Sudan Pound (SSP) was introduced at independence in 2011 and the official exchange rate was established at SSP 2.95 per USD. Since the beginning of the latest conflict in 2013 the reduction in oil production and the decline in oil prices have resulted in less revenue for the government and a smaller inflow of dollars to the Bank of South Sudan. Domestic demand for foreign currency, mainly to finance imports and meet external financial commitments (e.g. servicing foreign loans and transfers to Sudan), has outstripped supply. Consequently the central bank had been unable to supply adequate foreign exchange at the official rate, leading to the emergence of a large parallel currency market where the SSP had depreciated. The fixed exchange rate regime severely narrowed South Sudan's monetary policy options, and the gap between the official and parallel rates was widening as the Bank of South Sudan was creating South Sudan pounds to finance the continuing budget deficit. At the end of September 2015, the rate at the parallel market was more than SSP 16 to the US dollar. After several failed attempts to reform the foreign exchange rate, the government finally did so on 14 December 2015 and announced the long overdue liberalisation of the exchange rate regime.

Following liberalisation of the exchange rate, the official rate of the SSP first stabilised at around SSP 19 to the USD but has since depreciated further to reach around SSP 70 to USD 1 in December 2016. It has had an impact on inflation, with December 2016 being the 13th consecutive month in triple digits. This rapid depreciation of the foreign exchange rate is mainly due to the limited availability of foreign reserves at the central bank, increasingly low confidence in the national currency, and monetisation of the fiscal deficit. The prospects are not reassuring. By the IMF estimates, the central bank foreign reserves which fell to the level of about one and a half months of imports cover in June 2013, further fell to just a few days of import cover in June 2016. This economic malaise points to the urgent need for the government to adopt and implement effectively prudent and credible fiscal, foreign exchange rate, and monetary policies. To cushion gains from the adverse impacts of devaluation, the government has introduced salary adjustments for public servants. But lack of resources has prevented their implementation.

Economic co-operation, regional integration and trade

South Sudan's status as a land-locked, least-developed country will call for special emphasis on economic co-operation and regional integration. The country is a member of the African Union and World Trade Organization (WTO) and an observer member of the Common Market for Eastern and Southern Africa (COMESA), Inter-Governmental Authority on Development (IGAD) and African Growth and Opportunities Act (AGOA). To date the country has signed and ratified about 50% to 75% of the protocols and agreements essential for regional economic integration and co-operation institutions. However, the continuing conflict has slowed down initiatives for strengthening regional integration and economic co-operation. There is a strong political will for regional integration and the government has taken steps in this regard. South Sudan applied for membership of the East Africa community (EAC) as soon as it gained independence in 2011. On 2 March 2016, the EAC admitted South Sudan as its sixth member alongside Burundi, Kenya, Rwanda, Tanzania and Uganda. EAC membership has accorded South Sudan the opportunity to benefit from regional integration, which will enable the country to recover quickly once it stabilises. The EAC Common Market is of particular importance to South Sudan, as it is a growing and dynamic regional market that provides opportunities for trade expansion. But the country would need to build significant capacity in trade policy making and customs administration to comply with EAC commitments and benefit from regional integration. While it will also need to negotiate lengthy implementation time frames in areas such as tariff reduction that give the government policy space as well as special treatment given its fragile status. Since 2011 it has also requested from the European Union (EU) special relations based on ACP (African, Caribbean and Pacific states) agreements and is engaged in talks.

There are no trade restrictions on imports of essential commodities, given that the country depends on imports for both basic commodities and input to some of manufactured goods. Tariff rates are generally low. The external position remains fragile because of the country's high dependency on a single commodity export, crude oil on the one hand, and imported consumer and capital goods on the other. During the last couple of years the current account balance has sharply deteriorated following the steep drop in oil revenues as a consequence of lower oil production and prices while there is increased demand for imports of both basic consumer and capital goods.

Table 3. **Current account (percentage of GDP at current prices)**

	2008	2013	2014	2015	2016(e)	2017(p)	2018(p)
Trade balance		15.1	38.5	-5.4	7.3	-0.5	5.8
Exports of goods (f.o.b.)		88.9	106.8	57.2	45.8	42.4	42.3
Imports of goods (f.o.b.)		73.8	68.3	62.7	38.4	42.9	36.6
Services		-12.5	-19.4	-17.9	-17.2	-12.8	-12.8
Factor income		-28.9	-26.7	-13.5	-10.2	-7.8	-8.2
Current transfers		22.2	13.7	14.0	19.7	14.2	6.5
Current account balance		**-4.1**	**6.1**	**-22.8**	**-0.4**	**-7.0**	**-8.8**

Source: Data from domestic authorities; estimates (e) and prediction (p) based on authors' calculations.

Debt policy

Officially. the government has no debt sustainability problem, at least in the short term, although there are concerns in the light of the country's low debt repayment capacity. However, there is currently no formal mechanism for recording the government's debt and for co-ordination and information-sharing between different agencies responsible for contracting debt. Reconciliation of different government bank accounts is also not done. Furthermore, some debts contracted are used to buy military material, are covered by military secrecy and are not disclosed. Consequently, the exact level of the indebtedness is not known and there are indications that the country may have contracted more debt than is officially reported. The legal framework for public borrowing is defined by the constitution but the oversight does not function.

As a result of the loss of oil revenue, and the need to finance government expenditure, the government has relied heavily on external and domestic borrowing. Consequently, the new nation, which had no debt stock at independence, now has a considerable one. Gross government debt is estimated to have increased from zero in 2011 to 4.9% of GDP in 2012. According to the last IMF debt sustainability analysis, South Sudan is at moderate risk of external debt distress. The IMF estimates that the country's gross debt reached 10.23% of GDP in 2015. Gross debt is projected to increase further, reaching 12.45% of GDP in 2016 and 15.47% in 2017. However, these figures may soar on account of the government's continued issuance of more uncovered cheques (including for civil servant salaries), and the likelihood of integration of the debts contracted by the SPLM-IO. Furthermore, debt repayment capacity is low and the government is currently holding discussions with the IMF to find a sustainable solution to South Sudan's worsening debt situation.

Economic and political governance

Private sector

South Sudan has one of the most restricted business and investment climates in the world. The World Bank report *Doing Business 2016* ranked South Sudan 187th out of a total of 189 countries, down from 186 in 2015. The report identified the business environment challenges that constrain private sector development in South Sudan: resolving insolvency (189th), getting electricity (187th), starting a business (181st), protecting minority investors (181st), registering property (180th), and trading across borders (179th). The non-oil private sector, which mainly comprises agriculture, livestock raising, forestry and services, is estimated to account for a small portion of GDP, approximately 15%. The vast majority of businesses, most of which are small and medium-sized enterprises (SMEs), operate in the informal sector. Almost all larger companies are foreign-owned as most South Sudanese companies still lack human, infrastructure, and financial capital resources. Other constraints faced by entrepreneurs include electricity failure and drought during the dry season. According to the 2010 Business Survey Listing Southern Sudan Centre for Census, Statistics and Evaluation (SSCCSE 2011) there were 7 332 registered businesses in state capitals (up from 1 294 at the end of 2005). The majority (over 90%) of the businesses had fewer than five employees while over 80% were engaged in wholesale and retail trading.

The government recognises the importance of the private sector and one of its goals is to diversify the economy and double the amount of non-oil revenue through a more conducive business environment for the private sector. To this end, the regulatory framework and the rule of law are slowly being enhanced to provide the certainty and predictability the private sector needs to invest and create jobs. Many laws relating to the business environment have been enacted, but many of the regulatory mechanisms are not in place to implement and enforce them.

Financial sector

South Sudan's financial sector is still at an early stage of development and access to finance is limited, especially because of the political crises. Despite this limitation, South Sudan has established a conventional banking system. Foreign banks, mainly from Kenya and Uganda, play a leading role in the banking sector and only one locally owned bank is present in the country (Agricultural Bank of Sudan). Banking services are mostly focused on foreign exchange, bank transfers and remittances services with only a few banks providing loans, trade finance and savings accounts.

Development of the financial sector has been severely limited by the country's continuing financial fragility problems. In 2014, there were 27 commercial banks (28 in 2012), 79 foreign exchange bureaux, 12 multilateral financial institutions and 10 insurance companies active in South Sudan. In May 2016, there were 28 commercial banks of which 80% were foreign-owned, according to a recent IMF surveillance report. Adherence to the Basel core principles of sound commercial banking practices is limited as the quality of risk management in financial institutions is poor since supervision focuses only on compliance and is not risk-based. The financial sector is dominated by commercial banks which mainly focus on foreign exchange, money transfers, and remittances services. Very few banks provide credit facilities, trade finance, and savings accounts products and services. Although some new banks have entered the market, competition in the South Sudan banking system remains very limited as reflected in the high margins and narrow product offerings. The latter mainly include short-term loans (three to six months) for financing the working capital needs of large firms in the trade and services sector. In addition to poor risk management practice in financial institutions, the capacity of the central bank to oversee the commercial banking sector is also very weak. On the demand side, only 1% of the population has a bank account.

Public sector management, institutions and reforms

The 2015 annual report of the Mo Ibrahim index of African governance ranked South Sudan as the second worst country in all aspects of governance after Somalia. The report noted that since the country's creation in 2011, there has been widespread deterioration in each of the four governance categories: in respect of safety and rule of law, participation and human rights, sustainable economic development, and human development. Moreover, the country has experienced the largest deterioration in governance seen between 2011 and 2014 in Africa. Institutions charged with political and economic governance in South Sudan lack, or have inadequate, processes; structures; human resources; and political backing required to make them effective and functional. Weak institutions and capacity have been compounded by an incomplete restructuring of the armed forces, which has left them fragmented, and with no internal mechanism for exerting control over the entire forces. Reform of the security sector and civil service are critical, but pose a high risk of political backlash and even possible insurrection if not handled effectively and with viable sources of alternative income found for those released from service.

Similar gaps in capacity, structures, and processes are also evident in the parliament, the judiciary, and all key ministries. The public financial management systems of the country are still weak and fiduciary risks are substantial because of weaknesses in the overall public financial management (PFM) systems. Institutional processes and structures for political and economic governance were supposed to be put in place during the transition period (2005-10). Human resources, skills and capacity gaps are major concerns. The long civil war with the North meant that many South Sudanese faced difficulties in accessing education, or developing professional skills. The peace settlement and integration of all factions in the war into government was a critical political goal for the maintenance of peace but has inadvertently led to the assignment of roles to individuals with absent or misaligned skills. Consequently, staff in ministries and other sectors often lack critical skills, knowledge, or the academic background needed for their functions, and urgent training and upgrading of skills are needed.

Natural resource management and environment

South Sudan is endowed with abundant natural resources, including a large amount of fertile agricultural land that is potentially irrigable. Aquatic and forestry resources, as well as mineral resources including oil, are also present. South Sudan is also endowed with potential hydropower sites all situated on the White Nile River capable of producing an estimated 3 000 MW which, if exploited, could satisfy the energy needs of the country. There is a lack of reliable information and data on the environment and limited research capacity. Field data on natural resources and ecosystem services are scarce in South Sudan. Because of the long period of war, data collection stalled and existing data sources were lost. This is a major constraint on both environmental planning and policy creation for sustainable development.

Environmental governance and the attendant institutions are still very weak. However, with respect to the regulatory framework, the South Sudan National Environmental Policy has been drafted and a specialised ministry has been created to manage the environment. Environmental pressures and land degradation in parts of South Sudan, particularly in northern areas, are a concern since they affect livelihoods and increase inter-communal conflict, including over water and pasture. These pressures result from population growth, displacement to allow for oil drilling, climatic changes, and disasters such as flooding and the lack of energy sources beyond firewood, which has led to the cutting down of trees and forest cover. Other environmental issues include wildlife populations threatened by excessive hunting; soil erosion; desertification; and periodic drought.

Political context

The parties to the South Sudan armed conflict on 27 August 2015 signed a comprehensive peace agreement that was negotiated by IGAD. Although lethargic, implementation of the peace accord initially registered some progress. On 29 April, President Salva Kiir unveiled the ministerial appointments of the new transitional government of national unity (TGoNU) in accordance with the implementation of the power sharing deal of the Peace Agreement. Formation of the TGoNU followed the return, to the capital city Juba, of the opposition leader Riek Machar who was subsequently sworn in as vice president of the transitional government, as part of the deal for ending the conflict. The 30 ministerial posts and 8 deputy ministers were split between 4 factions: namely, President Salva Kiir's SPLM (53%), Vice President's Riek Machar's SPLM-IO (33%), Former Detainees (FD) (7%), and other political parties (7%). However, the renewed armed conflict between the main warring parties led to delays in, and further controversies around, implementation of the peace accord. On 7 July 2016 renewed fighting erupted in Juba causing at least 300 deaths and leading to the withdrawal of non-essential staff of international organisations and foreign governments from Juba because of increasing insecurity. The controversial decision by President Kiir to replace the opposition leader Riek Machar as vice-president after Machar fled the country following the upsurge of violence has also raised concerns about the likelihood of a reversal of progress made so far in restoring the country's peace process. In addition, the new transitional mechanisms and government have yet to be properly constituted to effectively administer the country as most are not in place.

Social context and human development

Building human resources

South Sudan continues to be committed to building its human resources in all spheres of education and health, putting in place policies to ensure this happens. Reflecting decades of conflict in which many missed opportunities for learning, the Education Act (2012) does emphasise alternative education systems to "provide learning opportunities for learners who have missed their formal education in the basic education system and those who never joined basic education". The act also advances adult and lifelong learning as a tool to eradicate illiteracy, and improve employability. The same is true of the recent health policy of 2016-25 that is focused on building a community-anchored health system.

In spite of the continuing economic, political and security challenges, South Sudan has continued to make strides in several aspects in building its human resources. For instance, the country has made significant progress in respect of the provision of antiretroviral treatment (ART) and more assistance for pregnant women. The coverage of people receiving ART improved from just 2.2% in 2011 to 10.9% in 2015. The government, with the support of development partners, has continued to invest in strengthening national institutions to ensure equitable and effective delivery of HIV treatment and related services. A notable example is its partnership with the Global Fund for Aids, tuberculosis and malaria, and the United Nations. Maternal and child mortality have also continued to improve. Maternal mortality fell from 1 000 to 730 per 100 000 live births between 2000 and 2014, and child mortality from 73.2 to 64.1 deaths per 1 000 live births.

However, progress remains limited by the significant fiscal constraints, an ailing economy and the ongoing conflict that makes it difficult to deliver basic services. For instance, available evidence suggests that immunisation coverage against measles fell to 22% in 2015 compared to 62% at independence. This is the percentage of children aged 12-23 months who receive measles vaccinations before the age of 12 months.

Poverty reduction, social protection and labour

Although the last household survey for 2009 indicated that only 51% of the population lived below the national poverty line, the conflict and the resulting displacement of people have had a further negative impact on the nation's poverty level and production strategies. Available evidence suggests that the number of internally displaced people increased by over 300% from an estimate of 350 000 to 1.7 million people between 2011 and 2015. The internally displaced people are those persons who have fled their homes as a result of conflict or violence but have not crossed an internationally recognised state border. In addition, the United Nations High Commissioner for Refugees (UNHCR) reported on 16 September 2016 that the number of refugees fleeing South Sudan had passed the 1 million mark. This is in addition to the difficult economic conditions that create significant challenges to poverty reduction efforts.

Social protection initiatives include policies and programmes that reduce the risk of becoming poor, assist those who are poor to better manage further risks, and ensure a minimal level of welfare to all people. Interventions include social safety net programmes, pension and old age savings programmes, protection of basic labour standards, regulations to reduce segmentation and inequity in labour markets, active labour market programmes, such as public works or job training, and community-driven initiatives. In 2009 the government of the then Southern Sudan designed a social security policy with the purpose of covering work-related risks (notably pensions, occupational hazards and maternity) with limited coverage. While the policy provides guidance, there is little evidence of its implementation.

Gender equality

Gender equality is discussed in terms of achieving gender equality and empowering all women and girls (Sustainable Development Goal [SDG]5). This includes the extent to which the country has enacted and put in place institutions and programmes to enforce laws and policies that give protection to men and women under the law; and promote access to opportunities and economic resources.

South Sudan has already taken significant steps in adopting legal reforms and policies, and removing discriminatory practices. In terms of legal reforms and policies, the government of South Sudan upholds equality of opportunity for men and women of all ages and in all spheres of life. South Sudan is a signatory to the Beijing declaration, the African Union protocols, and the convention on the elimination of all forms of discrimination against women. An entire ministry has been set aside to advance gender equality and has developed a national gender policy. The policy serves as a framework and provides guidelines for mainstreaming principles of gender equality and the empowerment of women in the national development process.

The 2016 *African Human Development Report* provided an opportunity to reflect on pathways to accelerate gender equality and empower women. These pathways focus on: adoption of legal reforms; policies and programmes; national capacities for women to participate in decision making in all spheres of life; mitigating impacts of discriminatory practices; and ownership and management of environmental resources. In a survey conducted alongside the launch of the report more than half of the participants (51.2%) identified the key pathway as national capacities for women to participate in decision making in all spheres of life. The rest were far behind: adoption of legal reforms; policies and programmes (23.3%); mitigating impacts of discriminatory practices (18.6%); ownership and management of environmental resources (7%).

However, the need to disaggregate data according to sex, geography and time remains a challenge to enabling gender, spatial and temporal analysis respectively upon which much of the lessons and pathways for progress are likely to depend. For instance, the latest sex-disaggregated data on literacy to make possible gender analysis date back to 2009 and the results suggested that while the literacy rate for males aged over 15 is 40% that for women is only 15.6%.

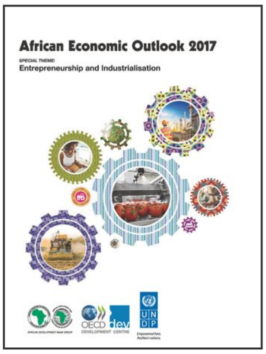
Thematic analysis: Entrepreneurship and industrialisation in South Sudan

Industrialisation data on South Sudan are non-existent. However, before independence in 2010 what was then Southern Sudan attempted to develop an industrial framework. This framework had a vision of initiating industrial development through the establishment of a competitive, diversified economy based principally on private enterprise, with the ultimate objective of setting up a diversified export-oriented manufacturing base. The framework defined its way forward as being based on: i) natural resources; that is, agriculture and forest-based products including fisheries, animal products including leather and food processing; oil and energy; minerals and metals; and ii) on services; that is, construction including quarrying for road construction materials, stone and alluvial sand; and metal manufacture. However, this explicit strategy for developing industry has not yet been completed.

The only evidence publicly available is from a study on competitiveness and cross-border trade with neighbouring countries undertaken by the AfDB and published in 2013 which suggested that manufacturing and agro-processing firms constituted 2.7% of the total number of businesses surveyed. The study also suggested that there were efforts under way to revive several agro-processing industries, in particular saw mills, a fruit canning factory and a brewery in Wau, Western Bahr el Ghazal state; the Kenaf project for making and packaging hessian cloth in Tonj, Warrap State; the Nzara agro-industrial complex, Western Equatorial State; the Mongalla cotton-spinning and weaving factory, Central Equatorial state; a paper- making project using papyrus that grows in the Sudd or swamps of the states of Warrap, Unity, Upper Nile, Jonglei and Lakes; the Shea butter project in greater Bahr el Ghazal; and a palm oil project in Western Equatorial.

It is within the industrial framework that entrepreneurs would develop to play a significant role in the prioritised industries and other areas of their choice. Entrepreneurship in this note refers to the occupational choice of labour market participants to engage in self-employed activities through identifying and trying to exploit perceived opportunities to provide a service or product in local or global markets. Entrepreneurship is essential for growth and structural change in an economy. But South Sudan does not have a broad and substantive history of private sector development in which entrepreneurial culture can easily develop. In many countries, developing management skills comes from exposure to a family business, from exposure to working in a business or from formal business training. Given the limited penetration and depth of the private sector in South Sudan and the absence of business training opportunities, business and entrepreneurial skills can only be acquired through trial and error and at a high risk to the business. Available data suggest that 28.3% of those aged over 15 are employed in sectors other than animal husbandry, crop farming, fishing or forestry (NBHS 2009). Appropriate disaggregated data are lacking and remain a constraint in understanding and analysing entrepreneurship. But it is true is that South Sudan's private sector has a significant role to play in supporting the government in the task of national reconstruction and development. This role is wide, and includes the provision of physical infrastructure as well as supporting the development of social services. Therefore, entrepreneurship needs to be encouraged.

Thus, the National Development Plan of 2011-2013 prioritised the development and facilitation of an appropriate entrepreneurship strategy; but this has not yet been developed. It can be deduced that such a strategy does not exist. However, the government is partnering the international community to identify young entrepreneurs. This partnering includes activities such as the youth innovation challenge to generate ideas, and training. For instance, in 2016 the youth innovation challenge attracted 132 young people, 124 ideas were submitted and 26 semi-finalists were selected by an evaluation committee to participate in the Ideation Workshop. The winner received USD 10 000 while the second and third received USD 6 000 and US 4 000 respectively. In addition, through an entrepreneurship and enterprise development programme, 8 entrepreneurs were trained, 50% of whom were women. This follows the Empretec methodology developed through the United Nations Conference on Trade and Development (UNCTAD) with a network and application in 36 countries.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