THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP

THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP

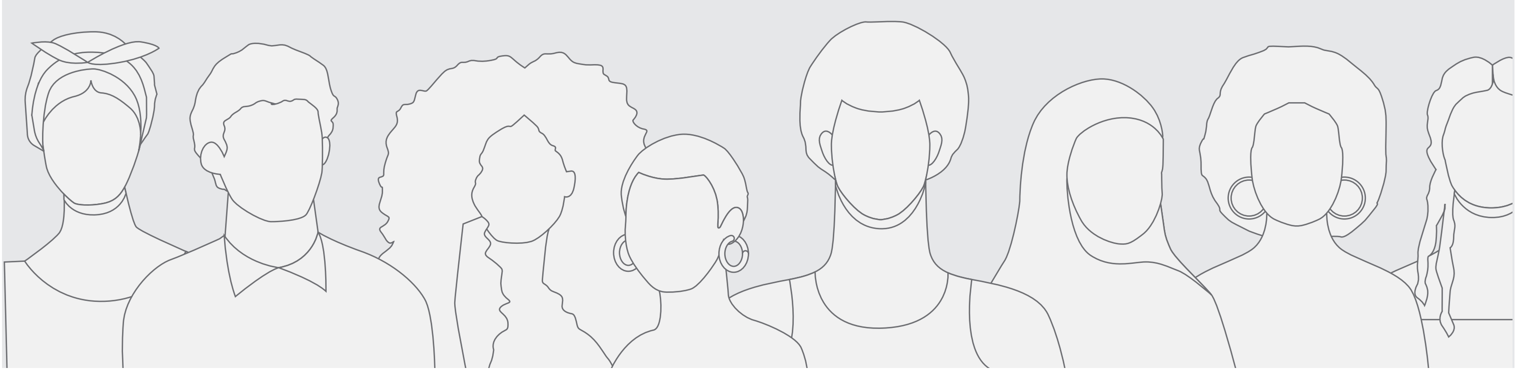
SOUTH SUDAN MULTI-DONOR TRANSITION TRUST FUND

SOUTH SUDAN ECONOMIC MONITOR

Investing in Humans

SOUTH SUDAN ECONOMIC MONITOR

Investing in Humans



CONTENTS

ACKNOWLEDGEMENTS ix

ABBREVIATIONS x

EXECUTIVE SUMMARY 1

PART I. RECENT ECONOMIC DEVELOPMENTS 5

1.1. The Global and Regional Backdrop 6

1.2. Recent Developments in South Sudan 8

1.2.1. The Real Sector 8

1.2.2. Inflation and Food Insecurity 9

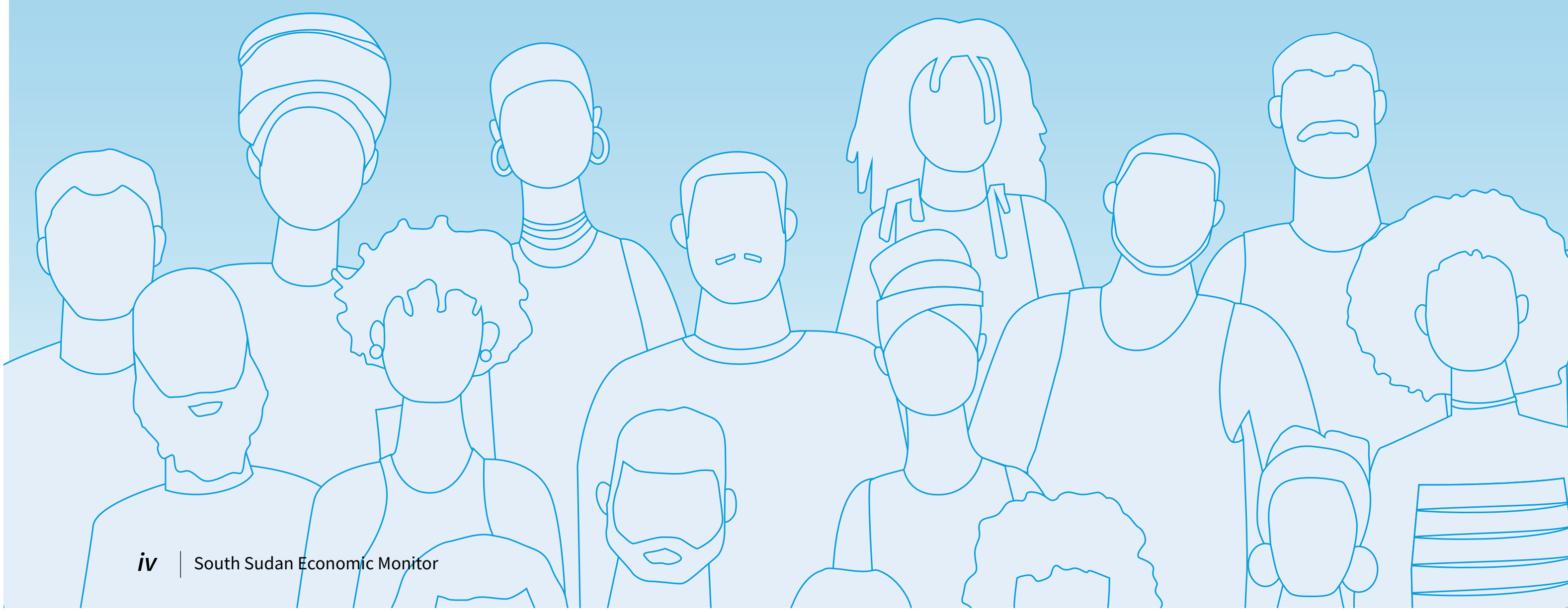
1.2.3. Monetary Policy, Credit and Exchange Rate 10

1.2.4. Financial sector developments 12

1.2.5. External Sector 14

1.2.6. Fiscal developments 15

1.3. Outlook and Risks 19



PART II. DELIVERING FOR PEOPLE: BUILDING HUMAN CAPITAL IN SOUTH SUDAN.... 23

2.1. Context..24

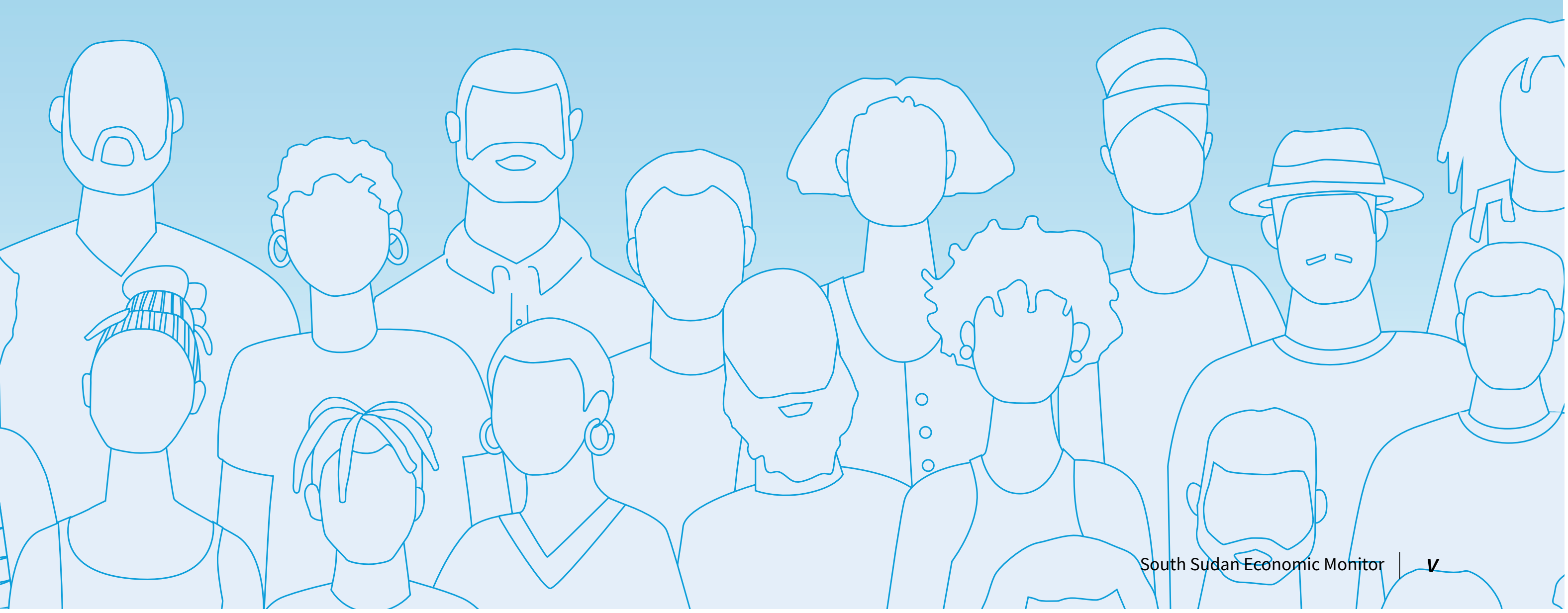
2.2. Human Development Outcomes in South Sudan: Trends and Challenges................30

2.2.1. Malnutrition 30

2.2.2. Learning poverty...35

ANNEX A. SNAPSHOT OF FY23/24 BUDGET 42

ANNEX B. COMPARISON OF AGGREGATE BUDGET PLANS OF FY2022/23 AND FY2023/24, IN BILLION SSP 43



FIGURES

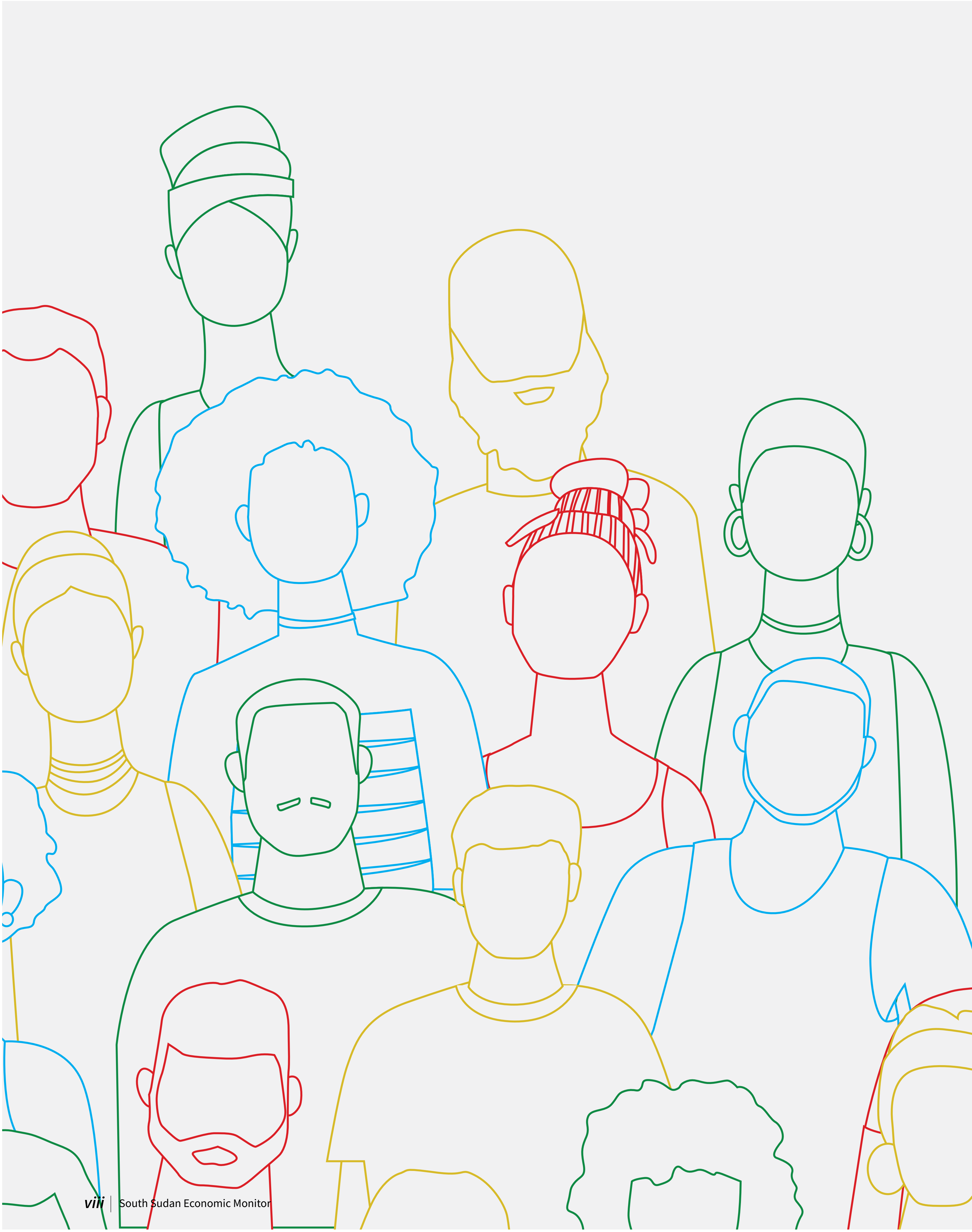
Figure 1.1. Global GDP growth (percent) 6
Figure 1.2. Global oil prices, $bbl average for WTI, Brent and Dubai prices.......... 6
Figure 1.3. GDP growth in Sub-Saharan Africa (percent) 7
Figure 1.4. South Sudan GDP growth (percent).......... 9
Figure 1.5. Oil production and revenues.......... 9
Figure 1.6. Cereal production and area cultivated (ha) 9
Figure 1.7. Frequency of conflict events (number).......... 9
Figure 1.8. Headline inflation (percent, yoy).......... 10
Figure 1.9. Inflation, selected comparator countries in SSA, percent annual average.......... 10
Figure 1.10. Exchange Rate Developments 11
Figure 1.11. Money supply and monetary base growth (percent).......... 11
Figure 1.12. Monthly broad money (M2) growth and inflation (percent) 12
Figure 1.13. Broad money (M2) and South Sudanese Pound, Jan 2021=100.......... 12
Figure 1.14. Domestic private credit 12
Figure 1.15. Current account balance and oil revenues.......... 14
Figure 1.16. South Sudan's exports and imports with selected neighbors (USD million) 14
Figure 1.17. Gross reserves 15
Figure 1.18. External debt service obligations and FX reserves, 2022- 2024.......... 15
Figure 1.19. Spending by economic classification, percent increase in FY22/23 and FY23/24 budgets.. 16
Figure 1.20. Fiscal aggregates, SSPb 16
Figure 1.21. FY22/23 Budget execution, SSP bn 16
Figure 1.22. Trends in the public sector workforce and wage bill.......... 17
Box Figure 1. Trends in oil revenues and production.......... 19
Box Figure 2. Non-oil revenue collection 19
Box Figure 3. Non-oil revenues by source, FY23.......... 19
Figure 2.1. GDP per capita, US$, current South Sudan vs selected comparators.......... 25
Figure 2.2. Food insecurity.......... 25
Figure 2.3. Human Capital Index and its components in South Sudan.......... 26
Figure 2.4. Domestic general government health expenditure in 2019.......... 27
Figure 2.5. Government expenditure on education in 2021 (percent of government expenditure) 27
Figure 2.6. Summary of the drivers of malnutrition and stunting in South Sudan.......... 32
Figure 2.7. Priority recommendations to address acute and chronic malnutrition in South Sudan33
Figure 2.8. Estimated Learning Poverty in South Sudan.......... 37

TABLES

Table 1.1. Financial Stability Indicators 13
Table 1.2. Budget allocations by function, (Approved budget percentage allocation by sector) .. 17
Table 1.3. Macro and poverty projections 20
Table 1.4. Upside and Downside Risks to South Sudan's macroeconomic projections 21

BOXES

Box 1.1. Financial Intermediation in South Sudan 13
Box 1.2. Revenue Diversification in South Sudan 18
Box 2.1. Child mortality and human capital development 27
Box 2.2. Infrastructure gaps in South Sudan 29
Box 2.3. Impacts of stunting 31
Box 2.4. Learning from other countries: Nepal, Ethiopia, Peru, Kyrgyz Republic, and Senegal.. 34
Box 2.5. The Methodology for South Sudan Learning Poverty Estimation 35
Box 2.6. Learning Access in South Sudan 36

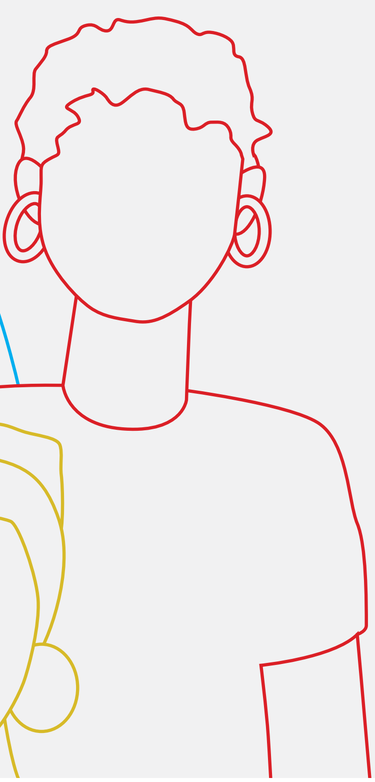


ACKNOWLEDGEMENTS

The South Sudan Economic Monitor (SSEM) is a World Bank report series that assesses key economic developments, prospects, and policies in South Sudan. The current Monitor, which has been produced after a hiatus of 2 years, is intended for a wide audience including policymakers, business leaders, the community of analysts and development partners engaged in economic debate around macroeconomic and structural reform priorities in South Sudan, and the general public. It includes a section on recent economic developments and outlook, followed by a thematic section analyzing issues of particular importance. The thematic section of this edition of the SSEM focuses on two critical aspects of human capital development in South Sudan, namely education and nutrition, and discusses the needed interventions to improve outcomes and lay the foundations for more inclusive growth and development going forward.

The SSEM was prepared under the overall guidance and supervision of Ousmane Dione (Country Director), Firas Raad (Country Manager), Hassan Zaman (Regional Director for Equitable Growth, Finance and Institutions), and Marco Hernandez (Practice Manager).

The team that produced the SSEM was led by Tehmina Khan (Lead Economist, Program Leader), Zerihun Getachew (Economist) and Fang Guo (Economist), and included Farhan Hameed (Consultant-Economist). Part II of the SSEM was prepared by Tehmina Khan, Zerihun Getachew and Farhan Hameed, drawing on extensive inputs and contributions from health, education and social protection teams at the World Bank, including: Suleiman Namara (Practice Manager), Andrea Vermehren (Lead Social Protection Specialist), Francisco Haimovich Paz (Senior Economist), Erina Iwami (Social Protection Specialist), Amr Elshalakani (Senior Health Specialist), Manal M A Kahla (Consultant). The team is grateful for comments and supports from Cristina Savescu (Lead Economist), David Santos Ruano (Senior Public Sector Specialist) and John Deng Aleer Goch (ET Consultant). The team is grateful to resources provided through the South Sudan Multi-Donor Transitional Trust Fund (MDTTF) that have supported dialogue and analytical diagnostics on macroeconomic developments by the World Bank that have been used as inputs into the SSEM. The team is also grateful to colleagues in South Sudan for their peer review and feedback. The team thanks Zewditu Banteyehun Haile (Operations Officer), Lomoro Abdalla John Sindani (Consultant), Gelila Woodeneh (Senior External Affairs Officer) for their support and guidance on publication and outreach. The team thanks Florence Poni for excellent administrative support. The report was edited by Ryan Zahrai and designed by Ha Doan.



THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP

SOUTH SUDAN MULTI–DONOR TRANSITION TRUST FUND

ABBREVIATIONS

bpd	barrels per day
bbl	a barrel of crude oil
BOSS	The Bank of South Sudan
COVID	coronavirus disease
DeMPA	Debt Management Performance Assessment
EAC	East African Community
EARTTDFP	Eastern Africa Regional Transport, Trade and Development Facilitation Project
EGRA	Early Grade Reading Assessment
EMDEs	emerging market and developing economies
ENA	Education Need Assessment
FCV	fragility, conflict, and violence
FY	Fiscal year
GDP	gross domestic product
HDI	Human Capital Index
IDPs	internally displaced persons
IMF	International Monetary Fund
MOFP	Ministry of Finance and Planning
MoGEI	Ministry of General Education and Instruction
NBFI	non-bank financial institutions
NER	net enrolment rate
NRA	National Revenue Authority
OECD	The Organization for Economic Cooperation and Development
OPEC	Organization of the Petroleum Exporting Countries
OOSC	out of school
SSA	Sub-Saharan Africa
SSP	South Sudanese Pound
SUN	The Scaling Up Nutrition
TDF	Term Deposit Facility
UNICEF	The United Nations International Children's Emergency Fund
US$	US dollar
WASH	water, sanitation and hygiene
WTI	West Texas Intermediate
yoy	year on year

EXECUTIVE SUMMARY

Near-term prospects hinge on sustaining momentum on the country's political transition and further deepening of macroeconomic and governance reforms

Over a decade after independence, South Sudan's prospects remain constrained by a fragile peace amid dire and growing humanitarian needs and vulnerability to various shocks. The 2018 peace agreement ended several years of civil war, and macroeconomic, governance, and exchange rate reforms initiated since 2021 with the support of development partners have helped to improve macro stability and curb hyperinflation. The subsequent economic recovery was disrupted by overlapping external shocks (COVID-19, war in Ukraine) and unprecedented flooding that affected both agricultural and oil production and added to pressing humanitarian needs. With two-thirds of the population facing severe food insecurity,[1] high global food prices have added to food insecurity pressures. More recently, however, indications are that a sustained recovery in private sector activity is underway, supported by reforms anchored by IMF programs, a return to relative peace alongside higher government spending enabled by a recovery in oil prices, and an increased flow of credit to firms. Nonetheless, a significant drag from lower oil production remains; this is expected to cause overall GDP growth to stagnate in FY23/24 at about -0.2 percent. Higher oil prices are enabling higher government outlays, especially on long overdue salary increases, and have helped to bolster the current account.

The medium-term outlook is for a modest growth recovery contingent on consolidating and deepening reforms. Over the medium term, growth should rise to about 2 percent as oil output recovers and non-oil activity continues to expand, supported by higher government outlays on critical public investments, health, and education, and moderating inflation. This outlook hinges on prudent monetary and fiscal policies anchoring macro and price stability, progress on governance, transparency, structural reforms, and peace deal implementation. Further macroeconomic, governance, and transparency reforms are urgent to ensure scarce resources are spent on development needs and to facilitate sustainable and job-rich inclusive growth.

A loss in momentum on macroeconomic/governance reforms and the political transition could amplify macroeconomic and fragility risks. Considerable downside external and domestic risks stem from volatility in global oil markets and demand, and recurring weather shocks that slow the recovery from recent catastrophic floods. Dependence on oil transportation routes through conflict-affected Sudan presents new, acute risks. These challenges are exacerbated by the return of some 300,000 (and rising) refugees from Sudan, mostly South Sudanese returnees. The transition period needed for the full implementation of the peace deal has been extended thrice until 2025; further slippage on critical milestones, including preparatory steps for elections in December 2024, could add to political uncertainty and weigh on private sector activity and, amid already dire humanitarian conditions, presage a return to full-blown conflict. On the upside, peace dividends from the robust implementation of the final phase of the 2018 peace deal could be larger than expected.

Investments in human capital are critical for South Sudan to leverage its natural endowments, lay the foundations for inclusive growth, and support its exit from chronic fragility

South Sudan offers enormous potential given its vast natural resources, both land and oil; however, it remains one of the poorest countries in the world, facing a multitude of challenges due to conflict, misappropriation, and mismanagement of oil resources, poor infrastructure, and low human development, compounded by climate shocks. An estimated 80 percent of the population lives below the international poverty line of $1.90 per day per person and about 78 percent of the population

1 World Food Programme. 2023. 'South Sudan' at https://www.wfp.org/countries/south-sudan

is expected to experience severe food insecurity in 2023. Poor nutrition along with a constant threat of violence has severely hampered human development outcomes, evidenced by some of the worst health and education outcomes in the world, exceptionally high levels of food insecurity, chronic malnutrition and stunting and learning poverty. The paucity of human capital at an early stage of statehood—South Sudan only became a nation in 2011—and domestic and global challenges have weighed on the country's ability to tap its full economic potential.

By placing human capital development at the heart of its development policy, South Sudan may break out of the fragility cycle and set on a more prosperous and resilient future. South Sudan's Revised National Development Strategy (2021-2024) recognizes that human capital investments can catalyze economic diversification. The Special Topic in Part II of the SSEM highlights the importance of investing in human capital development as a foundation for economic growth and development and reversing the dire human development outcomes concerning nutrition and education in South Sudan. It argues for the following urgent actions and reforms:

Concerning nutrition, a paradigm shift towards prevention alongside treatment and a multi-pronged, multisectoral approach to reverse current, extremely poor outcomes is needed. Key priorities include:

- Scaling up emergency support, including in hard-to-reach areas; aligning malnutrition treatment efforts and training programs across the health system and partner organizations; reinitiating weight and height measurements; strengthening patient identification and classification to ensure effective treatment via community-based programming; and leveraging social protection programs to target vulnerable households.
- Elevating the urgency of nutrition as a critical development priority within the Ministry of Health, including through higher, predictable and long-term budget funding, and supporting a gradual transition of nutrition service provision from partners to Government and communities. It is imperative to invest in the training of health workers and caregivers.
- Adopting a multi-system approach to prevent malnutrition through efforts such as expanding hand washing; developing treatment protocols for diarrheal illnesses; and expanding breastfeeding promotion. A robust, well-costed, strategic nutrition policy and framework and a clear accountability framework for development partners and the government are also needed.

Learning poverty is driven by demand and supply side factors, and it will be necessary to address both.

- On the supply side: the education budget needs to be increased substantially, and to make sure that resources need to be spent well and in the right areas. In addition to ensuring that teachers are paid on a timely basis, the supply of quality teachers should be increased by developing a realistic plan to recruit more teachers; improving teacher training; and gradually increasing teacher salaries to make it a more competitive profession. To ensure that the additional budget is well spent, there is a need for capacity building at the Ministry of General Education and Instruction (MoGEI). Regular testing and tracking of education outcomes should be implemented to assess the education system better. Developing standard textbooks and teacher's guides and instruction in a language the students know can further enhance education outcomes. As with nutrition, a multisectoral approach to education by including programs such as: early childhood development programs, psychosocial support and school feeding programs will also be helpful.

- On the demand side: multisectoral approaches combining social safety nets and education programs can help tackle demand-side constraints. Expanding the coverage of social safety nets and interventions such as school feeding programs can help households mitigate financial burdens and promote food security. Furthermore, context-specific cash transfer programs coupled with cash 'plus' trainings and behavioral change communication could raise awareness on the benefits of education and early childhood development and facilitate greater investment in education, particularly for girls.

Broader priorities that cut across health and education include:

- Increasing funding for both health and education, both of which are severely under-funded in the budget and are thus reliant on uncertain donor funding;
- Improve coordination between key stakeholders, development partners and the government, including by laying out clear responsibilities; leveraging existing programs to achieve goals;
- Strengthening capacity building within the government to support the provision of health, education and nutritional services;
- Developing multisectoral policy frameworks, standards and protocols to make it easier to coordinate and implement long-lasting reforms strategically;
- Strengthening monitoring and evaluation of the system through data collection; and
- Finally, additional spending is likely to be ineffective without a sufficient level of traditional infrastructure that includes not just reconstruction and expansion of health and educational facilities that have been affected by long years of conflict, but also improved transportation system; access to energy; and a communication system that can support increased access to health and education services.

PART I
RECENT ECONOMIC DEVELOPMENTS

I. RECENT ECONOMIC DEVELOPMENTS

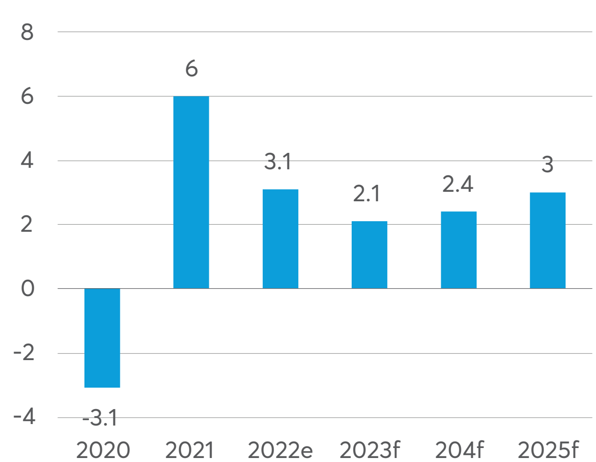
Notwithstanding slower global growth and lingering impacts of recent catastrophic floods, private sector activity, outside the oil sector, has been supported by a relative return to peace, and higher government spending. Nevertheless, the economy is estimated to have contracted by 0.4 percent in FY23/24, reflecting drags from oil production. Supported by a successful exchange rate liberalization, inflation averaged -3.2 percent in 2022 and around 3 percent in the first nine months of 2023. Monetary policy has tightened in recent months, but it remains imperative that the central bank refrain from financing the fiscal deficit. The FY23/24 budget projects a smaller financing gap of about 13 percent of budget expenditures compared to previous years. However, financing vulnerabilities remain high because of limited fiscal and external liquidity buffers and limited debt-carrying capacity.

1.1. The Global and Regional Backdrop

The global economy is experiencing a sharp slowdown, with growth set to decline for the second year in a row.

The resilience in global economic activity witnessed in the first half of 2023 is expected to fade during the second half of this year (Figure 1.1). The continued positive momentum was underpinned by the reopening of China and relatively resilient US consumption, where monetary drags were offset by fading negative supply shocks and the legacy of the pandemic's forced savings and fiscal supports. Moderating commodity prices and easing supply chain disruptions have also eased some economic pressures, and global headline inflation has moderated. However, as these impacts start to wane alongside continued tight global financial conditions – the world is experiencing the fastest global monetary policy tightening cycle since the 1980s– global activity is projected to slow, with a pronounced deceleration in advanced economies. Global oil prices have also trended up since the summer (Figure 1.2), reaching above US$90/bbl in late September from the trough of US$ 75/bbl in June, led higher by Saudi Arabia and Russia's decision to extend oil production cuts to the end of 2023 and recent tensions/conflict in the Middle East.

Figure 1.1. **Global GDP growth (percent)**



Source: World Bank.

Figure 1.2. **Global oil prices, $bbl average for WTI, Brent and Dubai prices**

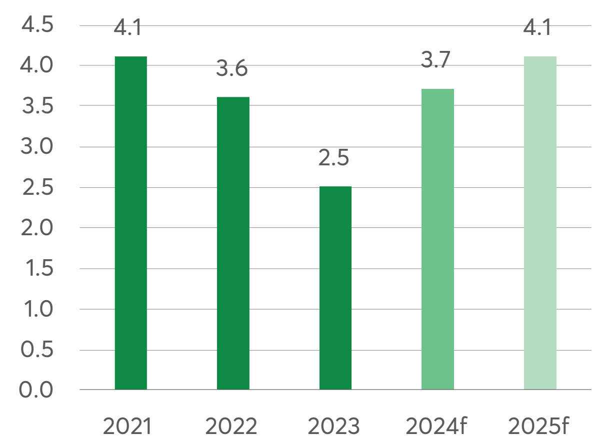
Source: World Bank.

In a sign of weakening demand and slowing activity in some large economies, global goods trade declined further in the summer. This suggests that the upside surprises seen in some emerging market and developing economies (EMDEs) and a few advanced economies, mainly the United States, will likely give way to much slower growth. Global headline inflation continues to recede, but core inflation remains elevated, prompting financial markets to reduce expectations of policy rate cuts by major central banks this year. The overall subdued economic outlook is subject to further downside risks stemming from tight financial conditions amid elevated inflation, financial stress, weaker activity in China, weak global growth trend and geoeconomic fragmentation. Notwithstanding heightened near-term uncertainty because of geo-political tensions in the Middle East, oil prices are expected to trend lower in line with lower demand due to a slowing global economy and the release of strategic petroleum reserves by OECD countries, albeit partly offset by reduced production by OPEC+ countries.

Growth recovery remains elusive in Sub-Saharan Africa and risks for another lost decade are real

The continued slump of the region's large economies is dragging down Sub-Saharan Africa's (SSA) economic performance (Figure 1.3). As energy and transportation bottlenecks continue, South Africa's GDP is expected to grow at 0.5 percent in 2023. Nigeria and Angola are projected to grow at 2.9 and 1.3 percent, respectively, due to lower international prices and currency pressures affecting oil and non-oil activity. In Sudan, economic activity is expected to contract by 12 percent because of the internal conflict halting production and destroying human capital and state capacity. As detailed in the World Banks Africa's Pulse publication,[2] the region is expected to grow at 2.5 percent in 2023, marking a considerable slowdown from 2021 (Figure 1.3).

Figure 1.3. GDP growth in Sub-Saharan Africa (percent)



Source: World Bank (2023): Africa's Pulse.

Weak growth has delivered poor job creation and slow poverty reduction. In per capita terms, growth in the region has not increased since 2015, and in fact given the slow recovery that is anticipated (growth is expected to recover to about 4 percent only in 2025), the region is projected to contract at an annual average rate per capita of 0.1 percent over 2015–25, thus marking a lost decade of growth in the aftermath of the 2014–15 plunge in commodity prices and nowhere sufficient to address the extreme level of poverty and vulnerability in SSA.

The major factors weighing on growth include worsening terms-of-trade, rising global inflation and debt overhang. Additional factors include adverse climate events, especially extreme and persistent droughts and floods in the Horn of Africa, as well as coups, violent extremism, riots, and social unrest that have become more commonplace in SSA. Debt distress risks in the region remain high and have been amplified since the COVID-19 pandemic. The share of International Development Association–eligible countries in the region at high risk or already in debt distress–has expanded from 27 percent in 2015 to 55 percent in 2023 (as of end-June 2023). The region's debt surge came with a shift in its composition away from concessional borrowing toward private creditors and non-Paris Club bilateral creditors. As a

2 World Bank. 2023. "Africa's Pulse. Delivering Growth to People Through Better Jobs".

result, debt service burden and vulnerability to shocks have increased. Rising debt service ratios—at a staggering 31 percent of revenues in the region in 2022—are depleting the resources available to support public investments and social programs. With stagnant exports, it may also reduce the availability of foreign exchange for essential imports needed for production and investment.

1.2. Recent Developments in South Sudan

1.2.1. The Real Sector

South Sudan's economy stagnated in FY22/23, reflecting the lingering impacts of flooding on oil production

Aggregate growth is estimated to have remained in negative territory in FY22/23,[3] due to falling oil production. Record breaking rains and flooding for four consecutive years have significantly affected crop and livestock yields, triggered displacement and disrupted oil production. Coupled with overlapping shocks from the global COVID pandemic and the war in Ukraine, the economy contracted by 5.1 percent and 2.3 percent in FY20/21 and FY21/22, respectively (Figure 1.4). These trends have continued into FY22/23 reflecting the lingering impact of floods and a long-running lack of investments in oil fields, and as a result, the economy is expected to have contracted by 0.4 percent in FY22/23. The oil sector accounts for 61 percent of GDP, and production declined for the second year, falling by over 8 percent (to 146,000 bpd, Figure 1.5) in FY22/23. Meanwhile, insecurity, flooding, and localized conflict resulted in a deteriorating food security affecting about 7.7 million[4] people (about two-thirds of the population) during the April-July 2023 lean season.

Some support to growth has come from the increase in crop cultivation area. Despite flooding and continued rainfall variability that has led to rainfall deficits and droughts in some regions,[5] there has been a steady expansion in the aggregate harvested area for cereals (Figure 1.6) in the traditional farming sector to over 1.1 million hectares in 2022 (the highest since 2014)[6] as localized improvements in peace, and high crop prices encouraged farmers to expand planting. That said, the full potential of the agricultural sector remains held back by disruptions from conflict, flooding, and increasing cost of inputs such as seed and hand tools, and delays in input distribution.

Improved macro stability since 2021 and declining political violence and conflict have supported a recovery in the private sector. Indications are that the improvement in macro stability and the steep fall in inflation from close to 170 percent in late-2019 into negative territory in 2022– the result of successful exchange rate liberalization in 2021 anchored by successive IMF programs – has boosted private and service sector activity. Although conflict and violence continue to disrupt economic and trade activity, frequency has diminished (Figure 1.7) to below around half of 2022 levels, providing the impetus for economic activities to rebound. However, localized conflict and violence flareups, cattle raiding, and the related disruption in agricultural production and trade remain concerning.

---

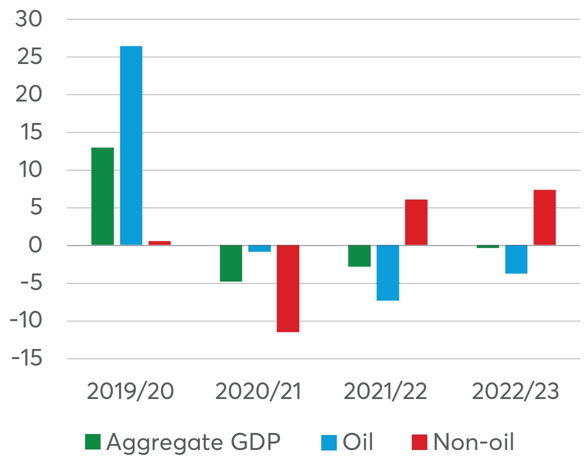
3 Starting in July 2022 and ending in June 2023.

4 World Food Programme. 2023. "South Sudan". https://www.wfp.org/countries/south-sudan

5 During the first half of 2023, in the southern bimodal rainfall areas significant rainfall deficits of up to 30 percent have been recorded. Central and Eastern Equatoria states with crops were reportedly wilting, while above average rainfall was received in parts of Western Equatoria and Western Bahr el Ghazal.

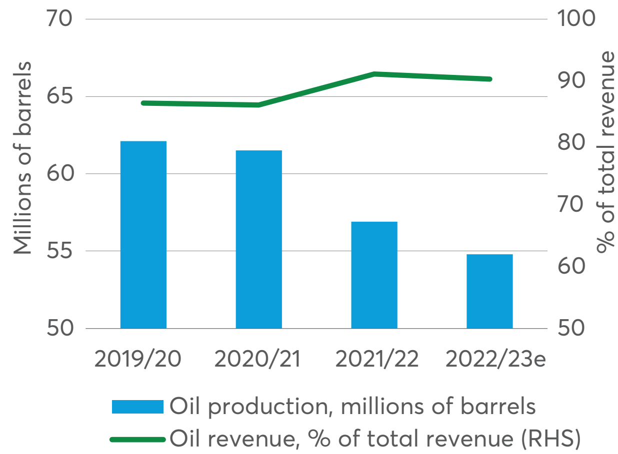
6 According to 2022 FAO/WFP Crop and Food Security Assessment Mission (CFSAM) to South Sudan, net cereal production in 2022 increased11.5 percent relative to 2021 levels, exceeding the 5-year average by 15.8 percent following because of an expansion in the area cultivated (8.3 percent) and an improvement in average gross yields (2.8 percent).

Figure 1.4. South Sudan GDP growth (percent)



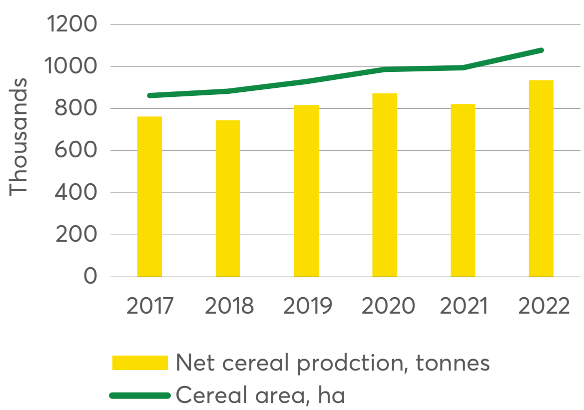
Source: IMF. World Bank, National Bureau of Statistics.

Figure 1.5. Oil production and revenues



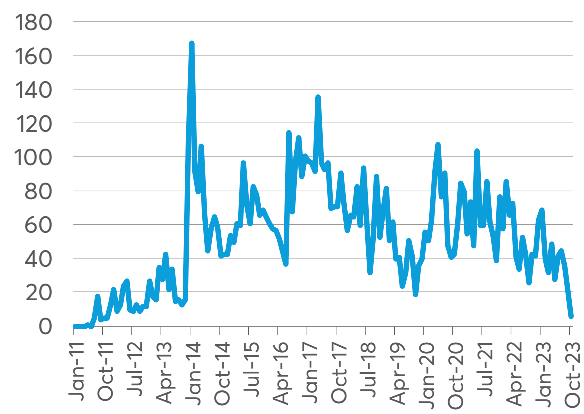
Source: MoFP.

Figure 1.6. Cereal production and area cultivated (ha)



Source: World Bank, FAO/WFP CFSAM.

Figure 1.7. Frequency of conflict events (number)



Source: ACLED. 2023 data covers January to October period. Conflict events represents number of political violence events.

1.2.2. Inflation and Food Insecurity

Inflation pressures have significantly eased

Headline inflation has declined significantly since 2021. Inflation fell from a peak of about 170 percent in late 2019 to average around -3.2 percent during 2022 (Figure 1.8) following a successful exchange rate unification in 2021 and reforms supported by a series of IMF programs and stands in stark contrast to neighboring countries where inflation increased (Figure 1.9). The disinflation was also helped by gradually easing supply constraints as the severity of floods[7] lessened and localized violence diminished.

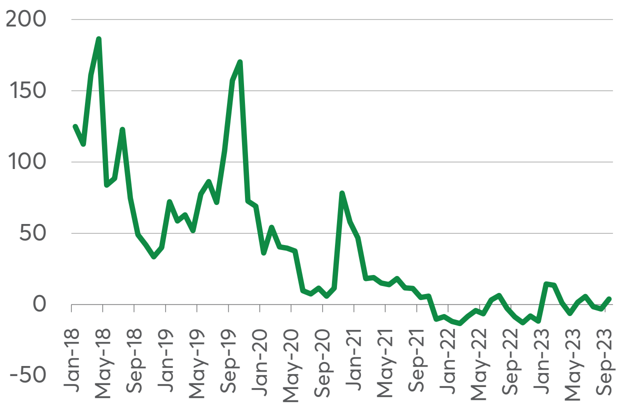
Price pressures briefly re-emerged at the start of 2023, reflecting the lagged effect of higher global food prices in 2022 and exchange rate depreciation underpinned by periodic bouts of monetary financing of the deficit (as was the case in mid-2022). However, inflation started decelerating around mid-year, averaging 3.3 percent in the first 9 months of 2023 (Figure 1.8). Food comprises nearly 71 percent

[7] Floods were particularly acute in 2021.

of the CPI index and is highly correlated with headline inflation. With global prices of staples - sorghum, maize and wheat easing in recent months – these fell 29 percent, 28 percent, and 34 percent (yoy) in September 2023 – local price pressures may moderate further in coming months.

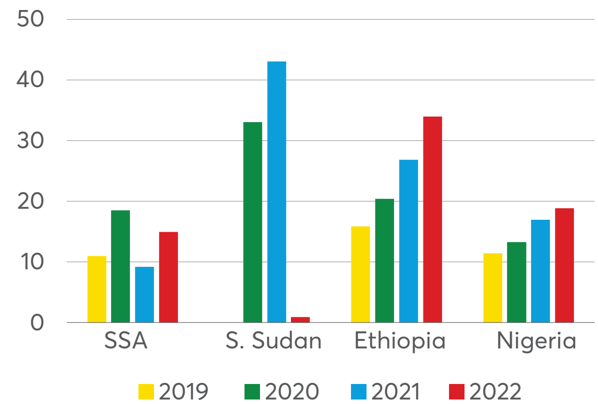
Lower prices may provide some respite to an already stressed and food insecure population. About 7.7 million people are severely food insecure (about two-thirds of the population), which is partly a legacy of long years of conflict, loss of productive assets amid several years of flooding and displacement, and limited income-generating opportunities. Some 2.2 million people are internally displaced (55 percent of whom are women and girls) and nearly 300,000 people have crossed the border to escape conflict in Sudan since April 2023, the vast majority of which are South Sudanese. This has also contributed to a spike in food prices in northern states that engage in formal and informal trade with Sudan, further exacerbating the humanitarian situation there.

Figure 1.8. **Headline inflation (percent, yoy)**



Source: National Bureau of Statistics, South Sudan.

Figure 1.9. **Inflation, selected comparator countries in SSA, percent annual average**



Source: IMF.

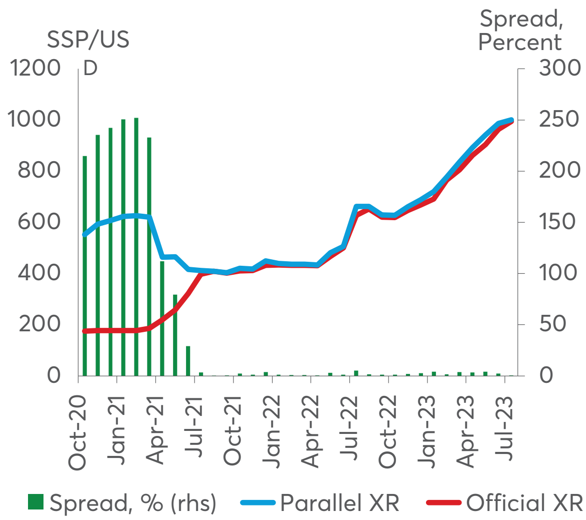
1.2.3. Monetary Policy, Credit and Exchange Rate

The central bank is enhancing its policy toolkit; ending fiscal dominance is imperative for price stability

The successful shift to a market-determined exchange rate during 2021 was a major achievement (Figure 1.10). The liberalization of the foreign exchange (FX) market and unification of the official and parallel rates eliminated a premium that had reached as high as 250 percent in March 2021 (and which has averaged 2.6 percent since January 2022), and helped to stabilize prices.

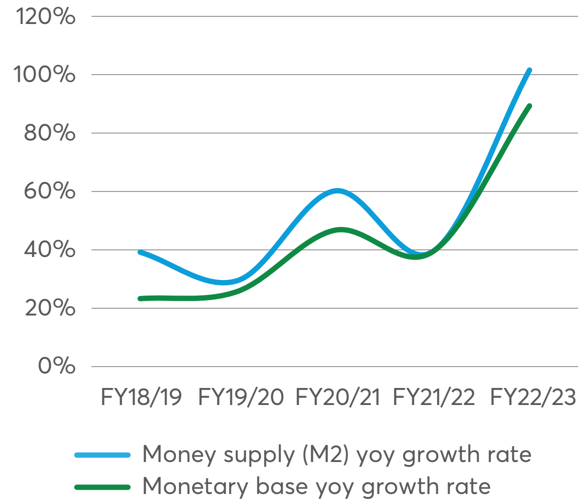
But monetary policy, anchored on money growth targets often falling short, indicates continued fiscal dominance. The FX liberalization was accompanied by a shift to reserve money targeting under which annual reserve money growth was to be held below 10 percent and cessation of monetary financing of the deficit. However, annual M2 growth has exceeded this target substantially, reflecting overdrafts from the central bank to finance fiscal deficits. Annual growth in money supply (M2) increased from an average of 39 percent in FY21/22 to 102 percent in FY22/23 (Figure 1.11), putting pressure on the exchange rate, which has depreciated by 50 percent against the US Dollar. Growth in money supply has been primarily driven by a significant expansion of the monetary base, annual growth for which averaged 89 percent in FY22/23 (more than double the levels in the previous year), leading to a significant increase in currency in circulation and effective monetization of the deficit.

Figure 1.10. **Exchange Rate Developments**



Source: Bank of South Sudan.

Figure 1.11. **Money supply and monetary base growth (percent)**

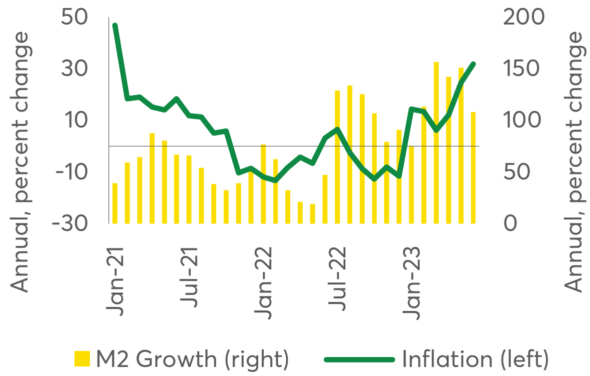


Source: Bank of South Sudan.

With an undeveloped financial sector and an essentially non-existent money market, the central bank has sought to expand its monetary toolkit. Amid limited capacity for timely and quality data production, central bank operations are not transparent and regulatory capabilities remain weak. To use forex intervention as a monetary policy instrument, the Bank of South Sudan (BOSS) introduced a weekly foreign exchange auction system, at an auction rate which is closer to the prevailing market rate. To further consolidate the gains in the FX reforms, restore confidence in the money market, and enhance the conduct of the monetary policy, it introduced Term Deposit Facility (TDF) as a new monetary policy instrument, that over the medium term can help support the re-introduction of treasury bills as a possible source of domestic financing. The TDF is a deposit auction where only commercial banks participate, and its sustained uptake highlights the growing private sector confidence in macroeconomic management, enabling the BOSS to expand the range of maturities from 14 and 28 days to 84 and 366 days.

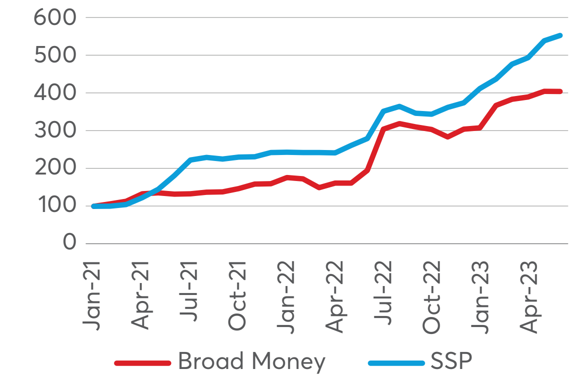
The central bank has tightened monetary policy in recent months. In March, it announced measures to contain the accelerated depreciation of the South Sudan Pound (SSP) and related inflationary pressures (Figure 1.12 and Figure 1.13). These included maintaining zero deficit financing policy; doubling of the amount of TDF auctions from SSP 10 billion to 20.9 billion; an increase in the policy rate from 12 percent to 15 percent; introduction of cash-based forex auction with immediate effect requiring eligible forex dealers to deposit cash instead of debiting book value; and continued weekly auctions of US$ 5 million to commercial banks and forex bureaus. The measures are expected to help stabilize the exchange rate by mopping up excess liquidity and easing inflationary pressures. The BOSS in October 2023 restated its commitment to continued tight monetary policy by keeping broad money within the set targets of 11+/-1 percent in 2023.

Figure 1.12. **Monthly broad money (M2) growth and inflation (percent)**



Source: Bank of South Sudan.

Figure 1.13. **Broad money (M2) and South Sudanese Pound, Jan 2021=100**

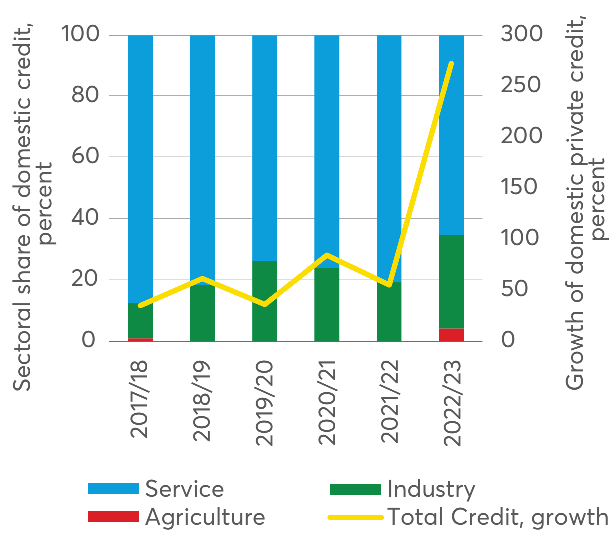


Source: Bank of South Sudan.

1.2.4. Financial sector developments

Financial intermediation remains limited but private sector credit has grown strongly in response to rising demand and willingness to lend

Figure 1.14. **Domestic private credit**



Source: Bank of South Sudan.

Credit to the private sector expanded strongly during 2022, albeit from a small base, and continued to grow in 2023 (Figure 1.14). Discussions with financial industry actors indicate that improvements in macroeconomic stability with elimination of a spread between the official and parallel exchange rates and lower inflation, have supported private investment and increased demand for credits. This is reflected in a tripling of the gross loan portfolio from SSP323 billion in September 2021 to SSP977 billion in June 2023, driven by a recovery in the non-oil economy and private investment and a steady reduction in non-performing loans. By sector, loans for building and construction, agriculture, transport and communications, household services, and real estate sectors drive the substantial increase in private sector credit. Credit to foreign trade has also risen strongly as supply chains impacted by subnational conflict and flooding have improved. The share of FX-denominated loans in total loans remains high at 97 percent, and the net open position in foreign exchange to capital stood at 177 percent, reflecting low financial intermediation in the country (Box 1.1), especially by domestic banks.

Financial stability risks are high, given current weaknesses and vulnerabilities in the banking sector. The banking sector is severely undercapitalized. The regulatory capital to risk–weighted assets has been on the decline from 74.9 percent in 2014 to 8.3 percent in 2022 (Table 1.1).[8] This is below the

8 Bank of South Sudan (BOSS)

regulatory minimum threshold of 12 percent as per the 2012 Banking Act. The financial sector's liquid assets to total assets declined from 80 percent in 2014 to 42 percent in 2022. This is still a reasonable level of liquidity and comprises deposits held abroad and at the BOSS. In a positive development, non-performing loans to total gross loans declined significantly from 17 percent in 2014 to 2 percent in 2022.

Table 1.1. Financial Stability Indicators

	2014	2016	2018	2020	2022	JUNE 2023
FX Assets to Total Assets	49	63	43	93	97	82
FX Liabilities to Total Liabilities	23	76	76	69	80	82
Net Open Position in FX to Capital	7	78	139	118	143	138
NPLs loans net of provisions to capital	9	5	10	-9	-29	-44
NPLs to total gross loans	17	38	36	3	2	2.1
Liquid Assets to Total Assets	80	46	37	42	42	42
Regulatory Capital to Risk-Weighted Assets	75	21	13	15	8	8

Source: Bank of South Sudan.

BOX 1.1. FINANCIAL INTERMEDIATION IN SOUTH SUDAN

The financial sector in South Sudan is small, underdeveloped, and mostly dominated by banks. There are 33 commercial Banks operating in South Sudan with total assets of approximately SSP1.9 trillion as of June 2023. Seven foreign/regional banks hold about 80 percent of the banking systems assets. Limited financial intermediation reflects a significant trust deficit: domestic credit to private sector in percent of GDP dropped from 4.4 percent of GDP in 2016, and stood at 1.9 percent of GDP in 2021, the lowest in SSA (for which the average is 38.9 percent of GDP). The banking sector has been unable to play its role in supporting more inclusive economic development and in financing the country's growth, despite its high liquidity, as banks are reluctant to lend in a high risk and uncertain environment.

There is limited data on the non-bank financial institutions (NBFIs), and existing information indicates there are about 101 insurance companies and about 34 microfinance institutions operating in the country. This year 14 microfinance institutions formed and launched Association of Microfinance Institutions in South Sudan (AMISS) to act as an umbrella. The regulatory vacuum with NBFI remains unresolved while insurance companies are regulated at state levels as national insurance and microfinance laws have not yet been enacted.

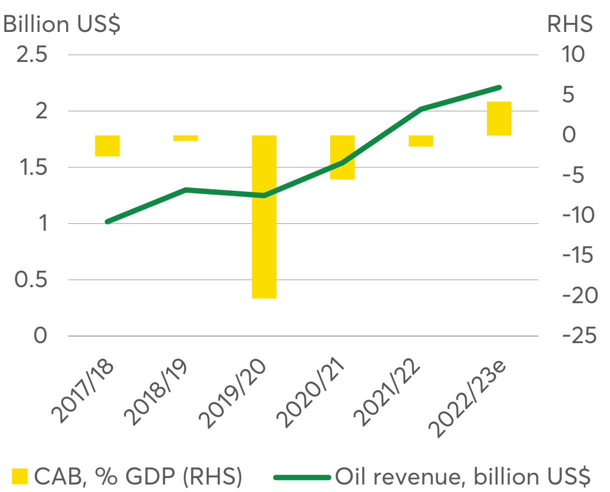
Financial inclusion remains a severe challenge with only 5.8 percent of the adult population reporting having an account at a financial institution compared to 79 percent and 66 percent in Kenya and Uganda respectively (Findex 2021). Credit to the private sector is also constrained by the underlying financial sector vulnerabilities and weaknesses. According to world bank reports, the private sector credit to GDP ratio was 1.9 percent by 2020. Typically a country with a developed financial sector will have a higher private sector credit to GDP. For example, Mauritius with a developed financial sector has 95.9 percent of private sector credit to GDP ratio.

1.2.5. External Sector

Higher oil prices have helped to bolster the current account; liquidity buffers are however depleted

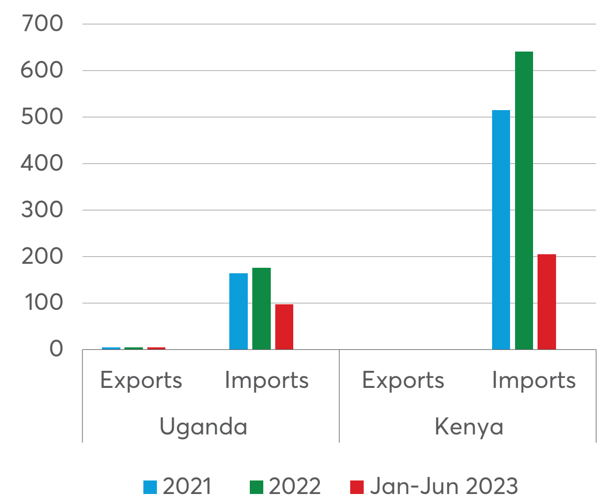
South Sudan's external position is highly vulnerable to oil revenues and global commodity price dynamics. After widening to close to 20 percent of GDP in FY19/20 as external terms of trade deteriorated and global oil prices collapsed following the global COVID-19 shock, the current account balance has been boosted by the subsequent recovery in oil prices, despite lower oil production. As a result, the trade balance is estimated to have shifted into a small surplus of US$ 282 million in FY21/22 as oil revenue receipts, which comprise about 98 percent of South Sudan's exports, rose to US$4.9 billion from US$3.4 billion the previous year (although the positive impact of this has been tempered by higher net income repatriations/transfers). Separately, aid flows to South Sudan (which typically have a high import content) have dropped sharply since 2022 due to global humanitarian and aid flows shifting towards Ukraine. More recently, despite the continued conflict in Sudan, oil exports have continued through Sudan and earnings have been further boosted by higher prices: shipments loading at Port Sudan were at their highest in almost two years in May 2023, at 154,839 barrels a day, compared with 77,419 in March, according to vessel data compiled by Bloomberg.[9] As a result, the current account is estimated to have posted a small surplus of about 2 percent of GDP in FY22/23 (Figure 1.15).

Figure 1.15. Current account balance and oil revenues



Source: Bank of South Sudan, IMF, World Bank.

Figure 1.16. South Sudan's exports and imports with selected neighbors (USD million)



Source: IMF DOTS database.

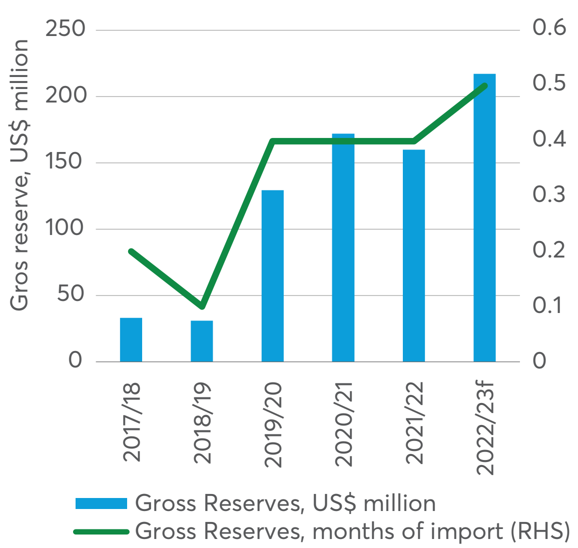
Highly concentrated exports (mainly oil), coupled with weak trade facilitation and trade integration in the region resulted in high trade deficit with neighboring countries. For instance, the trade balance with Uganda indicates that trade is uni-directional with an ever-increasing trade deficit (Figure 1.16). South Sudan imports most of its consumption items including food from Uganda through Nimule border, that transits 90 percent of cargo into the country. The UN Global Survey on Digital and Sustainable Trade facilitation (2021) shows that South Sudan is one of the region's lowest performers in trade facilitation and modernization of trade facilitation, with trade facilitation score of 21.5 percent. Specifically, South

9 Bloomberg, 2023. "South Sudan in Talks to Bypass Conflict by Trucking Oil Expoerts" August 30, 2023. https://www.bloomberg.com/news/articles/2023-08-30/south-sudan-in-talks-to-bypass-conflict-by-trucking-oil-exports

Sudan's scores (on a scale of 0 – 100) on a range of evaluated indicators were as follows: Transparency: 33.33 percent; Formalities: 41.67 percent; Institutional Arrangement and Cooperation: 55.56 percent; Paperless Trade: 0 percent; Cross-Border Paperless Trade: 0 percent. With a score of zero on paperless trade and cross-border paperless trade, South Sudan is among the worst performers in the region, in Sub-Saharan Africa and globally.[10]

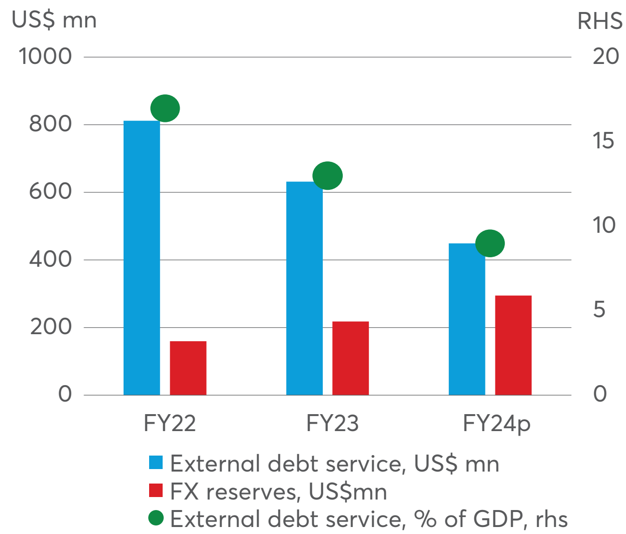
Gross international reserves are inadequate. Although the BOSS targets a gross reserve cover of 4.5 months of imports, the import cover ratio averaged 0.5 months over the past four years (Figure 1.17). International reserves dropped to US$144 million in FY22/23, from US$ 191.8 million at the end of FY21/22. As a fragile, oil-dependent economy with large external debt service obligations, South Sudan would benefit from increasing foreign exchange buffers, which should be at least three months of imports and preferably closer to nine months of imports, not least given high levels of debt service obligations on a large stock of non-concessional external debt (Figure 1.18).[11]

Figure 1.17. **Gross reserves**



Source: Bank of South Sudan.

Figure 1.18. **External debt service obligations and FX reserves, 2022- 2024**



Source: Joint IMF World Bank Debt Sustainability Analysis, 2023.

1.2.6. Fiscal developments

Fiscal policy is procyclical with spending tending to rise by more than revenues, the bulk of which are sourced from oil

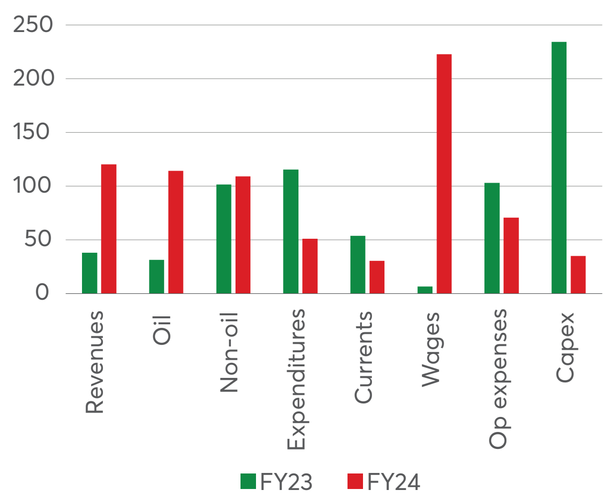
Despite strong revenue growth, spending has risen more, led mainly by growing operating, salary, humanitarian, and peace-building-related expenses (Figure 1.19). Government expenditure has risen strongly in recent years, and is budgeted to increase further in FY23/24 (Figure 1.20). The increase is mainly underpinned by salary increases of members of the Reconstituted Transitional National Legislative Assembly that was constituted in August 2021, ad-hoc operational expenses related to the

10 UN Global Survey on Digital and Sustainable Trade Facilitation which currently covers 143 economies and 58 measures related to the WTO's Trade Facilitation Agreement (TFA) as well as to paperless trade and the UN treaty on cross-border paperless trade in Asia and the Pacific (CPTA). The survey is conducted jointly by all five UN Regional Commissions and a growing number of global and regional partners every two years.

11 See IMF. 2023. Third Review under Staff Monitored Program.

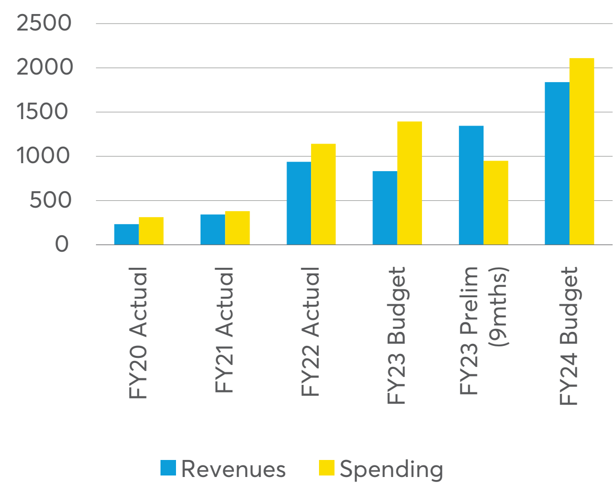
unification of armed forces, humanitarian and peace-building expenditures, higher capital spending as oil resources have been earmarked for infrastructure (with allocations doubling from 10,000 to 20,000 barrels per day in FY21/22), and unanticipated increases in debt service payments related to the discovery of previously undisclosed debt. Although South Sudan completed its obligation under Transitional Financial Arrangement (TFA) in February 2022, transfers to Sudan amounted to about 3.5 percent of GDP in FY21/22.[12] The FY22/23 budget programmed a doubling of expenditures over the FY21/22 budget, mainly to accommodate a more than threefold increase in capital expenditures in nominal terms, and a doubling of operational expenses. Although full-year FY22/23 fiscal outturns are not yet available, preliminary data for the first 9 months show solid revenue performance, exceeding full-year budget targets for both oil and non-oil revenues (Figure 1.21 and Box 1.2). TFA related transfers to Sudan were initially budgeted at about 7 percent of spending, but have instead amounted to a third of actual outlays. But significant under-execution of capital expenditure, transfers to states and wage allocations has helped to keep overall spending in check (Figure 1.21).

Figure 1.19. Spending by economic classification, percent increase in FY22/23 and FY23/24 budgets



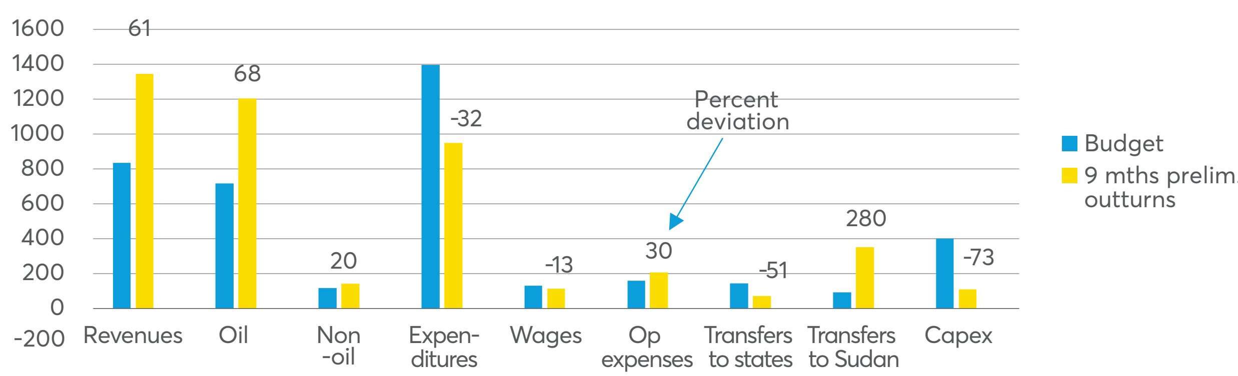
Source: MoFP.

Figure 1.20. Fiscal aggregates, SSPb



Source: MoFP, World Bank, IMF.

Figure 1.21. FY22/23 Budget execution, SSP bn



Source: MoFP, World Bank. Preliminary outturns are available only for the first 9 months of FY23.

12 South Sudan completed the payments required under the Transitional Financial Arrangement as of February 2022. However, the transfers continued and are recorded as credits on Sudan. As of the end of FY2021/22 the cumulative debt by Sudan amounted to US$300 million (4 percent of South Sudan's GDP) and would increase by about US$500 million per year at current oil prices until agreement is reached.

The FY23/24 budget continues to underprioritize social spending as was the case in previous years

The financing gap in the FY23/24 budget is smaller, but the budget lacks a clear financing plan. The FY23/24 budget projects oil production at 132,000 bpd vs 146,000bpd in FY22/23; it also assumes GDP growth of 4 percent and a projected oil price of US$80/bbl, and total revenues at SSP 1.8 trillion (about US$ 2 billion) vs total expenditures of SSP 2.1 trillion. Oil revenues contribute about 84 percent of total government revenues, 13 percent come from non-oil revenues and the remaining 3 percent from grants-mostly from the IMF Food Shock Window. The financing gap is estimated at SSP 267 billion (US$291 million), or about 12.7 percent of budgeted expenditures compared with a 40 percent gap in the FY22/23 budget. However, there is no clear plan of deficit financing provided in the budget and there remains a risk that the government resorts to overdrafts and monetary financing of the deficit as was the case in FY21/22 and FY22/23. Functional allocations are relatively unchanged from FY22/23; the education and health sectors continue to receive about 8 percent and 2 percent of the total budget respectively, far below the 20 percent and 15 percent recommended by the 2000 AU Dakar framework for action for education and the 2001 Abuja declaration on health.

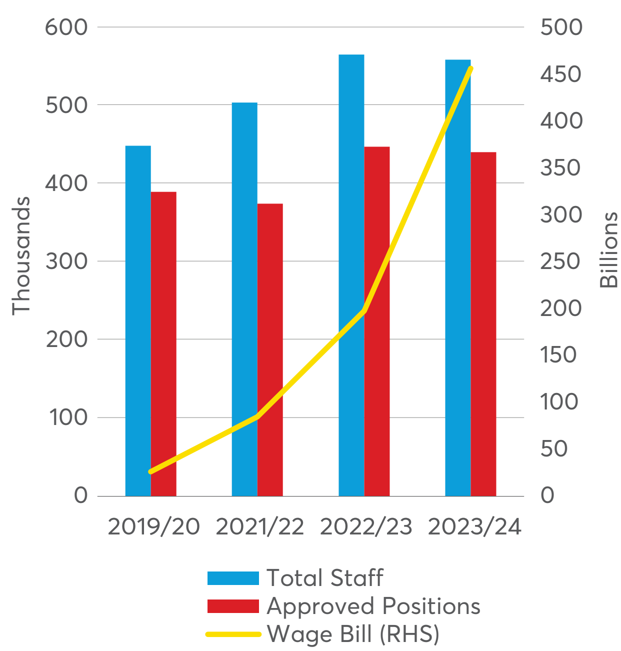
Budget allocations tend to be directed towards public administration, infrastructure, security, and rule of law, with less priority placed on social sectors. This concentration of spending on infrastructure, public administration, security and the rule of law (Table 1.2), broadly accounting for 47 percent of the total budget, leaves few resources for service delivery and building human capital through effective interventions in health, nutrition, agriculture services and education — or for investing in the institutional strengthening, human capital development, and local-level capacity building on which sustainable development and durable peace depend.

Table 1.2. Budget allocations by function, (Approved budget percentage allocation by sector)

SECTOR	FY22	FY23	FY24
Accountability	0.2	0.2	0.2
Economic Functions	6.8	10.3	2.2
Education	6.1	7.7	8.2
Health	3.4	2.4	2.0
Infrastructure	1.3	0.9	21.2
Natural Res. & Rural Dev.	1.9	4.8	3.1
Public Admin.	10.1	13.2	11.3
Rule of Law	2.4	2.3	4.0
Security	5.4	5.4	10.6
Social & Hum. Affairs	0.4	0.4	0.4
Arrears	4.1	0	1.6
Total Government Spending*	42.1	47.7	64.8
Direct/Mandatory Transfers	36.7	39.2	26.3
Debt Repayments	21.2	13.1	8.9

Source: MoFP, World Bank
Note: * excludes Direct/Mandatory Spending and Debt Repayment.

Figure 1.22. Trends in the public sector workforce and wage bill



Source: MoFP, World Bank.

Higher public sector wages should be a first step towards a broader reform to strengthen public sector performance and delivery of public services and better payroll control

The FY23/24 budget envisages a 130 percent increase in public sector salaries to protect against the impacts of inflation, which is expected to double the wage bill share in total spending to about 21.7 percent (Figure 1.22). Current public sector salaries are meager in South Sudan, impeding incentives and performance for service delivery, and in the past the country has run up significant arrears; the presence of "ghost workers" is also viewed as a long-running challenge. The number of civil servants increased on average by 12 percent annually in recent years, with the total number of positions on average exceeding approved positions by 29 percent during the last three years. Of the 559,560 government employees, about nine of ten positions constitute personnel in the rule of law and security sectors. This heavy concentration has crowded out staffing in other government functions, especially those providing front-line delivery services, and has broader implications for efforts to improve public financial management and state capacity. Going forward, the government must strengthen wage bill, payroll management, and expenditure controls (not least to avoid a buildup of arrears as in the past), as part of broader reforms to build capacity and strengthen performance management.

Given substantial risks to debt sustainability, reforms to strengthen debt management are urgent

South Sudan remains at a high risk of debt distress for both external and domestic debt. In general, due to lack of transparency on debt statistic and reliance on oil-backed loans, it is difficult to estimate the exact debt situation in South Sudan. The latest joint IMF-World Bank Debt Sustainability Analysis update (2023), estimates indicate external public debt worth US$2.76 bn (54 percent of GDP) as of March 1, 2023, of which more than half (US$1.3 bn) was high-cost, short-maturity debt owed to commercial creditors.[13] External debt service is significant, amounting to an estimated 7.5 percent of GDP in FY22/23. The lack of debt transparency and debt management coupled with the use of oil-backed loans is a significant source of risk; in recent years additional claims on the budget in past years have resulted from the disclosure of hidden debt and related debt service. The government has started to take some steps to improve transparency, completing an external debt stocktake at the end of 2022. However, there remain considerable challenges. A World Bank Debt Management Performance Assessment (DeMPA) completed in 2023 identified significant shortcomings in debt management, especially in the context of governance and strategy development and macro policy coordination and borrowing discipline.

BOX 1.2. REVENUE DIVERSIFICATION IN SOUTH SUDAN

South Sudan is highly dependent on oil with the oil sector contributing 96 percent of exports, and over 90 percent of government revenues. This makes revenues highly vulnerable to various shocks including fluctuations in oil prices, disruption of oil export routes (a new risk that has emerged in the wake of the Sudan conflict) and flooding, and in the case of adverse developments requires significant fiscal adjustments (such as salary arrears that in turn have long-lasting negative impacts on public sector performance) or increases in debt. Therefore there is an urgent need to diversify and raise revenues sources, especially tax.

South Sudan has one of the lowest levels of non-oil tax revenue to GDP ratio in Sub-Saharan Africa at about 2-2 1/2 percent of GDP. This compares with an average of 18 percent of GDP in tax revenuese in SSA, 11 percent of GDP in low-income and fragile states, and 14.9 percent of GDP in resource rich countries. Low income and fragile states, and SSA countries predominantly raise the bulk of these revenues from indirect and international trade taxes.

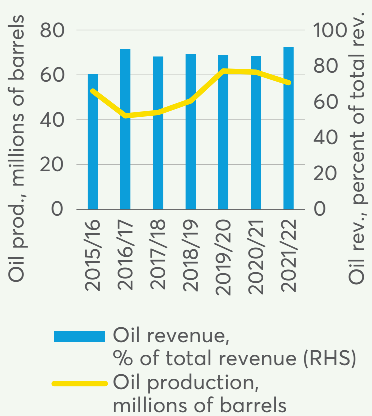
13 Domestic debt is mostly owed to the Central Bank.

South Sudan is taking concrete steps to diversify its revenue sources including phasing out tax exemptions; increasing tax rates to better align them with prevailing rates in the East African Community (EAC); modernizing the National Revenue Authority (NRA); digitalizing tax collection and strengthening tax administration; revenue targets for FY22/23 have been exceeded by 68 percent in the first 9 months of the fiscal year alone. The increase in revenue is sourced mainly from direct taxes, especially personal income taxes which constitute around 40 percent of total collection. Customs revenues comprise 20 percent despite weakness in customs administration and the low base for the customs duty (calculated using an exchange rate of SSP90 per US$1 value of imports, and implying that the exchange rate applied at the customs valuation is far below the official exchange rate).

Additional reforms could lift revenues further (IMF 2023), including gradual upward adjustment of the exchange rate used for assessing the customs value of imported goods, aligning the customs duty rates with the rates prevailing in the East African Community; reviewing tax exemptions, and expanding further the digitalization of the tax system. However, due to the country`s heavy dependence on imports, implementation needs to be carefully weighed against inflationary impacts. IMF estimates show that raising the customs exchange rate to 200 SSP/US$ would create up to SSP 1.9 billion in additional revenues per month (or about 0.5 percent of GDP on an annual basis) but would also raise inflation by 4 percentage points within two quarters.

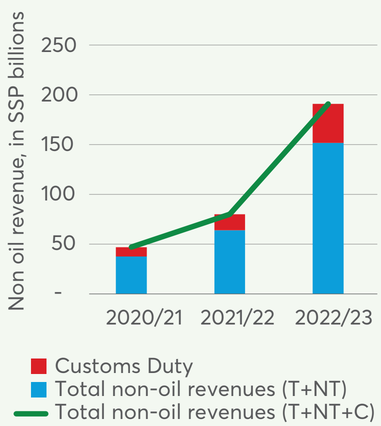
1/ *Source*: Compaoré, A. et al. (2020) "Fiscal Resilience Building: Insights from a New Tax Revenue Diversification Index", IMF WP/20/94

Box Figure 1. **Trends in oil revenues and production**



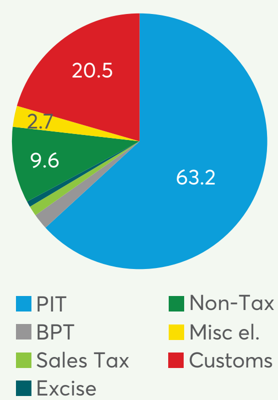
Source: MoFP.

Box Figure 2. **Non-oil revenue collection**



Source: National Revenue Authority (NRA).

Box Figure 3. **Non-oil revenues by source, FY23**



Source: National Revenue Authority (NRA).

1.3. Outlook and Risks

A modest recovery in growth to around 2 percent is anticipated that is contingent on a consolidation and deepening of reforms and successful political transition. This will require prudent monetary and fiscal policies that anchor macroeconomic stability; progress on governance, transparency, and structural reforms; and peace deal implementation. Conflict in Sudan poses acute downside risks amid limited fiscal resources and pressing humanitarian needs. Additional risks stem from volatility in global financial and commodity markets that worsen fiscal and external financing pressures amid limited buffers, and slippage in reform momentum or the implementation of the final phase of the peace deal.

A modest acceleration in growth is expected over the medium term, mainly due to drags from lower oil production; sustaining reforms and implementing the peace deal are critical to mitigate significant downside risks

The economy is expected to stagnate in FY23/24 and growth is projected to gradually reach over 2 percent in the medium term (Table 1.3). This weak outlook mainly reflects a 3 percent decline in oil sector growth in FY23/24, a gradual stabilization and then recovery as oil production and investments that increase value addition gradually occur. The government has for several years expressed intentions to broadly double oil output from current levels of about 130-140,000bpd[14], this may prove challenging, as the sector has long suffered from insufficient investment. Petronas, a major oil operator with stakes in several joint ventures in South Sudan with assets valued at about US$3bn, is exiting the country because of sub-par returns, and contracts with other companies are expiring in 2027. The routing of South Sudan's oil through Sudan has not yet been affected by conflict; given the magnitude of risks involved, South Sudan has engaged in discussions with Ethiopia and Kenya to truck oil to ports in Kenya or Djibouti.

Growth in the non-oil sector is expected to remain relatively resilient at about 6 percent in FY23/24, supported by higher government wage outlays, expanding domestic credit and moderate inflation. Farm output is expected to improve as floods recede. Summer planting of the 2023 main season crops, for harvest from October, is well underway in the central and northern unimodal rainfall areas, although concerns remain about soil and moisture conditions.[15]

Inflation is expected to moderate as monetary policy remains tight. This should be helped by easing global commodity food prices. However, it also requires: limited recourse to deficit financing and strict fiscal discipline, that has in the past been challenged in the face of revenue shortfalls; improvements in security to reduce disruptions along trade routes; and improvements in domestic agricultural production. The current account is expected to remain in a small surplus amid high oil prices in the near term and as oil production gradually recovers; however, some softening in oil prices is anticipated as global growth slows. Given lower aid flows, spending pressures related to the peace deal's implementation, and debt service payments coming due, inflation will remain significant over the medium term.

Poverty is tenacious and expected to stagnate at around 70 percent in the medium term as real growth prospects are limited. Addressing this reinforces the urgency of fiscal and PFM reforms that generate budgetary resources to increase social expenditures. While efforts to modernize tax administration using digital solutions and expand the tax base will help, fiscal pressures will remain substantial given sizable debt service obligations, the needs to resolve legacy arrears, and ramping up social and humanitarian expenditures. It is, thus, vital to strengthen the management and transparency of oil revenues and the oil sector in general.

Table 1.3. Macro and poverty projections

	FY22/23E	FY23/24F	FY24/25F
Real GDP growth	-0.4	-0.2	2.1
Inflation	2.2	7.2	8.6
Current account balance	1.9	1.9	1.8
Fiscal balance	-4.1	-4.6	-4.9
International poverty rate (2.15 in 2017PPP)	69.5	69.3	69.0

Source: World Bank Staff estimations

14 The FY24 budget projects oil production at 132,000bpd.

15 Crop Monitor. 2023. "Crop Monitor Early Warning". October 2023. https://cropmonitor.org/documents/EWCM/reports/EarlyWarning_CropMonitor_202310.pdf and Food and Agriculture Organization. 2023. "Crop Prospects and Food Situation". https://www.fao.org/3/cc6806en/cc6806en.pdf and World Food Programme. 2023. "Eastern Africa Seasonal Monitor." June-August 2023. https://docs.wfp.org/api/documents/WFP-0000152393/download/

The outlook is subject to large downside risks. It is predicated on prudent monetary and fiscal policies that anchor macro-stability, progress on governance, transparency, and structural reforms, and implementation of the peace deal by the transitional government.[16] Slippage on these fronts could present risks to growth and fragility and worsen contestation over oil resources. Major sources of external risks stem from adverse global oil and food price developments (Table 1.4); the conflict in Sudan also poses acute macroeconomic risks. Meanwhile, the risks of prolonged fragility underscore the importance of a commitment to internal peace, economic reforms, and close cooperation with the international community. Despite the need to anchor macro-stability, South Sudan has experienced abrupt and frequent changes to the central bank's leadership and finance ministry. The lack of continuity poses a potential risk to continuity of policy reforms. Long term threats arise from the global energy transition that could result in the stranding of oil assets in all oil producing countries, that could be a major blow to countries like South Sudan whose budget and economy depend heavily on oil.

Debt and external sustainability risks will remain high. In addition to risks noted above, the heavy dependence on mobilizing non-concessional financing from external sources presents a major source of risk given the global backdrop of rising borrowing costs, widening global risk premiums, limited FX reserve buffers and significant external debt servicing payments coming ahead. These factors, together with the risk of weak governance of reforms and spending and climate-related natural disasters, also heighten the risk of social unrest, civil conflict, and increased violence.

Overall, South Sudan has very limited space to absorb any shock. This increases the urgency to sustain and deepen macroeconomic, governance, and transparency reforms to ensure transparency and better management of oil resource, increase investments in health, education and human development as discussed in Part II of the SSEM, to build buffers in case acute risks materialize, and to diversify the economy to fully leverage the country natural capital, both oil and land. Reforms and investments are also critical in agriculture, which supports livelihoods for 80 percent of the population; these will help to support diversification away from the oil sector, create jobs, and build resilience to climate change.

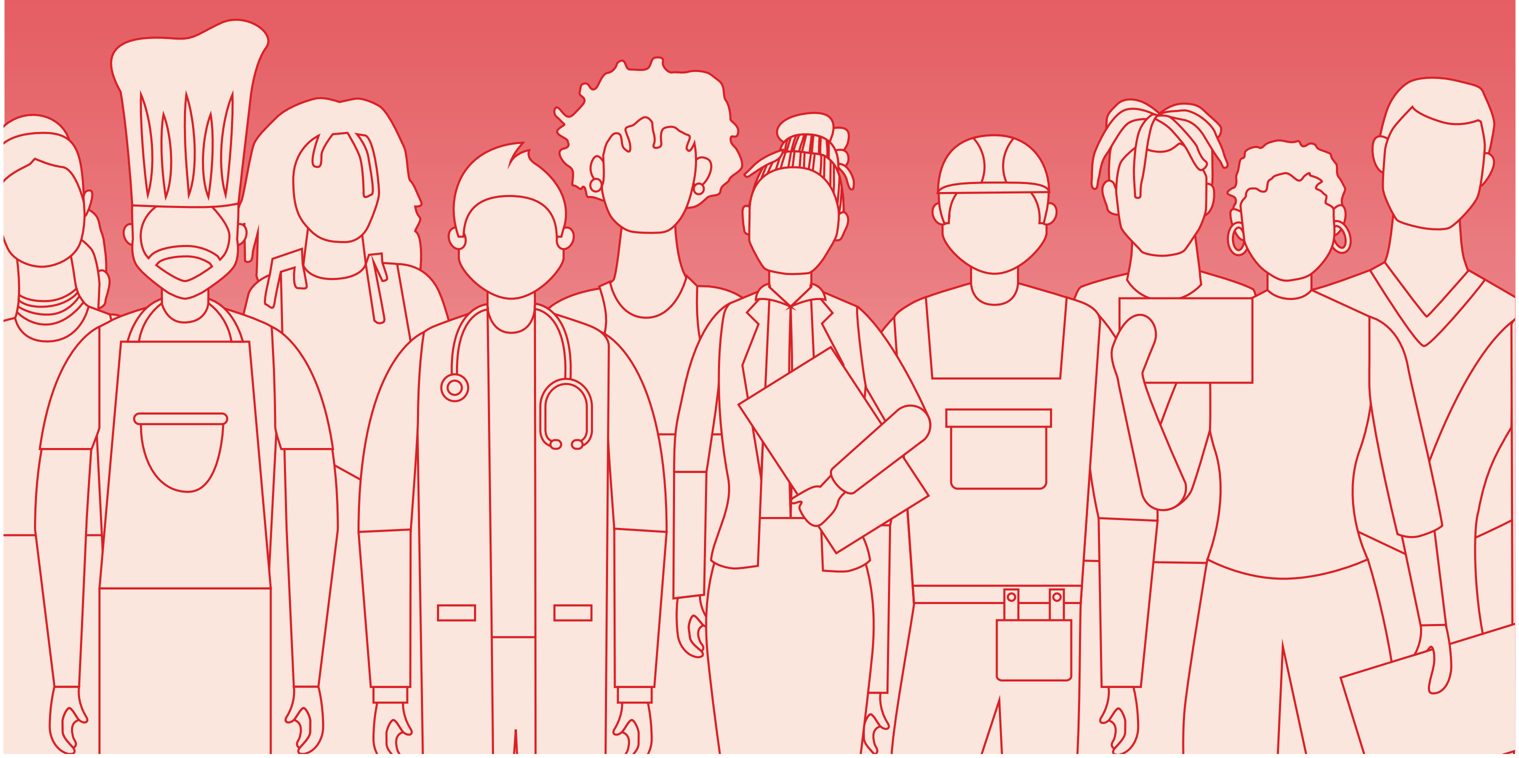
Table 1.4. Upside and Downside Risks to South Sudan's macroeconomic projections

FORECAST INDICATOR	RISK SCENARIO	RISK NATURE
Growth	A slowdown in global economy and lower global demand for oil	Downside
	Contraction in the oil sector (due to climate or other shocks)	Downside
	Weather shocks that impact harvest	Upside/Downside
	Further delays in the implementation of a peace deal that undermine private investment and confidence and undermine recovery in non-oil sector	Downside
Inflation	Persistent climate-induced shocks such as flooding impact (local or global) agricultural production and push up food prices.	Downside

16 ReliefWeb. 2023. "RJMEC report on the status of implementation of the revitalised agreement on the resolution of the conflict in the Republic of South Sudan for the Period 1st January to 31st March 2023". https://reliefweb.int/report/south-sudan/rjmec-report-status-implementation-revitalised-agreement-resolution-conflict-republic-south-sudan-period-1st-january-31st-march-2023

FORECAST INDICATOR	RISK SCENARIO	RISK NATURE
	Recourse by fiscal authorities to overdrafts from the central bank and deficit monetization	Downside
	Continued conflict and violence disrupting transportation and agricultural production	Downside
Policy Outlook-fiscal and monetary positions	Large fiscal financing needs, requiring a renewed build-up of arrears, recourse to salary arrears or non-concessional borrowing	Downside
	Disclosure of previously hidden, collateralized (oil-backed) loans that reduce oil revenue flows into the budget	Downside
	Non-oil revenue targets are exceeded due to improvements in tax revenue collection	Upside
	Persistent currency depreciation and inflationary pressures that require prolonged tight monetary policy in 2023/24	Downside
External Sector Outlook	Although trade deficit improves due to slower imports, oil production continues to decline due to lack of investment in oil fields and impacts of flooding	Downside
	Further declines in foreign aid	
	Global financial shock and increased global financial volatility and a significant further increase in non-concessional borrowing costs	

PART II
DELIVERING FOR PEOPLE: BUILDING HUMAN CAPITAL IN SOUTH SUDAN



II. DELIVERING FOR PEOPLE: BUILDING HUMAN CAPITAL IN SOUTH SUDAN

By placing human capital development at the heart of its development policy, South Sudan may be able to break out of the cycle of fragility and set on a path with a more prosperous and resilient future. South Sudan's Revised National Development Strategy (2021-2024) recognizes that human capital investments can catalyze economic diversification.

This chapter analyzes nutrition and learning poverty challenges in South Sudan and provides recommendations to address these. Broadly, an effort should be made to increase funding; improve coordination between actors and lay out clear responsibilities; leverage existing programs to achieve goals; focus on capacity building within the government; develop standards and protocols to make it easier to implement long-lasting reforms; finally, emphasis should be placed on monitoring and evaluating the system through data collection.

More specifically, to address nutrition, an immediate need is to scale emergency nutrition assistance for women and children especially in hard-to-reach areas. Malnutrition protocols and weight and height measurement programs which were effectively suspended during COVID should be reinstated. In the medium-term, nutrition programming needs to be prioritized with additional domestic funding; a more prominent prioritization for nutrition in the Ministry of Health; and capacity building for nutrition work. Instead of focusing on treating malnutrition, the focus should be on taking a multisectoral approach to prevent stunting through efforts such as: expanded hand washing; developing treatments protocols for diarrheal illnesses; and breastfeeding promotion.

In education, both demand and supply side factors are relevant. The education budget must be increased substantially to ensure teachers are paid on time. To ensure that the additional budget is well spent, there is a need for capacity building at the Ministry of General Education and Instruction (MoGEI). The supply of quality teachers should be increased by developing a realistic plan to recruit more teachers; improve teacher training; and slowly increasing teacher salaries to make it a more competitive profession. Regular testing and tracking of education outcomes should be implemented to assess the education system better. Developing standard textbooks and teacher's guide along with instruction in a language known by the students can further enhance education outcomes. As with nutrition, a multisectoral approach to education by including programs such as early childhood development programs, psychosocial support and school feeding programs, and interventions that tackle the demand barriers will also be helpful.

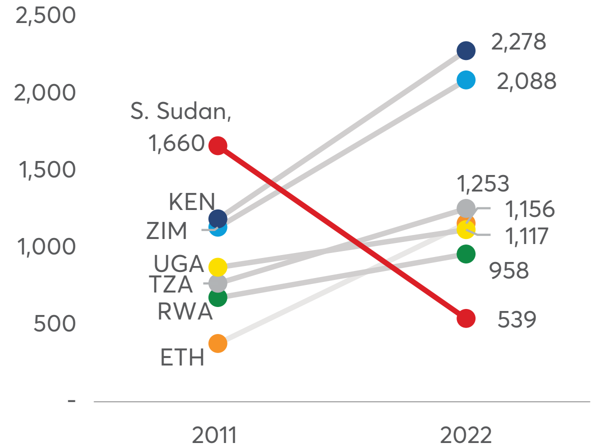
Finally, while focusing on human capital development implies a greater emphasis on health and education outcomes, additional spending is likely to be ineffective without a sufficient level of traditional infrastructure including an improved transportation system; access to energy; and a communication system.

2.1. Context

Income per capita have fallen to a third of the level at independence due to a multitude of challenges including conflict, weak governance, poor infrastructure and low human development, compounded by climate shocks

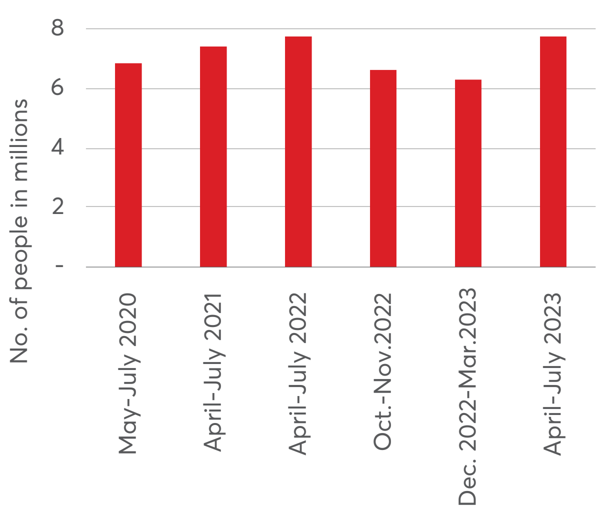
South Sudan has some of the lowest living standards in the world. At independence, GDP per capita stood at $1,600, one of the higher levels in Eastern and Southern Africa; by 2022, South Sudan had fallen well behind its peers with income per capita dropping to close to US$ 540 (Figure 2.1). In large part this is due to the prolonged civil war with repeated cycles of violence, alongside contestation over resources and capture and diversion of oil resources, that has had disastrous impacts on the country's population, public finances and state capacity to deliver essential services. Between 2013 and 2018, 380,000 people are reported to have died as a result of armed conflict, with 2 million people internally displaced and an additional 2.3 million living as refugees abroad.[17] Conflict (including localized conflict) has also affected virtually all economic activity, and climate and external shocks have further compounded impacts on households, with currently some 7.7 million people (of a population of nearly 11 million) experiencing severe food insecurity (Figure 2.2). At 78 percent, poverty is ubiquitous, and widespread across regions and occupations, and almost every South Sudanese is vulnerable to poverty (99.9 percent). The signing of the Revitalized Agreement on the Resolution of the Conflict in the Republic of South Sudan in September 2018 and the subsequent formation of a unity government in February 2020 brought a measure of hope for recovery and inclusive growth; however, the transition period has been extended thrice, and progress on key milestones delayed. According to the 2023 fragile states index, South Sudan remains the third most fragile state in the world after Yemen and Somalia if the social, economic, political, and security pressures that contribute to the fragility risk are considered.

Figure 2.1. **GDP per capita, US$, current South Sudan vs selected comparators**



Sources: IMF WEO.

Figure 2.2. **Food insecurity**



Source: IPC; World Development Indicators.

Some progress has been made in recent years, but immense challenges remain

South Sudan is focusing on establishing the foundations of a diversified economy for inclusive growth. There is mounting evidence that countries cannot achieve sustained and inclusive economic development without strengthening human capital.[18] Given its young population, with an average age of 19 and 45 percent under the age of 15, South Sudan can access a demographic dividend and lay the foundation for future human capital accumulation. Providing this young population with opportunities for skills development in key sectors could increase income per capita and the country's economic productivity. South Sudan's Revised National Development Strategy (2021-2024) recognizes that human capital investments can catalyze economic diversification. The government also aims to transition from humanitarian relief to longer-term health sector development, as is reflected in the country's strategic plans[19] and health initiatives.

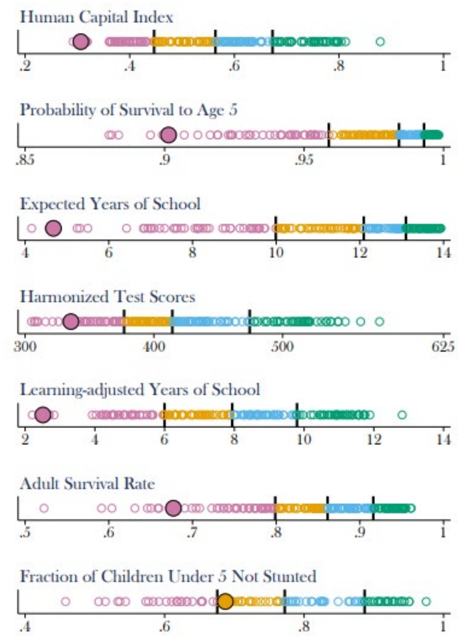
---

17 United Nations High Commissioner for Refugees (UNHCR) 2022. https://www.unhcr.org/en-us/south-sudan.html
18 World Bank. 2022. South Sudan Economic Monitor, February 2022: Towards a Jobs Agenda. World Bank, Washington, DC.
19 South Sudan – strengthening primary health care in fragile settings. Geneva: World Health Organization; 20 May 2021 (accessed 14 August 2022).

There has been modest progress in improving human development outcomes. Although there has been some improvement– e.g. under-5 mortality (per 1000 live births) has declined from 109.1 in 2010 to 63.8 in 2021, stunting has declined since 2010 from 31 percent to (a still high) 15.6 percent in 2019 and breastfeeding has increased from 45 percent in 2010 to 62 percent in 2022 – outcomes, by and large, tend to remain poor across the board as discussed in Section 2.2.

Limited access to education and health services has constrained human capital accumulation. South Sudan had a score of 0.31 on the World Bank's Human Capital Index (HCI) in 2020, which means that a South Sudanese child born in that year will only be 31 percent as productive by age 18 as she could have been if she had access to full health and complete education. The education component of the HCI shows that the average child in South Sudan completes only 4.7 of the 14 expected years of school by the age of 18, which, when adjusted for learning, reduces to only 2.5 years. Across South Sudan, only 68 percent of 15-year-olds will survive until age 60, among the lowest in the world (Figure 2.3).

Figure 2.3. **Human Capital Index and its components in South Sudan**



Sources and notes: World Bank, https://databankfiles.worldbank.org/public/ddpext_download/hci/HCI_2pager_SSD.pdf. Large circle represents South Sudan. Small circles represent other countries. Lines and color of circles indicate quartiles of the distribution.

Government spending on health and education is low compared to international benchmarks, with donors representing the primary funding source. Social spending (including education, health and social protection) has been increasing slowly over the years with education making up the largest component accounting for 11 percent of spending in 2020/21. Government spending on health and education in percent of government expenditure in South Sudan is also much lower than the average level of Eastern and Southern Africa (Figure 2.4 and Figure 2.5). The low level of government funding for nutrition and education has resulted in reliance on international donors or parents to fill the funding gaps.

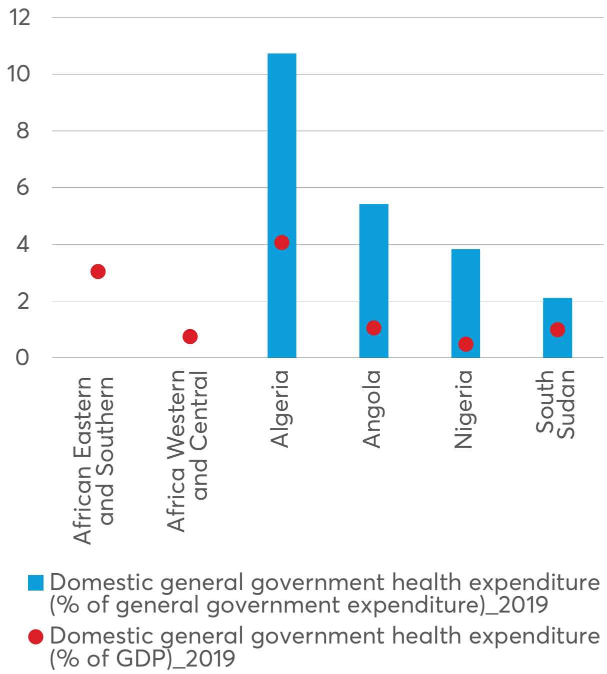
As a result of the low funding, frontline workers delivering critical services are insufficient in number and lack key skills. South Sudan has an estimated 7.6 core health workers per 10,000 population, compared to the World Health Organization's (WHO) recommendation of 23 per 10,000.[20] In the education sector, low and irregular salaries fail to attract teachers in sufficient numbers and teacher allocation is not aligned with number of pupils in the schools. There is scarcity of many types of health specialists, and 51 percent of teachers lack formal training[21] and the education system relies heavily on volunteers who make up almost half the pool of teachers. Low general educational attainment means there is a shortage of people with the required qualifications, literacy, and numeracy skills to start on

[20] World Health Organization. 2018. "Country Cooperation Strategy at a Glance: South Sudan". https://apps.who.int/iris/bitstream/handle/10665/136881/ccsbrief_ssd_en.pdf?sequence=1&isAllowed=y

[21] Ministry of General Education and Instruction. 2021. "National Education Census Report 2021. Juba, South Sudan: MoGEI." https://mogei.gov.ss/super/assets/documents/resources/2021%20Nat-Education%20Census%20Report_Final.pdf.

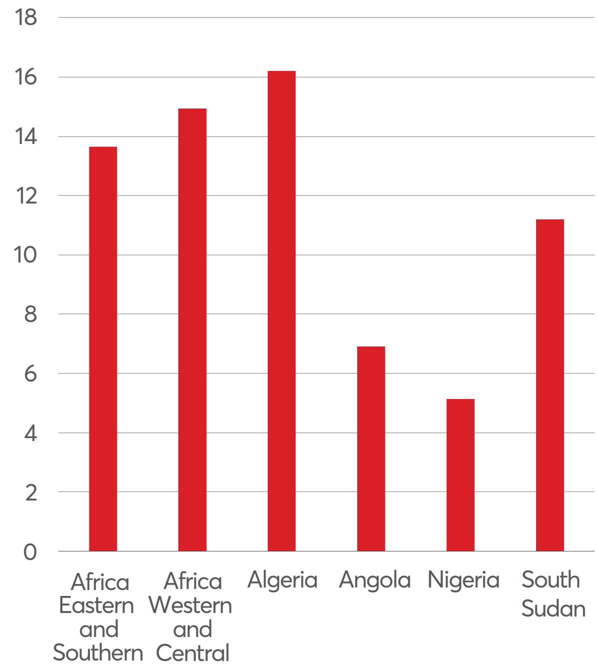
health worker/teacher training courses, especially in rural areas. Skilled personnel are often not willing to work in the most difficult areas, especially when the incentives they receive are the same as elsewhere.

Figure 2.4. Domestic general government health expenditure in 2019



Source: WDI, Note: The latest data is till 2019.

Figure 2.5. Government expenditure on education in 2021 (percent of government expenditure)



Source: WDI, Note: Government expenditure on education, total (percent of GDP) is not available for 2021.

South Sudan has among the highest child mortality rates in the world. The infant mortality rate – death of the child between birth and 11 months per 1000 live births – showed a slight decrease from 60.9 in 2021 to 59.7 in 2022 but remains amongst the highest in low-income countries such as Uganda (40.6), Kenya (30.6), Ethiopia (29.5), and the sub-Saharan average (50). Similarly, the under-five mortality rate in South Sudan translates to 1 in 10 children dying before their fifth birthday and is among the highest in the world. The major cause of child mortality in South Sudan are communicable diseases, with malaria, diarrhea and pneumonia being the biggest killers of children under 5.

BOX 2.1. CHILD MORTALITY AND HUMAN CAPITAL DEVELOPMENT

The mortality rate of children under the age of five is of particular importance in human capital development, as it is often related to the general level of health and living standard condition of the household in the society. Studies have shown the effects of the Human Development Index (HDI) on public health with reference to the under-five mortality rate. A causal relationship between the human development index and the under-five mortality rate has been shown in that there is a negative and meaningful relationship between the HDI level and the under-five mortality rate. Given that human capital is considered the engine of economic growth and development, it can be concluded that any increase in health expenditures through improvements in human capital inventory leads to increased economic growth, increased life expectancy, and decreased under-five mortality rate.

The channels through which the HDI affects the mortality rate of children can be explained as follows. HDI increases the per capita income of families, increases the educational levels of families and increases their life expectancy. This leads to more health seeking behavior in families, reducing poverty, increasing the purchasing power of families, getting more educated mothers, getting more educated workforce in the health sector and leading to a greater community participation in economic growth leading to increased productivity and the more earning power in the community and this generally leads to a reduction in child mortality.

It has recently been shown that the timing of mortality relative to education is crucial to implications of mortality decline. If child mortality is realized before education starts, an exogenous decline in child mortality leads to a decline in education--a finding that is opposite to those of studies that considered a decline in mortality after the cost of education has been incurred. It also demonstrated that the role of parental human capital in reducing child mortality and the causal link between rising education and declining child mortality.

Globally, infectious diseases remain the leading causes of death for children under 5. These include acute respiratory infections, diarrhea and malaria, along with pre-term birth complications, birth asphyxia and trauma and congenital anomalies. Access to basic lifesaving interventions such as skilled delivery at birth, quality postnatal care, breastfeeding and adequate nutrition, vaccinations, and treatment for common childhood diseases can save many young lives.

Maternal mortality (per 100,000 live births) is one of the highest in the world at 1150, use of skilled birth attendants stands at about 40 percent, with the remaining 60 percent still using traditional birth attendants. Only 7 percent of the women between the age of 15-49 use modern family planning methods. Child stunting is at 15.1 percent and only 4 percent of the children get the minimum acceptable diet. Access to safe water is at 35 percent, with only 2.3 percent of the households having safe and protected water sources. Sanitation facilities are available to only 7 percent of the population. The low health outcomes result from a low share of government allocation to the health sector at 2.5 percent —far below the April 2001 Abuja declaration where the African Union countries committed to increase health financing to at least 15 percent of the national budget to improve the health sector. Further, actual health budget execution rates fluctuate between 30-40 percent of the allocated budget annually.

The civil war impeded the development of South Sudan's education system and disrupted education provision. Education infrastructure and education personnel were often attacked during the period of conflict, with the United Nations (UN) reporting 293 attacks on schools or military use of schools between December 2013 and October 2017.[22] During this period, government spending was directed towards humanitarian aid and, in 2017, South Sudan spent only 1 percent of its GDP on education, far lower than the averages for Sub-Saharan Africa (4 percent) and low-income countries (3.6 percent). Over the last decade, this lack of education investment has affected the country's stock of human capital, and youth now entering the labor market have fewer employable skills. It has also degraded the quality of education institutions in the country, jeopardizing the human capital of future generations.

Youth and women face considerable challenges in building and utilizing their human capital. About 74 percent of the population in South Sudan is under 30 years of age – one of the largest youth bulges in the world. As a result of protracted conflict, generations of youth have been denied education, and a livelihood. While outright unemployment is rare given that the pressure to provide pushes people

22 UNICEF. 2017. "South Sudan: The impact of the crisis on children – Briefing Note."

to engage in daily labor, agriculture and self-employment, income and productivity are extremely low. South Sudan also ranks in the bottom third of countries for women's empowerment in the Human Development Index (HDI). A South Sudanese girl is more likely to die in childbirth than finish school. In 2018, only 29 percent of adult females were literate. Women in South Sudan are also less likely than men to be employed as waged and salaried workers, while bearing a disproportionately heavy burden of familial responsibility. As a result of restrictive gender and social norms, women and girls in South Sudan have fewer choices and opportunities and less agency and options for self-determination.

Lack of infrastructure is also a critical barrier to providing basic public services, including health and education. For example, most health and educational facilities outside Juba do not have electricity and even the higher-tier service facilities, such as state hospitals with diesel generators, provide very limited electricity services due to the high cost of transporting fuels to rural areas. While 46 percent of Sub-Saharan Africa's population now has access to electricity, the energy access rate in South Sudan is estimated at only 5.3 percent, based on recent World Bank-funded primary research. Significant infrastructure deficits in transport and communications (Box 2.2) further impede the delivery of basic health and education services.

BOX 2.2. INFRASTRUCTURE GAPS IN SOUTH SUDAN

In South Sudan, 5.9 million people lack access to safe water and access to treated water and soap is poor in both urban and rural areas. Approximately 38 percent of households have access to basic drinking water services and only 36 percent of the population has an improved water source within a 30-minute round trip journey from the home without facing safety or protection concerns, so unsafe water use is high. These challenges are further compounded by drought, particularly in Eastern Equatoria, that has further limited access to safe water for residents in the region. Sanitation access is also very limited. Only 11 percent of people have access to basic sanitation, 5.6 percent of households have a designated place for hand-washing with water and soap, and 13 percent of households own buckets, soap, and mosquito nets – vital WASH items. In addition, 74.7 percent of households have family members who practice open defecation. Widespread flooding, particularly in Jonglei State, has worsened access to sanitation services and increased exposure to unsafe water.

South Sudan's transportation infrastructure is plagued by insufficient current investment and maintenance as well as a legacy of a protracted civil war which destroyed a significant part of the infrastructure and left most of it in a state of disrepair. South Sudan has one of the largest transport infrastructure gaps and most inefficient logistics systems in the World. Initial estimates suggest $7-9 billion will be needed to bring the level of surface transport to that of Ethiopia, Kenya, and Uganda. Freight tariff at $0.2 per ton-km is the highest in the world and average truck speed of 6.4kmph – slower than the average speed of a donkey, high transport costs take about 54 percent the cost of logistics. The density of paved roads is insignificant with 0.2Km per 1000 Sq-km as compared with an average of 16.8 for Sub-Saharan Africa and 9.9 for low-income fragile States in Africa. The railway network in South Sudan is limited and has not been operational for over two decades. The only railway line in the Country is a portion running from Wau-Aweil-to the border with Sudan. Similarly, although endowed with natural rivers, the river navigation system has also suffered from lack of investment and maintenance. Some 1,300km of the White Nile between Juba and Renk towards the border with Sudan is navigable, albeit with many challenges. For most of the population the poor road infrastructure and presence of land mines means that for some areas river transport is the only practical and cost-effective option for communities along the White Nile and its tributaries.

South Sudan has very few corridors to access neighboring countries and seaports. Currently the main operational corridor through which over 90 percent of all the freight enters the country is through Uganda which eventually connects to the port of Mombasa. This route is long and expensive. Under the Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP) which was meant to connect Kenya and South Sudan, a direct route from Juba through Torit, Kapoeta, Nadapal, Lodwar to Eldoret and eventually Mombasa and Lamu ports was initiated with financing of multiple donors – led by the World Bank. The project was initiated in 2013. However, in 2018 the World Bank canceled financing of the South Sudan portion due to the conflict.

Mobile network coverage is limited, with inaccessible and unaffordable internet services. South Sudan remains one of the few SSA countries without a national fiber backbone and lacks sufficient international redundancy (only 1 fiber link from Uganda which is prone to disruptions). Mobile broadband coverage (i.e. 3G, 4G and higher) stands at 37 percent (well behind regional peers) with lower levels of coverage in remote, rural areas of Upper Nile (13 percent), Warrap (17 percent), Jonglei (20 percent). Actual use of mobile internet (i.e. mobile subscriptions) is even lower at around 9 percent. This can be in part attributed to (besides lack of internet coverage) low affordability and skills gaps. Broadband is expensive with 1GB of data costing 15 percent of monthly Gross National Income (GNI) per capita (above 2 percent of GNI target). Smartphone penetration is low at 11 percent. Although the level of digital literacy is not known, lack of basic digital skills is cited as the most common reason for not using the internet.

2.2. Human Development Outcomes in South Sudan: Trends and Challenges

Investing in the human capital and skills of its young population in key sectors can fuel economic growth in South Sudan. South Sudan is the youngest country in the world, with around 41 percent of the population under the age of 15 years and 74 percent under the age of 30. The extremely poor human capital outcomes – both for health and learning – hold back the potential of this young population and standards of living as proxied by income per capita and the country's economic productivity. A productive workforce that outnumbers its dependents would also allow South Sudan to access a demographic dividend and lay the foundation for future capital accumulation.

The following section discusses human development outcomes in two critical areas: malnutrition and learning poverty.

2.2.1. Malnutrition

Child malnutrition is chronic in South Sudan; addressing it will require a multisectoral approach

Chronic child malnutrition is a significant problem in South Sudan, with high prevalence rates and concerning trends. According to the UNICEF food security and nutrition survey report for South Sudan, the prevalence of stunting, a measure of chronic malnutrition, among children under five years old was 15.1 in 2019. This is a good improvement from the 2014 rate of 33 percent, but still represents a significant challenge. While there has been a slight improvement in stunting rates, the overall prevalence remains high. Additionally, the prevalence of wasting, a measure of acute malnutrition, has increased from 16 percent in 2014 to 18 percent in 2018. The prevalence of stunting varies by state, with the highest rates found in Central Equatoria (30.1 percent) and the lowest in Jongeli (9.41 percent). The prevalence is also higher in rural areas (34 percent) compared to urban areas (26 percent).

At the national level, wasting has remained above WHO emergency thresholds of 15 percent since 2010. Too few six to 23-month-old children consume the minimum acceptable diet to grow and develop well. Worrying trends since 2019 show that more children and women are being treated for acute malnutrition: children with severe acute malnutrition (SAM) have increased from 150,000 to 165,000, those with moderate acute malnutrition (MAM, or wasting) have increased from 330,000 to 370,000 and pregnant and lactating women with MAM increased from 210,000 two 317,000. anemia in women of reproductive age is also very high and neonatal mortality is very high at 40 deaths per thousand live births. There are several factors contributing to chronic child malnutrition in South Sudan. These include widespread poverty, conflict and violence, climate shocks, widespread food insecurity, poor access to water, sanitation and hygiene (WASH) infrastructure, and limited access to health and nutrition services. At the same time, undernutrition also contributes to the cycle of poverty by making it difficult for undernourished children to perform in school or accumulate human capital.

BOX 2.3. IMPACTS OF STUNTING

Stunting is the impaired growth and development that children experience from poor nutrition, repeated infection, and inadequate psychosocial stimulation. Children are defined as stunted if their height-for-age is more than two standard deviations below the WHO Child Growth Standards median.

Linear growth in early childhood is a strong marker of healthy growth given its association with morbidity and mortality risk, non-communicable diseases in later life, and learning capacity and productivity. It is also closely linked with child development in several domains including cognitive, language and sensory-motor capacities.

Stunting in early life -- particularly in the first 1000 days from conception until the age of two – and impaired growth have adverse functional consequences on the child. These include poor cognition and educational performance, low adult wages, lost productivity and, when accompanied by excessive weight gain later in childhood, an increased risk of nutrition-related chronic diseases in adult life.

Blanket food distribution programs and cash-based transfers are mainstays of food access, especially for refugees and internally displaced persons (IDPs). Given South Sudan's longstanding and complex history of FCV, climate shocks, and economic crises, many communities have relied long-term on aid allocations, including food assistance, agricultural inputs, medicine, supplementary feeding, and other supplies. In August 2023, the WFP distributed 18,759 mt of food and USD 6.4 million as cash-based transfers to 2.5 million people, including new arrivals from South Sudan, refugees, and IDPs, through general food assistance, nutrition assistance, school feeding, food assistance for assets and smallholder agriculture market access.

Nutrition initiatives in South Sudan are not supported by robust policy initiatives or a comprehensive strategic plan. In its current structure, the Nutrition Department resides within the Primary Healthcare Directorate of the Ministry of Health and is faced with a multitude of competing priorities, including limited funding. Governmental nutrition programming is currently limited to some programmatic oversight of nutrition-related partner operations in the country with minimal guidance provided by a 2009 draft policy document. However, recent efforts have sought to update the nutrition policy and strategy to include efforts to support a long-term focus on health and nutrition efforts beyond the emergency response.

Governmental commitments have been made to scale nutrition interventions, but nutrition programs have not received domestic funding allocations. The Scaling Up Nutrition (SUN) 2021 South Sudan Country Profile reported that the Ministry of Finance and Planning (MoFP) had aligned its policies with the 2014 Malabo Declaration on Accelerated Agricultural Growth that aims to scale nutrition interventions and planning to end hunger and improve nutrition. However, only salaries are provided for nutrition personnel in the government; domestic funding allocations are not made for nutrition programming even though budget requests are submitted annually.

Without domestic funding, nutrition efforts in South Sudan remain funded through donor organizations. Lack of funding on health remains a persistent issue in South Sudan with some of the lowest spending on health as a share of total expenditure (as shown in Figure 2.6). Health expenditures as a share of GDP are also below the average level for east and southern Africa.

Figure 2.6. **Summary of the drivers of malnutrition and stunting in South Sudan**

Contextual & Societal Factors	Underlying Drivers	Immediate Drivers
• Widespread poverty • Lack of nutrition policy and strategy framework • Limited nutrition capacity • Reliance on donor funding for nutrition activities • Conflict and climate impacts, including flooding, heat, and drought • COVID-19 pandemic-related effects • Gender inequity that disadvantages women and girls	• Critical levels of food insecurity and long-tern reliance on food aid • Cereal-based agriculture with limited crop diversity • Decreased household purchasing power • Poor WASH access and practices • Inapproriate infant and young child feeding beliefs and practices • Poor availability, accessibility, and utilization of health and nutrition services	• Delayed breastfeeding initiation and increased bottle and nipple use • Inadequate infant and young child dietary diversity and meal frequency • Poor maternal nutritional status • High prevalence of diarrheal disease and inadequate treatment practices

Addressing chronic child malnutrition in South Sudan will require a multi-pronged approach to deal with the key drivers of malnutrition. Recommendations are presented in Figure 2.7 below in order of priority: emergency response, multisectoral nutrition policy and strategy framework, expansion of programming, and systems-based approaches.

Figure 2.7. **Priority recommendations to address acute and chronic malnutrition in South Sudan**

	Short-term	Medium-term
Emergency Response	• Scale emergency nutrition assistance for women and children. • Align malnutrition treatment protocols. • Reinitiative weight and height measurements. • Leverage social protection programs to respond to immediate community needs.	• Train healthcare workers, CNVs, and CHWs to accurately measure anthropometrics. • Integrate nutrition supplies into essential medication lists.
Nutrition Policy & Strategy Framework	• Develop a multisectoral nutrition policy and strategy framework. • Clarify financial mechanism for nutrition programming.	• Engage with the MoF and secure domestic funding allocations for nutrition programming. • Strengthen the position of Nutrition within the MoH. • Build government capacity for nutrition work to support government stewardship for nutrition efforts.
Expand Successful Programming	• Leverage the Nutrition Cluster to harmonize nutrition efforts. • Develop mechanism to ensure community partnership and engagement. • Support communities and families to strengthen agricultural activities.	• Expand MIYCN training for healthcare workers, CNVs and CHWs. • Engage community and religious leaders to engage fathers and men and MIYCN. • Continued inputs and support for home and community-based agricultural efforts for long-term impacts.
Systems-Based Multisectoral Approach	• Expand hand washing efforts together with nutrition and health initiatives, including standardized treatment protocols for diarrheal illnesses. • Expand breadfeeding promotion activities. • Begin small quantity lipid nutrition supplement distribution for young children living in poverty.	• Provide caregiver education together with complementary food packages for infants and young children. • Provide prophylactic zinc supplementation for infants and young children in areas where diarhea is most prevalent.

South Sudan requires a paradigm shift towards prevention alongside treatment, and multi-pronged multisectoral approach to address the above challenges. In the short term, this will entail scaling up emergency and prevention support, including in hard to reach areas as well as systems-based multi-sector approach working more through health, food, WASH & gender sectors; over the longer term, increased resources, investments in health care and training of health workers and caregivers, and an elevation of the nutrition agenda is necessary within the government's key priorities. In particular, this will require:

- Expanding financial support for the emergency response and a strong technical commitment to scale up emergency nutritional assistance for women and children. In the longer term, South Sudan needs to increase the amount of financial/budgetary resources that are allocated towards nutrition (both prevention and treatment) and invest in the training of health care workers, CHWs, and CNVs to accurately perform and monitor anthropometric measurements, including weight and height, to facilitate earlier intervention for infants and children with growth faltering or worsening anthropometric measurements. Higher budget allocations and execution rates for the health sector in general, and a better capacity to monitor and deliver health services are essential.

- Aligning malnutrition treatment efforts and training programs across the health system and partner organizations and reinitiating weight and height measurements. Treatment of acute malnutrition via community-based programming has shown a recovery rate of 90 percent for those who access care. However, correct identification and classification of patients is vital for treatment.
- Strengthening and expanding nutrition-related humanitarian programming in hard-to-reach locations, including those impacted by violence, flooding, and food insecurity.
- Leveraging social protection programs to target vulnerable households and respond to immediate needs. While South Sudan currently lacks a government-led national safety net system, many social protection programs funded and implemented by humanitarian and development partners are increasingly focusing on geographical areas severely affected by climate-related shocks and food insecurity. These interventions in the form of cash transfers and voucher assistance can help respond to immediate household needs, which often is food consumption. They can also serve as an entry point to enhance knowledge of nutrition and ECD through 'Cash Plus' interventions such as complementary social measures, behavioral change communication, and training.
- Support a systems-based multi-sector approach working more through health, food, WASH & gender sectors to address the drivers of malnutrition: this essentially represents a shift beyond a focus on treatment only. In addition, more direct implementation of nutrition services through the health system and communities is needed. This will require greater integration of nutrition service delivery in the health system and community systems for greater efficiency. Finally, an adaptive and responsive programming in response to shocks is also important to consider changing needs of children and women.
- Developing a robust nutrition strategy and policy framework to support and guide a unified and strategic approach towards nutrition as part of the emergency response and to support development priorities and malnutrition prevention. Despite multiple efforts to do so, this remains an unfinished agenda. Over the medium term, it is important to elevate the importance of nutrition as a key priority at the Ministry of Health.

BOX 2.4. LEARNING FROM OTHER COUNTRIES: NEPAL, ETHIOPIA, PERU, KYRGYZ REPUBLIC, AND SENEGAL

While contextually different from South Sudan, especially viz FCV challenges, some important lessons can be learnt from other countries that have made significant progress toward reducing stunting in recent **decades.** In these countries about 40 percent of stunting reduction was achieved through health system initiatives, 50 percent through nutrition-related initiatives in other sectors, and about 10 percent was unexplained.

Political and donor support for nutrition activities and stunting reduction was paramount.

Strategic prioritization of direct, nutrition-related activities within the health sector support improved infant and young child nutritional status, including treatment for acute malnutrition, breastfeeding promotion, caregiver education on feeding practices and micronutrient supplementation, as did health sector related to diarrhea treatment and illness prevention, family planning activities, and maternal mental health.

Outside of the health sector, **multisectoral, nutrition-sensitive efforts were used to directly improve nutrition behaviors**, including food fortification initiatives, price controls, school-based nutrition programming, emergency nutrition programs, and policies to limit marketing on nutrient-poor foods or breastmilk substitutes. WASH interventions, household food security, women's empowerment, universal education, food safety, and other interventions showed indirect influence. Health system strengthening, monitoring and evaluation, and financing were identified as cross-cutting strategies to bolster nutrition programming and implementation.

In rural communities, support to communities and families to strengthen agricultural activities to support increased dietary diversity, increase resilience, and enhanced livelihoods also helped significantly.

2.2.2. Learning poverty

Acute learning poverty in South Sudan is a major challenge to human capital development and an impediment for development and progress

According to the best available estimate of learning poverty, more than 94 percent of South Sudanese children around age 10 cannot read and understand an age-appropriate text. Various methodologies yield 94 and 98 percent estimates, with the preferred estimation (98 percent) represented in Figure 2.8. This rate is significantly higher than the 84 percent of children in learning poverty in Sub-Saharan Africa and the 89 percent figure from the benchmark sample of fragility, conflict, and violence (FCV) countries and South Sudan's neighbors.

Despite the lack of national assessment data measuring reading proficiency by age 10 in South Sudan, using the available information may provide the best possible measurement of learning poverty (Box 2.5). Given the accessible data, there is a dual challenge of many children being out of school (OOSC) and limited reading proficiency among

BOX 2.5. THE METHODOLOGY FOR SOUTH SUDAN LEARNING POVERTY ESTIMATION

Learning poverty comprises two critical educational metrics: the percentage of children who are unable to read and understand a short paragraph by age 10, adjusted by the percentage of out-of-school children (OOSC). This metric accounts for both learning access and outcomes by using measurements of the number of children in school and the qualitative assessment of the instruction they receive when in school.

In South Sudan, the availability of high-quality assessment data required for the learning poverty calculations is lacking. However, learning poverty may be approximated with some caveats on the limited available data. An analysis was conducted estimating learning poverty using different methodologies and assumptions (including several robustness checks). The number of OOSC was estimated from official administrative data on net enrollment rates. The reading proficiency measure comes from a range of sources: (a) direct calculations of the proportion of children below minimum proficiency (BMP) based on the data reported in non-representative sample assessments of proficiency in South Sudan, (b) simple BMP predictions for South Sudan based on the relationship between learning adjusted years of school (LAYS) and the proportion of children BMP for 100 countries with available data, and (c) estimates of BMP using data from comparable countries.

those currently enrolled. Both factors significantly contribute to one of the world's highest rates of learning poverty.

Amid declining enrollment trends, South Sudan has one of the highest percentages of out-of-school children (OOSC) in the world, which increased significantly during the COVID-19 pandemic. The numbers of OOSC increased from 2.2 million in 2018 to 2.8 million in 2020, which is approximately 60 percent of all school age children. Delays in progression and dropping out drive down levels of school enrollment in the school-age years, and the proximate individual and environmental causes for children exiting or never entering the education cycle are diverse and interwoven (Box 2.6). Environmental issues, such as instability due to the conflict, personal security issues, and geographic distances to school, comingle with individual factors, such as a lack of awareness of the importance of education, disability, early and forced marriage, and the diversion from school to participate in economic activities.

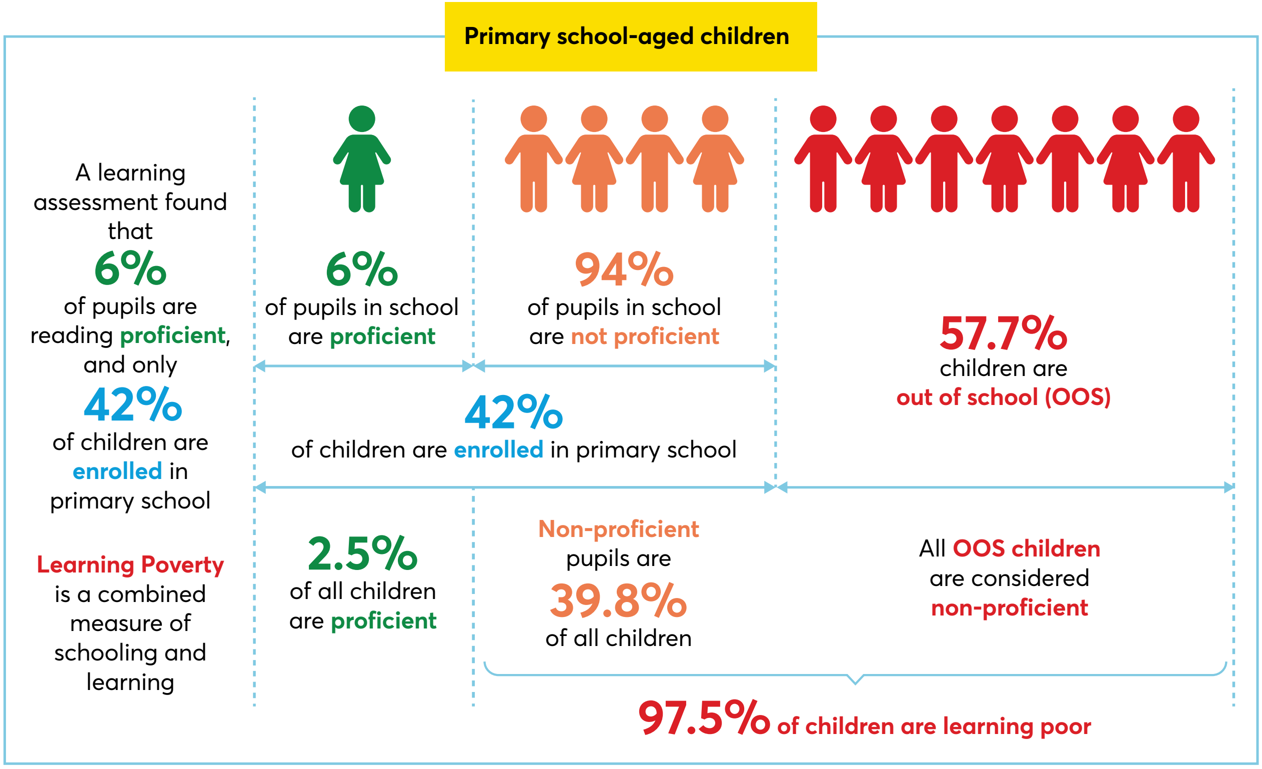
BOX 2.6. LEARNING ACCESS IN SOUTH SUDAN

The access factor in the learning poverty equation shows low enrollment rates and suggests high rates of dropping out and delayed education progression. Only 62 percent of children were enrolled in primary school, 8 percent in early childhood education (ECE), and 8 percent in secondary education in 2018. The pronounced decline from primary to secondary enrollment among school age children is driven by low overall enrollment, delayed start of education, and permanent or temporary dropouts during the school age years.

The current trends in enrollment show that gross enrollment rates in primary education are declining, dropping from 63.6 percent in 2012 to 61.8 percent in 2018. Similarly, net enrollment rates (NER) rates for primary education are much smaller and have remained stagnant, going from 42.1 percent in 2012 to 42.3 percent in 2018. The differential between GER and NER indicates that a significant portion of enrolled students are mismatched with their intended education level, highlighting the impact of delayed entry to the education cycle.

Measuring reading proficiency across the country accurately is challenging, as South Sudan does not have a suitable national assessment system, but two Early Grade Reading Assessment (EGRA) studies show deficient reading levels. There have only been two small-scale, targeted EGRA studies over the past six years, so the results cannot be easily generalized for the national population. These datasets may be best interpreted with caution as an indication of reading levels. The 2016 EGRA assessed 500 primary Grade 3 students: 250 students in English and 50 in each of the five national languages. Results showed that 71 percent of children could not read a single common word in their national language and 40 percent could not read any of the fifty familiar English words. Another EGRA assessment conducted by BRAC reached 2,415 primary Grade 1 students across 112 English-medium schools. Results showed that 69 percent of students could not identify a single letter and 98 percent could not pronounce a single unknown three-letter word.

Figure 2.8. Estimated Learning Poverty in South Sudan



Source: Strategies for Addressing Stunting and Learning Poverty in South Sudan.

Multiple interwoven factors contribute to learning poverty in South Sudan

The challenges related to limited education supply are well understood, but demand-side barriers also play an important role. An under-developed education system, lack of sufficient numbers of well-trained teachers, the damage to school infrastructure (one third of schools are damaged or destroyed because of conflict) and lack of school supplies and materials are all factors that have contributed to learning poverty. In addition, demand-side barriers linked to household resource constraints, including poverty and food insecurity, human-made and nature-induced emergencies, as well as socio-cultural beliefs and practices, which particularly affect access to education for girls, have also been important. Both demand and supply side factors mutually reinforce one another, directly and indirectly contributing to both high rates of OOSC and low reading proficiency and subsequently to high learning poverty.

Demand Factors

Household poverty contributes to school dropout, as direct and indirect cost of sending a child to school is a significant financial burden for families in South Sudan. Although public primary and secondary school enrollment does not require a school fee, the associated schooling expenses, such as textbooks, uniforms, transportation, and meals represent a significant financial burden on poor households. More than half (56 percent) of primary-school-aged children from the poorest households were out of school, compared to 28 percent of children in the richest households, and 34 percent of children in non-poor households.

Food insecurity affects learning by curbing a child's physical development, inhibiting their ability to focus and perform, and limiting their future achievements. Even short-term hunger, which is common in children who are not fed before going to school, can have a negative effect on learning. Nearly 80 percent of counties that participated in the 2017 Education Cluster Assessment faced food insecurity. It was reported that only 30 percent of children had access to food during the school day. The situation has not shown much progress. According to the 2021 Education Need Assessment (ENA) report, 64 percent of headteachers in the ENA reported that children in their school did not get a meal at school or food to take home, while over 60 percent of headteachers reported that the majority of learners do not get food before coming to school. Lack of food was considered the main reason for both non-attendance and dropping out of school. In times of food insecurity, girls often miss, or drop out of school to care for younger siblings, so parents can work or seek food.

A third impact of constrained household resources is diverting students from school into labor to support the family. Children in South Sudan, particularly those living in rural areas where farming and pastoralism are labor intensive, contribute to their families' subsistence. South Sudan is one of the four worst-performing countries in the Child Labor Index. While OOSC tend to engage in labor, children still attending school may also be involved in these activities, putting them at higher risk of dropping out. 26 percent of the children enrolled in primary school were also involved in child labor, with a higher percentage in rural areas than in urban areas. More than 60 percent of child laborers are employed in the agricultural sector. In the former Greater Upper Nile (GUN) states of Jonglei, Unity and Upper Nile, drop-out was attributed to food insecurity and cattle herding.

Certain socio-cultural beliefs and practices also divert children from schooling. The 2017 Education Cluster Assessment (ECA) found that child and early marriage, domestic responsibilities, and early pregnancy are key drivers of school dropout for girls. Strong cultural biases against girls' education were identified across all states. School attendance is much lower for girls than for boys, particularly in rural South Sudan. Being a girl in South Sudan accounts for 92 percent of the decision of not sending a child to school, while 80 percent of the decision to 'keep them at home'. Specifically, the net enrolment rate (NER) for primary education is 36 percent for boys and 28 percent for girls, with only 18 percent of girls and 33 percent of boys completing their primary education, which means that almost three-quarters of primary school-aged girls in South Sudan do not receive a primary level education. Some of the barriers to education that girls face include factors directly related to education, such as the lack of adequate sanitation facilities at schools, and fear of rape or abduction, and broader factors, such as cultural norms and customary laws related to bride wealth, early and forced marriages with domestic responsibilities, early pregnancies, gender-based violence (GBV), and poverty that makes families choose to send boys to school.

There appears to be a lack of parental awareness of the value of education. For example, Early Childhood Education (ECE) in South Sudan is reportedly not seen as a priority by parents and communities, even in areas where the service provision is made. In addition, parents' uncertainty about the prospects of their children progressing in school may contribute to the high dropout rates after Grade 4. Consequently, many parents may be unwilling to incur the direct costs and opportunity costs of education, preferring children to help with herding, tending animals, and collecting water rather than keeping them in school.

Beyond the household, safety concerns and poor socioemotional wellbeing drive down South Sudan's education demand. Insecurity is one of the foremost major barriers to education in many remote areas for both boys and girls. In South Sudan, close to 900,000 children are traumatized as a result of either witnessing or experiencing different forms of violence, which could happen directly during attacks on schools, or other violent incidents. Large-scale and protracted displacement, with sporadic access to schooling, and related negative psychological experiences could affect education performance and discourage school attendance.

Severe climate shocks including floods affect children's education access. Due to flooding, more than 846 education facilities have been affected, impacting close to 42,000 children across the country, affecting not only the supply-side of education, but also impeding access to schools, exacerbating household vulnerability and prompting negative coping mechanisms (early marriage and increased child labor).

Supply factors

The supply-side offerings of the education system in South Sudan are inadequate to fulfill the objectives of providing universal schooling nationally. There is a widespread shortage of qualified teachers, particularly those who have been formally trained and can teach in languages learners know best. In addition, there is a general lack of schools – about 5,407 for all education levels, including public and private schools, insufficient for a country with a young population. Only 20 percent of primary schools offer a full education cycle, and school accessibility in rural areas is even more limited. Around 16 percent of primary schools lack access to drinking water, and almost one third do not have latrines for their students. One third of schools are reported to have been attacked by armed forces, or occupied by the military or IDPs, pushing teachers to leave their profession. During emergencies or in hard-to-reach areas, schools are only semi-permanent classrooms, or buildings that are inadequate; in fact, only 27 of the primary school classrooms are in a permanent building, while 43 percent are open air. To compound these challenges, climate-related shocks have damaged the already precarious school infrastructure and worsened already scarce access to water and sanitation. With the funding currently available, it is not possible to expand the traditional school model to increase the number of schools significantly.

Ensuring all children acquire foundational skills in the early grades is crucial for individual and societal development in South Sudan: this requires working with the government, non-state actors, communities, and civil society.

Given the current context, the education model must focus on realistic interventions that can impact student learning and reading proficiency in the near term. In the short term, the government, NGOs, and faith-based organizations will require coordination, technical support, and multiyear funding to reinforce and expand their current programming. In the medium term, realistic multi-phased plans for a government-led system of improvement must be developed, considering conflict resolution dynamics and available sector financing.

First, to improve reading proficiency levels at scale, assuring technical and political commitment is critical to making all children literate. This involves establishing specific goals for learning outcomes, developing a context-appropriate system to track progress, and increasing the education investment. Establishing specific and timebound literacy targets is important in the next education sector plan. To be able to track progress, simple literacy assessments must be developed and implemented (e.g., ASER-type assessments) with reading tasks specifically tied to the national instructional goals. In the medium term, a more robust student learning assessment system must be developed to track foundational skills.

Second, policies and interventions are urgent to attract more teaching candidates and prepare them to be effective teachers. Part of the increased education budget could be used to support more regular and competitive teacher salaries as well as to improve the coverage and quality of teacher training programs. In the short term, however, the limited availability of qualified candidates will be a bottleneck regardless of the (feasible) improvement in teacher salaries, so it would be necessary to develop a plan that includes sufficient volunteers, community teachers, parents, older students, and any other available candidates to teach basic literacy. In the medium term, a more systemic reform of the teacher training continuum (that invests significantly in revamping pre-service training) could be supported.

Third, availability of adequate teaching and learning materials should also be prioritized. The provision of one textbook per student per subject, one teacher's guide per teacher per subject, and instructional sets of leveled and decodable reading materials, is an essential part of all effective reading programs, including rigorous evidence from successful programs in FCV countries. Teaching and learning materials must be produced in languages teachers know and at appropriate literacy and skill levels for existing teachers. Teachers must be trained more intensively in the use of these materials.

Fourth, prioritizing mother tongue-based multilingual education instruction from early childhood education throughout primary school is recommended. Providing instruction in a language that students know best can build a strong reading and writing foundation before introducing a second language. This will require the development of pre-service and in-service teacher training programs with brief literacy courses to train teachers to read and write in national languages. Adequate communication about the importance of mother-tongue literacy as a bridge to second language literacy is also vital because part of the challenge comes from the demand side (parents often prefer English-based education). In the medium term, developing outreach and advocacy strategies to strengthen the engagement of parents and communities is important.

To effectively eradicate learning poverty, further educational and multisectoral interventions are necessary, including early childhood development programs, psychosocial support and school feeding programs, and interventions that tackle demand and supply-side barriers. First, expanding the coverage and quality of early childhood development services is essential for early stimulation, socio-emotional well-being, and school readiness. Second, developing scalable strategies to improve socioemotional well-being and mental health is critical given the complex FCV context.

On the demand side, given the high rates of food insecurity and hunger, expanding the coverage of social safety nets and other key interventions such as school feeding programs is critical to both mitigate households' financial burden and promote food security for enhanced learning. Fourth, context-specific cash transfer programs coupled with cash 'plus' trainings and behavioral change communication could raise awareness of the benefits of education and childhood development and facilitate greater investment in education, particularly for girls.

Finally, developing an effective model of basic education that matches existing resources will be critical in the short term while increasing investments in traditional education supply in the medium or longer term. The limited education supply is a critical bottleneck to tackling learning poverty in the short term. However, the current level of investment cannot finance the expansion of the traditional model of basic education to reach all children (i.e., certified teachers, conventional school buildings, and expensive materials). In this context, developing an alternative model is imperative – building upon promising existing programs in South Sudan—to ensure that all children acquire basic literacy and numeracy skills. This will include less qualified teachers who require training while in service, using structures other than schools, and low-cost but widely available materials. Support and materials for teachers must be developed that match teachers' knowledge and skills. Low-cost distance education, using printed materials or radio, can support teachers as they teach reading and math in the early grades and supplement what is certain to be a very limited capacity to provide teacher coaching and in-person support. Over time, it is hoped that an increased budget for education would also allow other investments in education, including expanding the supply of more formal education services that can begin to reduce learning poverty.

ANNEX A
SNAPSHOT OF FY23/24 BUDGET

(in percent of GDP, unless otherwise indicated)			
Revenue	31.5	Expenditure	36.1
Oil Revenue	26.3	Recurrent Expenditure	23.6
Non-Oil Revenue	4.2	Capital Expenditure	9.3
Other Sources (Grant)	1.0	Debt Service	3.2
Budget Deficit	4.6		
GDP growth, percent annual change	4.0		

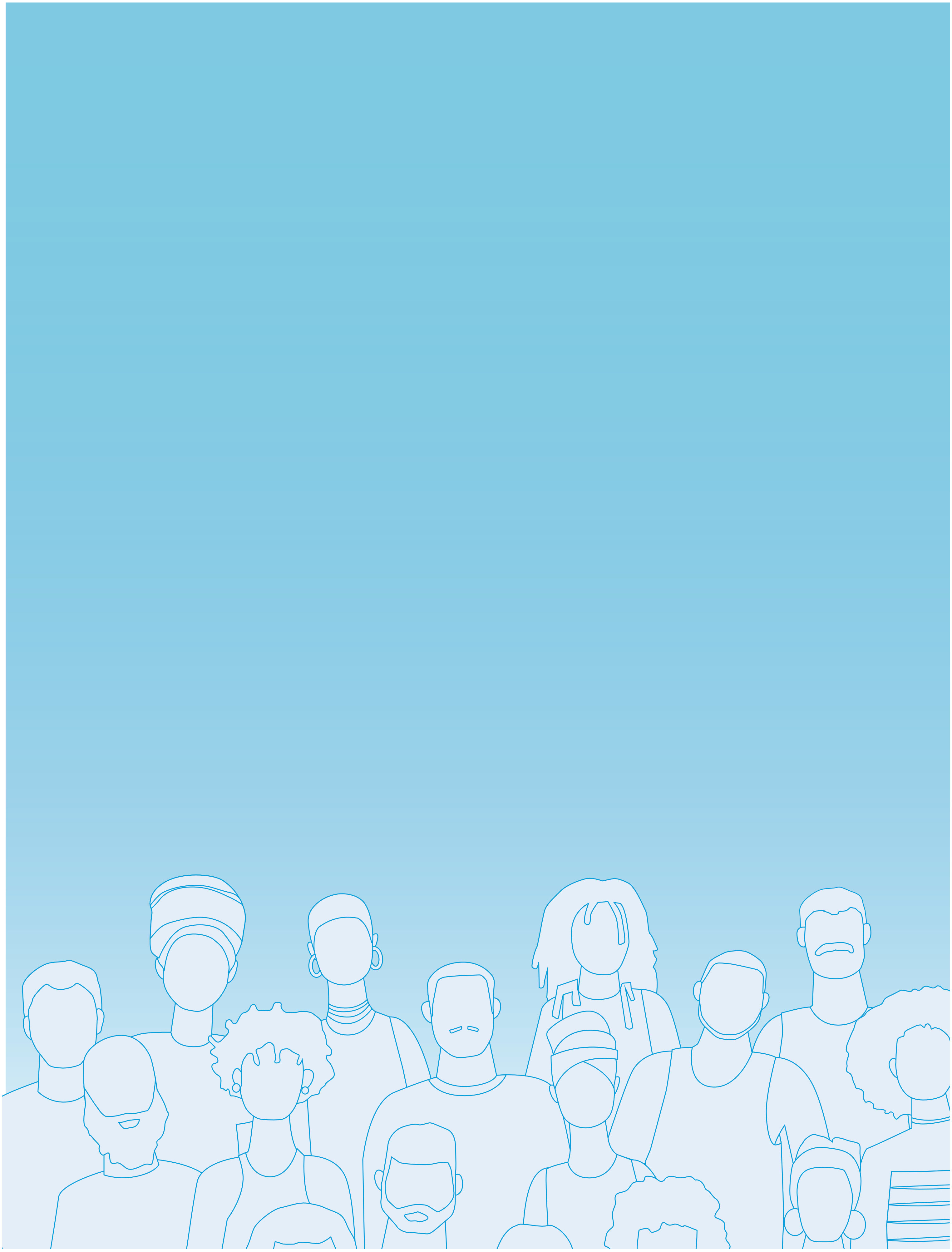
Key Assumptions

- Inflation Rate is expected to ease to 10 percent on average by the end of the fiscal year:
- Oil production assumed to average 132, 000 barrels per day;
- Oil price is projected at US$80.1 over the fiscal year;
- Exchange rate is estimated to average SSP917 per US$, while the exchange rate crossed SSP1000 during the first month of the fiscal year;
- Real GDP growth is projected at 4 percent;
- Fiscal deficit is projected at 4.6 percent of GDP.

ANNEX B
COMPARISON OF AGGREGATE BUDGET PLANS OF FY2022/23 AND FY2023/24, IN BILLION SSP

	FY 2022/2023 BUDGET	FY 2023/2024 PROPOSED BUDGET
Total Revenues and Grants	**832.8**	**1,838.0**
Oil Revenues	**715.8**	**1,536.5**
Non-oil Tax Revenues	**117.0**	**245.3**
Grants		**56.2**
Total Expenditure	**1,392.9**	**2,105.0**
Total Recurrent expenditure	**809.7**	**1,057.8**
of w/c: Wages and Salaries	131.2	424.5
Operating expenses	158.2	270.4
Transfers (to States)	143.5	141.9
Other Recurrent expenditure	**279.1**	**320.6**
Transfer to Sudan (Tariff, Transportation and Processing)	92.0	173.4
Transfer to Oil Prod. States (2 percent)	12.5	30.8
Transfer to Oil Prod. Comm. (3 percent)	18.7	46.2
Transfer to MOP (3 percent)	0.0	46.2
Payment Future G Fund (10 percent of net gross revenues)	62.4	0.0
Oil Revenue Stabilization Fund (ORSA)15 percent, MoP charge 1 percent	93.6	0.0
10 percent NRA Gross Non-oil revenue	0.0	24.1
Net acquisition of non-financial assets	**400.0**	**540.3**
Total Amortization and Interest Payment	183.1	186.3
Amortization	155.7	133.7
Interest payment	27.5	52.6
Financing Gap	**-560.1**	**-267.1**

Source: MOFP



THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP