



Project Report

for

The impact of financial crisis on the living standard of households in Juba, South Sudan

by

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A PROJECT REPORT

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## Declaration

I hereby declare that the project entitled “**The impact of financial crisis on the living standard of households in Juba, South Sudan**” submitted for the M.B.A. Degree in Finance is my original work and the dissertation has not formed the basis for the award of any degree, associate ship, fellowship or any other similar titles.

I also declare that this work or any part of this work has not been copied from any source.

Juba, South Sudan, December 2016

**Kuicthok Yak Deng**

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## **Dedication**

This study is dedicated to my beloved wife Mrs. Nyamach Ruach Koang, our beloved son, Yak and our beloved daughter, Mara for their direct support in everything to ensure that I complete this studies.

I also recognize my country at large and my community because being a citizen of South Sudan and my community play more roles to my study by encouraging me to study hard and earn an MBA.

In memory of my dearest maternity uncle Mr. Buge Chol Kueth, who lost his life in November 2014 during the South Sudan current man-made crisis.

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## **Acknowledgement**

First of all I praise God of heaven who gives me good health during my study from June 2014 hitherto. I believe that without God I could have not finish my study smoothly.

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## **Abstract**

This paper reports on an impact of financial crisis on the living standard of the households in Juba South Sudan carried out in October 2016. To attain its objectives, the study employed an economic outlook of South Sudan in regards to the current financial crisis causes by conflict. This study showed that the financial crisis has had a negative impact on the living standard of low-income households in Juba as well as other states in the country, location, size of household, gender status of head of the household, education level of head of the household, etc. The paper also describes some of the strategies that low-income households have adopted in response to the financial crisis

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## Chapter One

### 1.0 Introduction

Juba is the capital of South Sudan. It is a river port on the west bank of the Baħr Al-Jabal (Mountain Nile), about 87 miles (140 km) south of Bor. Juba is a commercial centre for agricultural products produced in the surrounding area. It is a southern terminus for river traffic in South Sudan, and it is also a highway hub, with roads radiating into Uganda, Kenya, and the Democratic Republic of the Congo. It has an international airport and several branch banks. The town is the headquarters of the University of Juba, founded in 1975.

The Republic of South Sudan is a land-locked country that is bordered by Ethiopia to the East, Kenya to the South-East, Uganda to the South, the Democratic Republic of Congo to South-West, the Central African Republic to the West, and Sudan to the North. It has a land area of 644,329 km<sup>2</sup> and a population that is currently estimated to be about 10 million after taking account of large influx of returnees and refugees in recent years.

The average number of people per km<sup>2</sup> is only 13, making South Sudan one of the least densely populated countries in Sub-Saharan Africa<sup>1</sup>. The terrain gradually rises from plains in the north and center to southern highlands along the border with Uganda and Kenya.

The White Nile, which flows out of Central Africa, is the major geographic feature of the country. It supports agriculture and extensive wild animal populations.

The financial crisis has its origin in the US [housing market](#), though many would argue that the house price collapse of 2007 - 2009 is a symptom of a problem running much deeper, revealing a fundamental weakness in the global financial system.

From the 1970s onwards, US and UK banks started to widen the scope of their business models by selling off their own credit risk to third parties. Increasingly they became reliant on computer-based systems for assessing that risk. Many have argued that personal judgment, perhaps the key attribute of the *traditional* bank manager, gave way to decision making by computer software.

In South Sudan the financial crisis is something new, South Sudan got its independence from Sudan in July 9, 2011 through referendum that was conducted in January 9, 2011. After independent South Sudan continues to transport its crude oil through pipeline belong to Sudan. In January 2012 South Sudan accused Sudan that they confiscated three millions barrels of crude oil by saying that the South Sudan did not pay transit fee. The government of the Republic of South Sudan has decided to shut down all its oil production throughout the country in response to the action by Khartoum, which confiscated the oil as it flows through North Sudan pipelines in January 20, 2012 and that was the beginning of financial crisis.



The economic crisis was triggered by South Sudan's decision to shut down oil production, which accounts for 98 percent of the country's revenue, at the end of January following a dispute with Sudan over fees charged to use its pipelines.

The government introduced austerity measures shortly afterwards, which include cutting essentials such as investments, halving expenditure on government institutions, limiting borrowing to only fund activities that will stimulate economic growth such as infrastructure development, and intensifying tax revenue collection efforts.

The government has also resorted to heavy international borrowing, acquiring a number of large loans from foreign banks in order to ease the financial crisis.

In May South Sudan secured a 100-million-dollar loan from the National Bank of Qatar to finance the import of essential goods and services including fuel, food and medicines. It is understood that the government is also in the process of securing another 100-million-dollar loan from Stanbic Bank and another 500-million-dollar loan from a yet an undisclosed source.

In April China agreed to give the new country a loan of eight billion dollars that South Sudan said would be used to fund South Sudan's infrastructure development.

However the critic said borrowing is not a solution instead of resolving the issues with Sudan and keeps oil flowing using the Sudan's pipelines.

However while government was busy looking for solution then war broke out in December 15, 2013 between President Salva Kiir and his former Vice President Dr. Riek Machar and resulted to current economic crisis. The inflation rate was recorded at 14% in November 2013 but when war continues the situation is worsening every time and resulted to highest percentage recorded in October 2016 as 835.70 percent.

Since independence in 2011, the political landscape in South Sudan has continued to be dominated by both internal and external threats to sustainable peace and stability. In December 2013, the country descended into protracted strife which has heightened uncertainty in the country.

The parties to the conflict finally signed a peace agreement in August 2015 but timely implementation is a significant challenge. For instance, the time for the parties to form a transitional government expired. The conflict comes at a huge humanitarian cost. As of November 2015, over 2.2 million people, an increase of 200 000 since the beginning of 2015, have been displaced.

Over 1.6 million people have been displaced internally while over 616 000 people have fled to neighboring states. Severe food insecurity is expected to affect 4.6 million people this year, compared to 3.8 million last year, at the height of the lean season. The incidence of poverty has worsened from 44.7% in 2011 to more than 57% in 2015.

The challenges of the civil conflict are compounded by enormous economic and fiscal problems. The government budget is facing a huge shortfall caused by the sharp decline in oil revenues.

South Sudan is one of the most oil-dependent countries in the world, with oil accounting for almost the totality of exports, around 60% of gross domestic product (GDP), and over 95% of the government revenues in previous fiscal years.

Oil production in 2014-15 was 40% lower than projected in November 2013. In addition to the sharp fall in production, there has been a collapse of international oil prices, declining from close to 110 United States dollars (USD) per barrel in July 2014 to less than USD 35 per barrel in January 2016.

The drop in oil revenues has led to a sharp reduction in the government's revenues, preventing investment in development activities. Government net oil-revenue forecast for the 2015/16 fiscal year is only 17% of the previous year.

In the last few years, GDP growth has been very erratic, driven by conflict and fluctuations in oil prices. By the African Development Bank estimates, after experiencing a 15.9% increase in 2014, growth is expected to experience a decline of -5.3% in 2015.

The predictions are a small recovery in 2016 with 0.7% growth rate, and a revival in 2017 with 8.8% growth rate. However, the realization of the forecast will depend on the recovery of oil prices and the implementation of the peace agreement.

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## Chapter Two

### 2.0 Background/Literature Review

A financial crisis is a situation in which the value of financial institutions or assets drops rapidly. It occurs as a result of institutions or assets being overvalued, and it can be exacerbated by investor behavior. A rapid string of selloffs can further result in lower asset prices or more savings withdrawals. If left unchecked, the crisis can cause the economy to go into a recession or depression.

Juba is the national capital of South Sudan, the newest country in the world and got independence in July 2011 through referendum monitored by United Nations, EU, African Union, IGAD and Arab League, then two years later a civil war began in December 2013 resulted to financial crisis in the country.

The prices of all commodities rise up and the purchasing power of the households decline. The living standard of the households is in worse situation then how it was before December 2013.

The country's economic crisis has led to a near-total shutdown of essential services. Hospitals have been without power due to a lack of fuel. Some doctors, teachers, and soldiers have gone without pay for months due to a lack of government funds. Therefore, this financial crisis affects the living standard of households.

The life becomes of households is in danger because the exchange rate of dollar per SSP is 102.00 compares July 2016 when it reached to 74 SSP per 1 USD as a resulted of fighting in Juba, the capital. In December 2013 1USD equivalent to 3.15 SSP.

South Sudan imported most of food items in neighboring countries like Uganda, Kenya, Ethiopia and Sudan where traders normally are in serous demand of US Dollars to import food and sell in the country. Salaries remain low.

A graduate of bachelor's degree in receiving monthly salary of SSP 1500 to SSP 2000 which is around \$15 to \$20 and a worker in the lower grade 17 received SSP 410 which is around \$4 per months.

Therefore, due that high inflation rate the purchasing power has become low and majority of people do not afford buying basic commodities.

For South Sudan to solve the current financial crisis causes war, the war should stop and the government has to engage on the below four options as mentioned by EconomicsHelp.org 2015.

#### 2.1. Devalue

This means to reduce the value of your exchange rate. For example, in 1992, the UK was in the ERM. The value of the Pound was semi-fixed against the D-Mark (£1=3DM). But, in September

1992, the government left the ERM and allowed the value of the pound to fall. (see: ERM Crisis)  
Devaluing exchange rate makes exports cheaper which helps boost growth.

In the case of the Euro, one possibility is for Greece to leave the Euro and restore their own currency. This would lead to an effective fall in their exchange rates and help economy become more competitive.

After financial crisis Iceland devalued Krona by 35% in 2008. This helped Iceland

See also: Iceland vs Ireland | Aftermath of Iceland crisis

## **2.2. Inflate**

Inflate means to try and boost aggregate demand in the economy to create higher economic growth. For example, in a recession, the Central Bank could cut interest rates, print money or pursue quantitative easing. This leads to an increase in the money supply and can help to stimulate economic activity; it is also likely to cause inflation

This ‘loosening’ of monetary policy can help create higher spending; it may also led to higher inflation (higher prices). It may also be referred to as:  
‘expansionary fiscal / monetary policy’ / fiscal stimulus, reflation, ‘kicks tart the economy’.

Higher inflation also makes it easier for the government to pay back its debt. In fact inflating away your debt is seen as a kind of a partial default. The government finds it easier to pay back debt and bond holders lose out because their savings are worth less.

e.g. in 1920s, Weimar Germany printed money to pay war reparations leading to hyperinflation.

## **2.3. Default**

Default refers to the decision by government to stop repaying part or all of its debt. This will make it difficult for government to borrow in the future, but it means they don’t have to aggressively cut spending to reduce borrowing.

When government borrowing as a % of GDP increases rapidly, it becomes quite difficult to control borrowing. In order to meet interest repayments, and reduce the debt burden, the government may be forced to pursue fiscal austerity (cut spending, increase taxes). However, cutting spending in a recession can make it worse. e.g.

the attempts by Greece to cut spending have failed to reduce their budget deficit. The deficit continues to rise and it has created social instability; they are also likely to default anyway. A better option may have been for Greece to admit they were going to struggle to repay debts and default on their bonds earlier.

It means investors in Greek bonds would lose some money. However, it gives Greece a chance to enable economic growth and in the long run this may be a better deal for bond holders. Rather than still default, but also have a longer period of economic decline.

## 2.4. Deflate

Deflate refers to policies to reduce inflation. It would involve

- ‘Tight’ monetary policy – higher interest rates to reduce spending
- ‘Tight’ fiscal policy – spending cuts, higher taxes. Tight fiscal policy also reduces the level of government borrowing.

Deflating the economy will tend to reduce growth and reduce the rate of inflation.

e.g. many countries in the Euro have been trying to solve their fiscal crisis by reducing government spending.

However, it is difficult to solve problem by relying on deflation alone. Deflating economy leads to a painful period of adjustment (lower unemployment lower growth).

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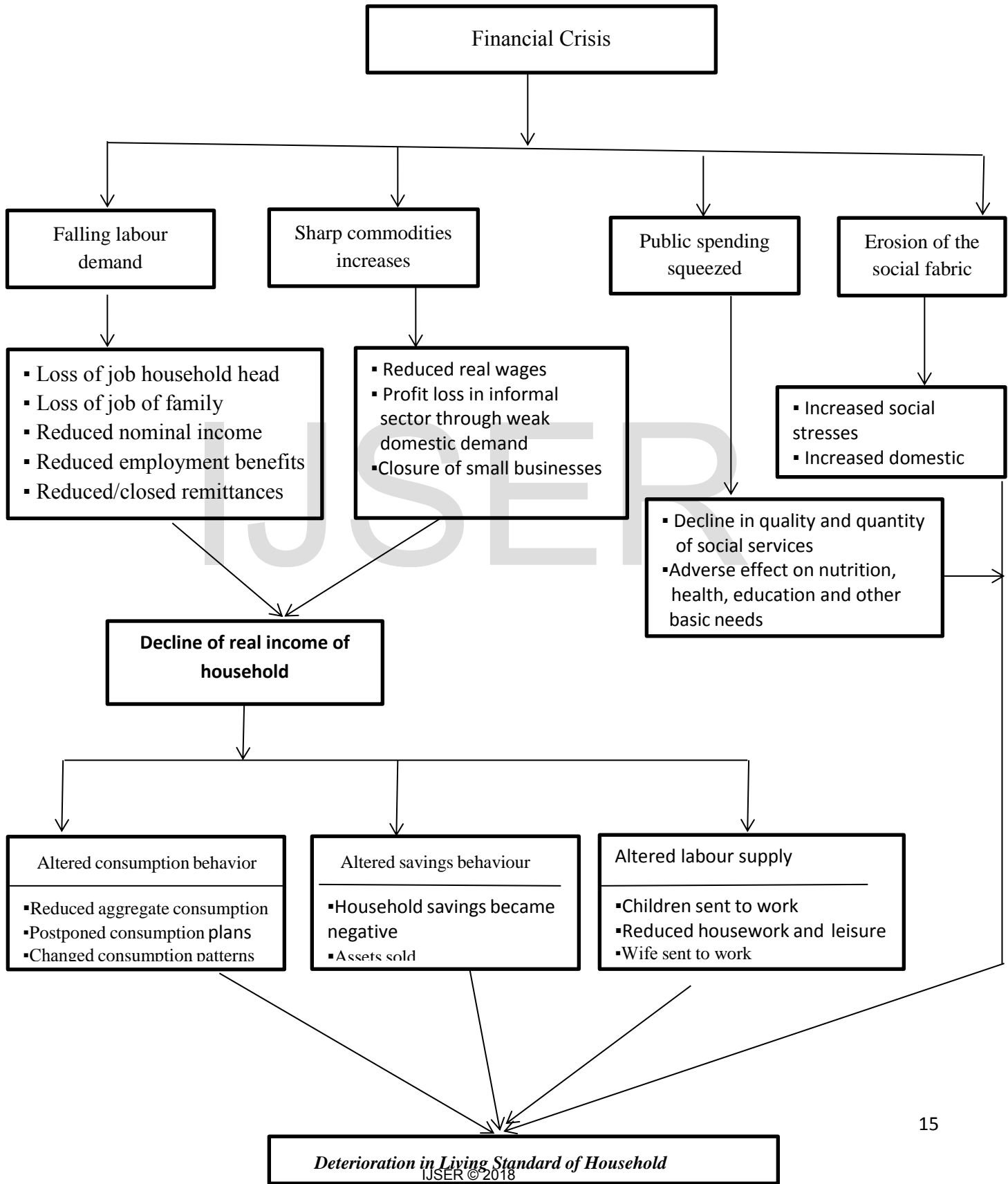
## 2.5. Transmission of Impacts from the Financial Crisis

A major feature of the financial crisis which began in the second half of 1997 in the countries of Asia was the flight of foreign capital, which led to a steep depreciation of their national currencies. The huge depreciation made it extremely difficult for private commercial enterprises to continue their service with the loans denominated in foreign currency. Commercial banks and financial institutions became extremely conservative in extending credit. Many enterprises, which were otherwise healthy and were not significantly affected by the currency depreciation, could not function properly due to lack of working capital. Others went bankrupt and even closed down. The amount of non-performing loans (NPLs) in the banking system rapidly increased and worsened the credit crunch. Output fell, unemployment increased, wages and income reduced, living standards deteriorated, social capital declined and the incidence of poverty multiplied. Unemployment rose not only because of increased numbers of business failures but also due to job losses in businesses experiencing substantially reduced sales. In an effort to maintain employment, and in some cases with the consent of employees and labour unions, many businessmen reduced real wages and nominal wages, including employee benefits, and shortened working hours. Informal sector workers also experienced reductions in income due to declining sales and rising prices of inputs.

Another result of the crisis was the effect on consumer prices. Depreciation of national currencies led to increased prices of imports, which fuelled inflation. As a result, the real income of people decreased significantly. The inflation stemming from the financial crisis not only eroded real wages and therefore purchasing power, but also drastically reduced the real value of the lifetime savings of many people. The combination of rising prices and falling income were responsible for large contractions in private consumption expenditure. The quantitative decline in consumption was also accompanied by the substitution of better quality, expensive goods and services with those of cheaper varieties of lower quality. Moreover, due to price increases, profits were squeezed largely in the informal sector, which was already facing a weak demand.

Another area in which the economic and financial crisis had an adverse social impact was the government budget. Government revenues came under severe strain and tax revenue declined sharply. Simultaneously, with the increase in general price levels, the cost of providing public services tended to increase. Although efforts were taken in some cases to maintain previous levels of government expenditure on key social services such as health and education, the availability of such services to the poor were adversely affected due to the inflation and increased demand from people who previously used private services. In the wake of falling revenues and limits on deficits, governments had to impose expenditure cuts, which affected their capacity to maintain or augment the previous or higher level of services. For this reason government expenditure was reduced in order to provide additional funds for the restructuring of domestic financial institutions and to repay foreign debts. There was also reduction in the supply of these services by the private sector, which was confronted with falling demand, rising costs and lower profits. Based on the above information, the following framework, which indicates the transmission channel of the impacts of the financial crisis on the living standard at the micro level i.e. household level in Malaysia, was designed.

**Chart Fig. 1**  
**Transmission of the Impact on the Living Standard of Low Income Households**



Unitar E-Journal Vol. 3, No. 1, January 2007

## 2.6. Measuring Living Standards

Most demographic analyses use mortality, fertility, children's schooling, children survival and health status as a measure of living standards. Some of the other researchers used income or consumption expenditures as a measure of living standards ([Lloyd et al \(1994\)](#); [Sastry \(1996\)](#); [Stewart et al \(1991\)](#)). A recent work ([Pope, 1993](#)), utilizing new data sources, has extended the questions related to the standard of living to include issues of mortality and morbidity. A common measure of the living standard is real or inflation-adjusted Gross National Product (GNP) per person ([Garner 1991](#)). Another common measure of the living standard is real consumer spending per person. A meaningful view of the standard of living involves more than changes in the GNP per capita.

Economic and sociological theory supports the idea of using household incomes or consumption expenditures to measure living standards ([Montgomery et al. 2000](#)). Income is being used widely as a measure of household welfare. Despite the widespread use of income as a measure of household welfare, many economists have suggested that the use of the consumption expenditure will be a better reflection of the living standard because the standard of living is difficult to gauge from official income data due to a large share of economic transactions not being recorded ([Slesnick 1993](#), [Grosh 1998](#), [Cutler & Katz 1992](#), [Poterba 1989](#), [Montgomery et al. 2000](#) and [Ernst Engel 1857](#)). This study used Per Capita Expenditure (PCE) as a proxy indicator to measure the living standards of low-income households.

## 2.7. Living Standard / Welfare Model

The World Bank established the Living Standards Measurement Study (LSMS) in 1980 to develop new methods for monitoring progress in raising levels of living standards and to improve communications between survey statisticians, analysts, and policymakers. From 1980 onwards attempts have been made to widen the scope of studies on the living standards and this expansion has been based on the theoretical-cum-methodological contributions of several researchers. The first two LSMS surveys were fielded in Côte d'Ivoire in 1985 and in Peru in 1985-86.

In the case of qualitative or binary response variables, most of the demographic researchers namely, [Jensen \(1996\)](#), [Sastry \(1996\)](#), [Pebley et al. \(1996\)](#), [Muhuri \(1996\)](#), [Benefo \(1995\)](#), [Speizer \(1995\)](#), [Richter et al. \(1994\)](#), [Foster \(1993\)](#), [Adair et al. \(1993\)](#), [Stewart et al. \(1991\)](#), [DeGraff \(1991\)](#), [Njogu \(1991\)](#), [Hamill et al. \(1990\)](#), [Brockhoff \(1990\)](#), and [Koenig et al. \(1990\)](#), have typically used the logit or tobit regression model, the hazards modelling or the logistic regression or multinomial logistic regression as statistical techniques for their analyses. These sets of techniques are collectively referred to as log linear analysis ([DeMaris et al. 1993](#)). All of these researchers used the living standards measure as an independent variable.



Recently, several researchers ([Gaurav 2000](#), [Paul et al. 1994](#), [Grootaert 1999](#), [Thomas et al. 1999](#), [Frankenberg et al. 1999](#), [Emmanuel et al. 1999](#) and [Montgomery et al 2000](#)) have carried out living standard studies from an economic perspective and have used the living standard as a dependent variable. In the case of quantitative response variables, the statistical techniques typically used in the analysis are the simple descriptive analysis and multiple regression models. Due to the use of quantitative response variables, the study employed the simple descriptive analysis and multiple regression analysis to identify the factors influencing living standard deterioration among low-income households in Malaysia during the crisis period.

## **2.8. Demographic, Geographic and Socio-Economic Factors Influencing Living Standards**

We categorize the factors according to three dimensions namely demographic, geographic and socio-economic. Household living standards or welfare is influenced strongly by the household's demographic and socio-economic characteristics, and the country's economic situation. Many studies have associated living standard differentials with (i) demographic factors such as gender, and family size, (ii) geographic factors such as residential area, and living location (living state) and, (iii) socio-economic factors such as income, education, facilities or benefits, life-coping mechanisms, the job market, occupational status, occupational sector status, etc.

*Demographic factors* play a vital role as determinants of the living standard. According to general economic theory, the PCE will be higher if the number of family members in a household is lower and the household headed by a male. Most of the studies have used several variables to depict the roles of these demographic factors. Empirical research investigating family size as a variable influencing the living standard has shown mixed results although most findings support the theoretical view which shows the existence of a negative relationship between PCE (i.e. living standard) and family size and a positive relationship with a male headed household.

Recent investigation by [Gaurav et al. \(2000\)](#), [Frankenberg et al. \(1999\)](#) and [Grootaert's \(1999\)](#) found that the PCE was negatively related to family size i.e. larger households have lower living standards or welfare. On the other hand, [Emmanuel et al. \(1999\)](#) and [Thomas et al. \(1999\)](#) found that the PCE declined least between 1997 and 1998 in larger households. This indicates that larger households were less likely to experience a deterioration in their living standards compared to smaller households. In terms of gender, [Paul et al. \(1994\)](#) and [Stephen \(1997\)](#) found in their research that poverty is somewhat more prevalent among females than males. On the other hand, [Grootaert \(1999\)](#), [Frankenberg et al. \(1999\)](#), [Thomas et al. \(1999\)](#) and [Gaurav et al. \(2000\)](#) found in their empirical investigation that female-headed households did not have lower level living standards than male-headed households.

*Geographical location* is also an important factor in determining the living standard. The standard of living varies geographically across the country and between provincial and residential areas on the basis of economic background, and some variations in the relative standard of living could occur over time in any given place ([Gaurav and Hooegeveen, 2000](#); [Tom, 1999](#)). It is most logical to assume that the living standards of households who are living in developed countries,

provinces with booming modern economies and urban areas are comparatively better than the households who are living in less developed and developing countries, less economically developed provinces and rural areas. But the findings of the empirical investigations have shown mixed results, although most findings support the above results. For example: Paul and Hoogeveen (1994) found that rural households experienced less deterioration in the living standard than urban households during the period of economic decline in Peru. This result is supported by the study carried out by Stephen (1997), Thomas et al (1999), James et al. (1999), Frankenberg et al. (1999) and Emmanuel et al. (1999). Their studies showed that the deterioration of the living standards of households living in rural areas is less likely than the households who are living in urban areas through the reduction of PCE. On the other hand, Gaurav et al. (2000) found that the living standards of the rural households have been hit harder than urban households by the crisis.

*Socio-economic factors* are also seriously considered as vital factors in determining the living standard. Four indicators are used in this part, each providing information on different aspects of the standard of living. They are: the education level of the head of household, assistance or benefits received from employer, family, friends and government, the labour market (including job status, job condition, and wages) and the household's coping mechanisms.

The education level attained by the head of the household appears to be a significant indicator of poverty for the purposes of the social programme, targeting both the household's relative position at any given time and its vulnerability to the decline in living standards over a period of time. More educated heads of households tend to be more productive.

Economic theory implies that more productive people will earn higher wages. Most of the empirical evidence supports the above economic theory. The less educated are more likely to be poorer than the more educated ones. For example, Stephen (1997), G. Paul et al. (1994), Thomas et al. (1999) and Grootaert (1999) found that the household's living standard is correlated positively with education.

On the other hand, the finding of the studies of Frankenberg et al. (1999), Gaurav (2000) and Emmanuel et al. (1999) showed that the crisis had a differential effect on the household living standard depending on the level of education of the household head. They stated that the living standard deteriorated more among households whose heads were better educated during the crisis period. Higher levels of education made them more vulnerable to wage reduction and employment shocks.

A study conducted by Garner (1991) showed that an increase in transfer payments, such as social security payments and unemployment compensation, would have similar effects on private capital formation and living standard. Another study (Frankenberg et al. (1999)) showed that almost 45 percent of households had received some sort of assistance during the crisis period, although for many households this assistance came from family and friends rather than from the

government or NGO's. Formal assistance has focused on distributing or subsidizing rice, sugar, and cooking oil. All kinds of assistance have had positive impacts on the well being of the households. This finding is strongly supported by a recent study by [Gaurav et al. \(2000\)](#) on crisis, poverty and income distribution in the Philippines. In the present study we consider the assistance as coming only from the employer and the government.

The living standard is seriously influenced by the loss of job and fall in wages that reflect labour market shocks. Gaurav (2000) investigated and concluded that the adverse impact on living standards increases significantly with the labour market shock. This is strongly supported by [Frankenberg et al. \(1999\)](#), [Sudarno et al. \(1998\)](#), [Paul et al. \(1994\)](#) and [Thomas et al. \(1999\)](#).

Any kind of coping mechanisms that usually emerge in the economic decline period is negatively related to the living standard. Recent empirical studies have shown that people, particularly poor people, have taken various mechanisms namely food coping mechanisms, health coping mechanisms, education coping mechanisms and transportation coping mechanisms to cope with the economic recession.

Most of them have found that the living standard has negatively been affected by these coping mechanisms. For example: [Frankenberg et al. \(1999\)](#), [Paul et al. \(1994\)](#), [Karim \(1998\)](#), [Asian Development Bank \(1998b\)](#), [Thomas et al. \(1999\)](#), [James et al. \(1999\)](#), [Haflah et al. \(1999\)](#), [Madeline et al. \(1999\)](#), and [Jessica et al. \(1998\)](#) stated in their empirical studies that to adjust their consumption with actual reduction of income and increased price of necessity goods, households have undertaken food, health, education and transportation coping mechanisms that have caused a negative impact on their living standard. Although they tried protecting themselves from the hardship that occurred from the crisis, their living conditions deteriorated seriously through poor nutrition, having an adverse effect on child development, terminating their children's education and having an increase in the incidence of certain diseases.

## **Chapter Three**

### **3.0. Statement of the problem/Research Question**

The major study on the impact of the financial crisis is to evaluate the condition of the living standard of low-income households.

This study will clarify who have been affected most, how they have been affected and how they are changing their behaviors in response to the crisis.

### **3.1. Aim of the Study**

The principal objective of this study is to empirically examine the impact of the financial crisis on the living standard of low-income households in Juba. To pursue the above objective, this study will:

- (i) examine the socio-economic conditions of low-income households in South Sudan who were affected by the financial crisis.
- (ii) explore households' responses to the financial crisis and coping mechanisms adopted to cope with the hardships experienced during the crisis period, and
- (iii) recommend policies to mitigate the impact of the financial crisis and economic shocks on households, in general and low-income households, in particular.

### **3.2. Limitation of Study**

The limitation of the study is the collection of data because the current financial crisis is a man-made crisis and the authority does not want researcher to get more details about it. Since it provides more rooms for rebellion against the ruling government.

When in the field to interview the households, the researcher ensures that the environment is safe for him to ask questions, always ask the right people who will not inform the local authority that there is a person asking question related to impact of the current economic situation.

## Chapter Four

### 4. 0. Methodology

The research methods are taken from two sources of data, Primary and Secondary data. The research has collected the secondary data from websites, printed report and other financial institutions.

The primary data has been obtained from households through face to face interview with people who are currently affected by the financial crisis.

Getting secondary data was somehow easy compares to primary data because you view websites using internet which consume money as well because internet service charges money. It also consume more times because you have to select the types of information you want which are relevant with the research.

The collection of primary data was not easy because you are talking to people in which some of them will not give you more information because they say that you want to expose their suffering to media houses.

Some people also fear to give adequate information thinking that the researcher may be a government agent since government does not want citizens to talk about the current financial crisis which is caused by the ongoing war in the country in which majority of people blame government of failing to bring peace to the country.

The researcher used to interview people in safe location because if he is found talking about the impact of financial crisis in the country that would mean that he is going to present the proposal to international community that may pronounce government as a failed government.

The researcher is collecting information with care since many journalists who talk about the financial crisis and failure of government to bring peace were arrested and some were shot dead in their residences or along the road when identified by the security organ.

**Sampling Data of questionnaire distributed**  
**Table No. 1**

Categories of respondents	Number questionnaire distributed	Number of respondents	Percentage of questionnaire responded
Salaried employed	300	260	87%
Self employed	400	300	75%
Others	590	480	82%

## Chapter Five

### 5.0. Data Presentation

The impact of financial crisis on the living standard of the households is signifying by low salaries in comparison to low income. Below is table showing the salary scales in Juba. This table is showing the grades from low salary scale to the high salary scale.

**Table No. 2 (Salaries Structures in Juba)**

	2013 – 2016	Dec-16		Dec-15		Dec-14		Dec-13	
Grade (scale)	Monthly Salary	Official USD/SP Rate	Salary equivalency in USD	Official USD/SP Rate	Salary equivalency in USD	Official USD/SP Rate	Salary equivalency in USD	Official USD/SP Rate	Salary equivalency in USD
17	220	73.32	3.00	18.50	11.89	3.10	70.97	3.10	70.97
16	229	73.32	3.12	18.50	12.38	3.10	73.87	3.10	73.87
15	280	73.32	3.82	18.50	15.14	3.10	90.32	3.10	90.32
14	324	73.32	4.42	18.50	17.51	3.10	104.52	3.10	104.52
13	336	73.32	4.58	18.50	18.16	3.10	108.39	3.10	108.39
12	390	73.32	5.32	18.50	21.08	3.10	125.81	3.10	125.81
11	496	73.32	6.77	18.50	26.81	3.10	160.00	3.10	160.00
10	773	73.32	10.54	18.50	41.78	3.10	249.35	3.10	249.35
9	922	73.32	12.58	18.50	49.84	3.10	297.42	3.10	297.42
8	987	73.32	13.46	18.50	53.35	3.10	318.39	3.10	318.39
7	1137	73.32	15.51	18.50	61.46	3.10	366.77	3.10	366.77
5	1436	73.32	19.59	18.50	77.62	3.10	463.23	3.10	463.23
3	1843	73.32	25.14	18.50	99.62	3.10	594.52	3.10	594.52
1	2167	73.32	29.56	18.50	117.14	3.10	699.03	3.10	699.03

The above table of salaries structure remains the same with proposal to double it for the year 2016 – 2017 which is not yet effective due to the ongoing crisis.

The war and resulting displacement have severely exacerbated humanitarian needs in a country that already had some of the world's lowest human development indicators.

The conflict has disrupted farming cycles, grazing patterns, and trade routes, and local markets have collapsed. Many of the displaced lost their livelihoods when they fled their homes.

Food prices have skyrocketed since the July fighting, leaving many unable to meet basic needs. The annual inflation rate surged to almost 730% in August 2016, with food costs rising almost 850%.

The value of the South Sudanese pound has dropped by close to 90% since the exchange rate liberalization in December 2015, while central bank international reserves have dwindled to a few days of import coverage.”

If you look at rate of SSP per USD in December 2013 to December 2014 remains the same despite of some changes in black market, however due to black market rate stability at SSP 18.5 per 1 USD then the government has adopted the rate as official rate in December 2015. After that the devaluation of South Sudanese local currency brought problem in the market due rapid changes of all food items in the market.

In July 2016 when another war broke out between the government and the rebel forces then the exchange rate raised from to 40 SSP per 1 USD to SSP 49 per 1 USD and SSP 55 SSP per 1 USD in the black market.

The salaries of civil servants remain the same with proposal that the increment would be effective in July 2016 and did not happen due to the war.

#### Living condition

The living condition of the household continues to deteriorate with a lot suicide cases recorded by Juba City Police in which both men and women committed suicide due to hard life they are living in as a result of financial crisis.

The life becomes difficult because even if a household member is having money that can sustain him/her today is not helpful because tomorrow will be a different story.

South Sudan import food items in neighboring countries of Uganda, Kenya, Ethiopia, Sudan and DRC Congo.

The insecurity of the roads to Juba is another case the put price up due to the maximum risk taken by the transporters and the business men who are bringing goods from those countries to Juba which is connected by roads despite that the only road that is tarmac and use for trade is from Uganda to Nimule in South Sudan then Juba.

The impact of financial crisis on the living standard of households in Juba is something that will remain in the mind people; as a result all savings of households are used. As in

Inflation: The South Sudan August 2016 inflation rate peaked to an all-time higher of 730 percent year-on-year, 70 points more than the 661 percent in July, due to an 850 percent rise in the cost of food and non-alcoholic beverages. Exchange Rate:

*Inflation: The South Sudan August 2016 inflation rate peaked to an all-time higher of 730 percent year-on-year, 70 points more than the 661 percent in July, due to an 850 percent rise in the cost of food and non-alcoholic beverages.*

□ *Exchange Rate: The South Sudan Pound hit a record low against the U.S. dollar in August 2016, exchanging at SSP 67/1\$ in Juba down from SSP 65/US\$ a month earlier. The SSP has lost further ground to the dollar in the first week of September exchanging at SSP 80/US\$ in the black market in Juba.*

□ *Cost of Fuel and Local produced Grains and Imported Staples: Fuel shortages, high cost of transportation, dollar scarcity in addition to insecurity along most trade routes and seasonal rains continued to disrupt trade between states as well as importation of food through Juba-Nimule Road. As a result, cereal and imported food prices sustained rising trends in many areas. Exception was in parts of the Greater Equatoria where prices of locally produced food (cereals, beans and vegetables) stabilized slightly month-on-month due to first season harvests. However, food prices remained significantly elevated when compared to the same period last year and the five year average in all markets.*

□ *Outlook: Looking forward, hyperinflation phenomena will most likely extend into 2017 given the scale of the prevailing insecurity, geo-political and economic crises facing the country. The relative price stability in Juba will most likely be short-lived given the lower harvest prospects due to insecurity and recent fighting in Juba that disrupted the first season harvesting.*

### **5.1. South Sudan Exchange Rate**

When the conflict broke out in December 2013 between the President Salva Kiir and his former Vice President Dr. Riek Machar, the South Sudanese Pounds begin losing its value against US Dollars.

Before December 15, 2013 the Bank of South Sudan (Central Bank) exchange rate was 2.95 SSP per 1 USD and 3.16 SSP per 1 USD in Forex Bureau, and the black market was 3.20 SSP per 1 USD. But when the conflict continues the SSP started losing its value from weekly bases.

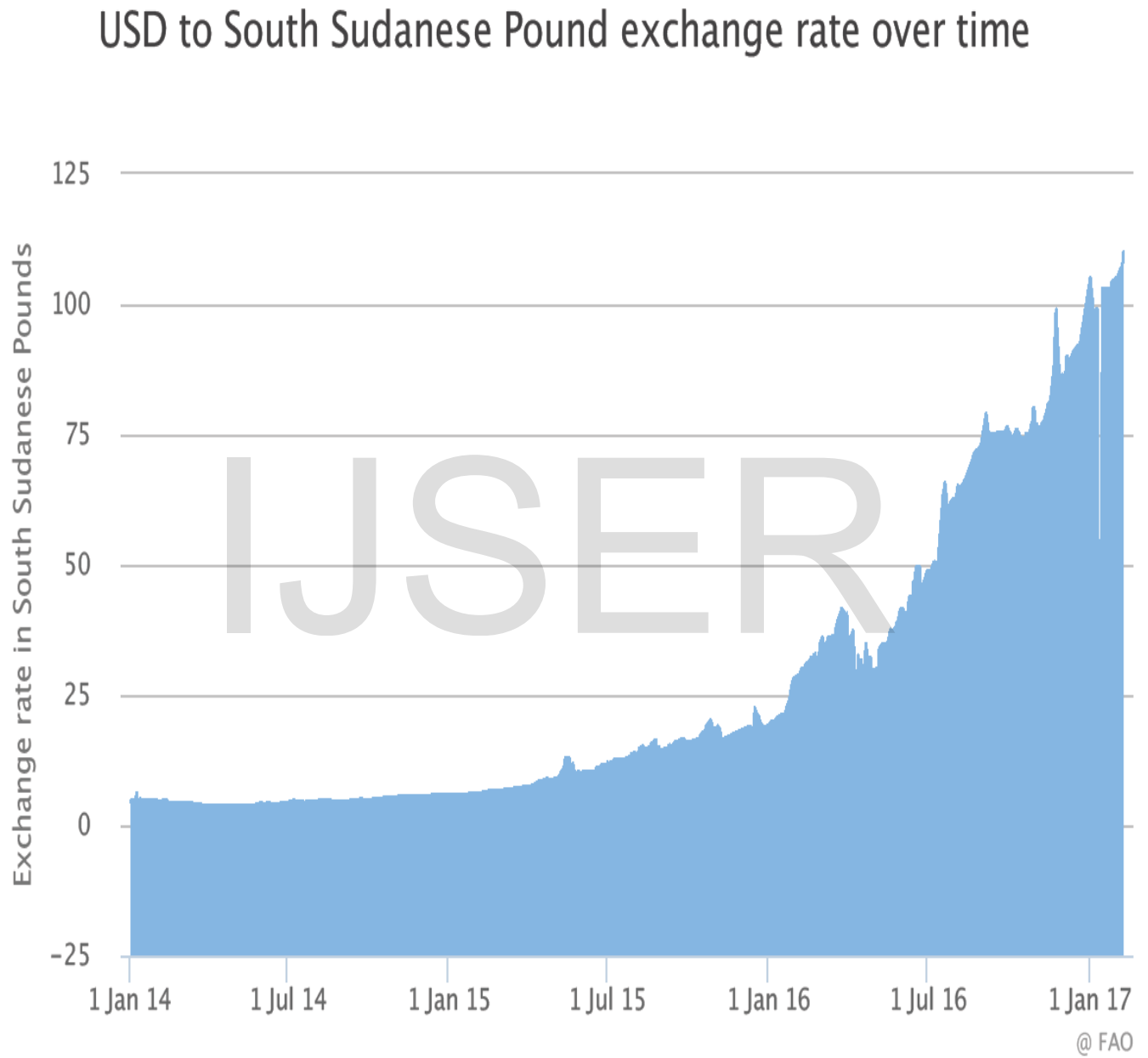
And the inflation in food items and non-food items was seen and felt by the households especially the low income group. To make the situation worst the Central Bank issued a decree devaluing the its currency from 2.95 SSP per 1 USD to 18.5 SSP per 1 USD, the reason behind move was to increase the salaries of civil servants due to deficit of national budget costs by the closure of South Sudan oil fields due war in December 2013.

Despite of those effort put in place by the government, the SSP continues losing it values, until South Sudan introduced floating rate to stabilized exchange rate. South Sudan financial crisis is caused by the war which shut down the oil production which generates 90% of revenues.



Below is the graph showing the exchange rate

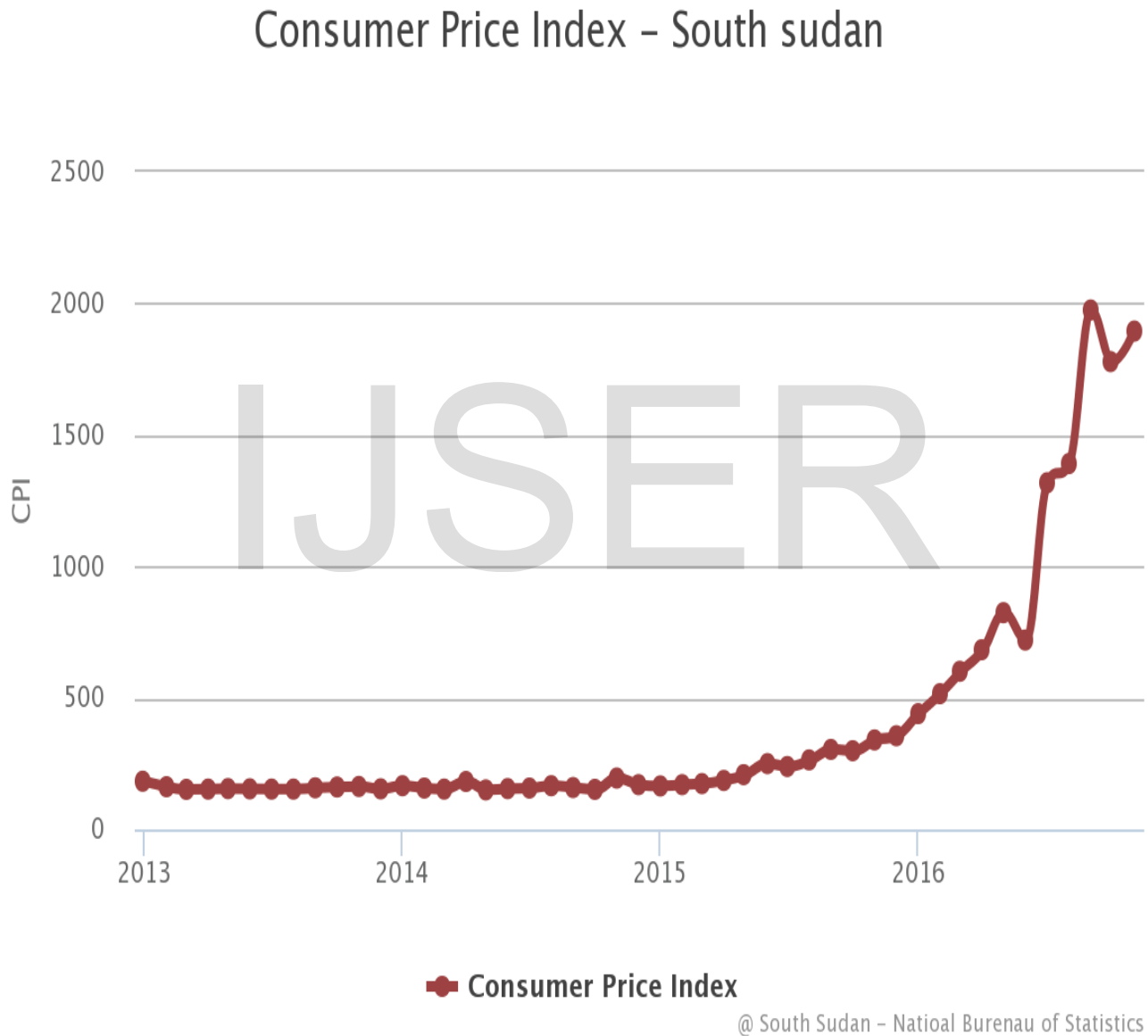
Graph Fig. 1



## 5.2. South Sudan Consumer Price Index

**Graph Fig. 2**

The consumer price index is calculated by recognizing the 9 items and now as stated by the graph below you can see how is consumption was risen due to the high prices of both food items and non-food items. Therefore, it was lower in 2013, 2014, 2015 and it was seen going up in 2015 and become worst in 2016 respectively.



### 5.3. Inflation

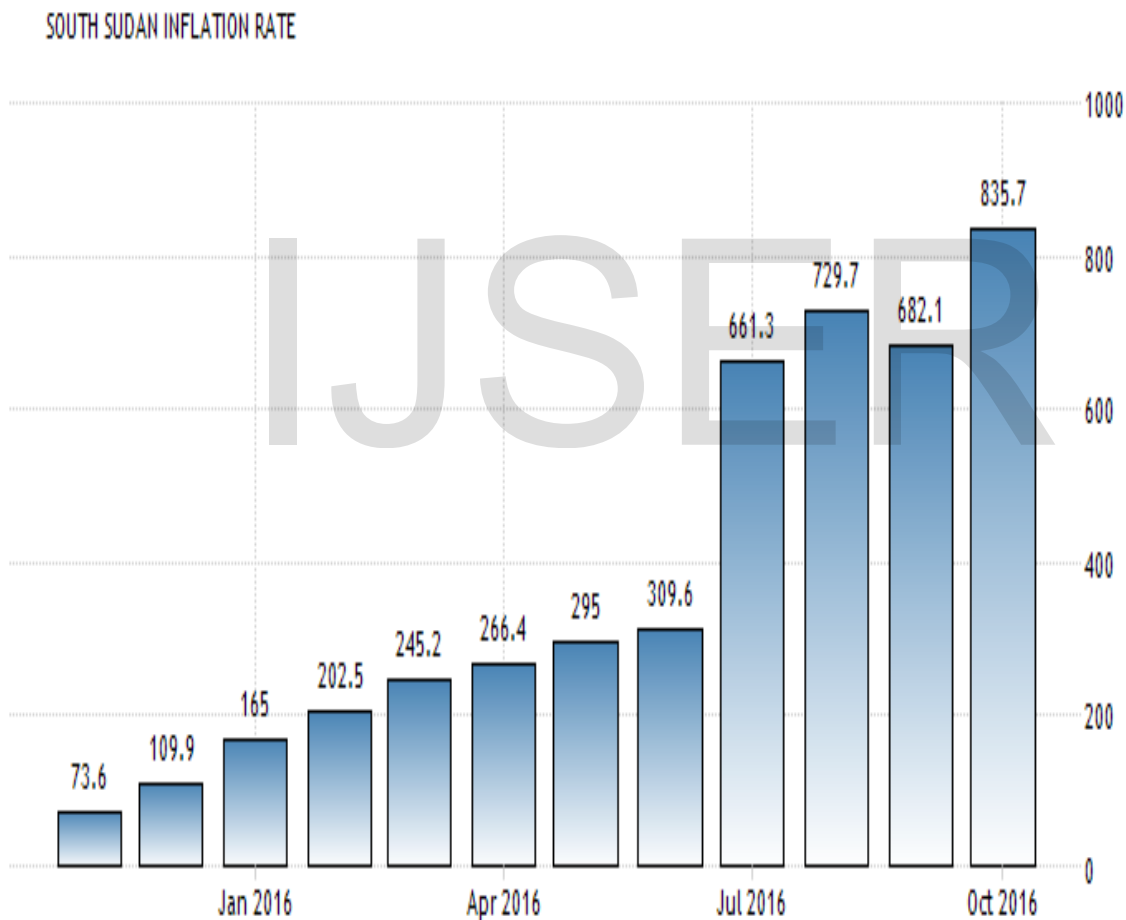
Inflation – an increase in the general level of prices or in the cost of living, an increase in the quantity of money, leading to a devaluation of existing money.

In South Sudan the current inflation is recorded highest in October 2016 as 835.7 percent, compares to it previous percentage of 54% in early December 2013 before crisis hit the country's economy.

South Sudan printed currency and devalued its currency but no change happened as it is termed as Man-Made Disaster (MMD).

Below is the graph showing the inflation rate in term of percentage in 2016.

**Graph Fig. 3**



SOURCE: WWW.TRADINGECONOMICS.COM | NATIONAL BUREAU OF STATISTICS, SOUTH SUDAN

### 5.4. The Cost of Minimum Basket Expenditure in Juba

The cost of minimum basket is defined on the basis of a food basket. The minimum food basket represents a basket of defined quantities of food products and contains the amount of food that is physiologically required (proteins, fats and carbohydrates) for a households to lead a normal life and have the ability to work. This data were collected in four largest markets in Juba.

The cost of living, measured by the Cost of Minimum Expenditure Basket (CMEB), showed an increase in the late 2014 and some decrease was seen from other commodities due to the harvest season.

The CMEB outlines the minimum items needed for survival of a household for one month where the staple foods such as sorghum and maize weigh more than other commodities. The CMEB was derived using data from the National Baseline Household Survey (2009) which provides dis-aggregated rural/urban data on household food and non-food consumption. The basket comprises the basic energy food requirements of 2,100 kilocalories per person per day, fuel for cooking and lighting and other non-food items like clothing, housing, water etc.

### The Cost of Minimum Basket Expenditure in Juba, 2014

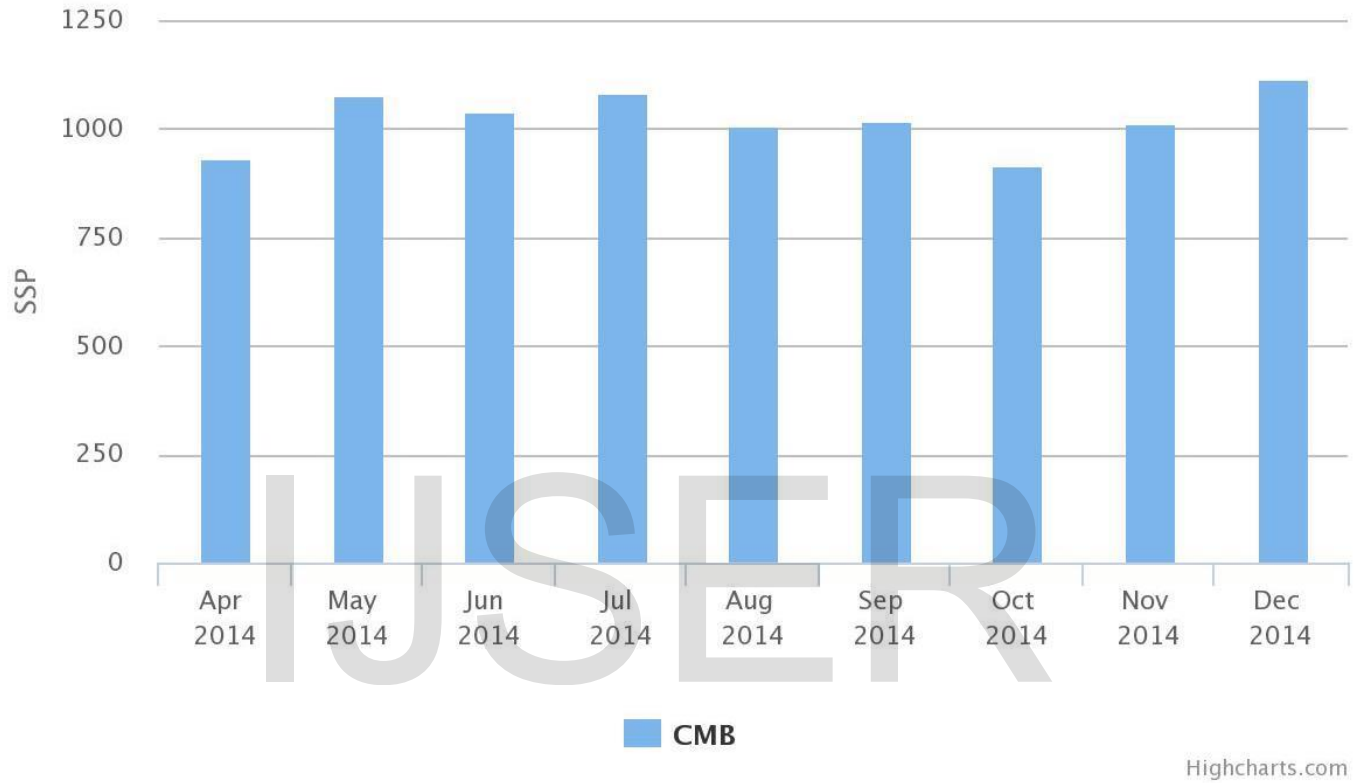
Table No. 1

Item description	Unit Amount per Household per Month Rounded	Unit of Measurement	Apr 2014	May 2014	Jun 2014	Jul 2014	Aug 2014	Sep 2014	Oct 2014	Nov 2014	Dec 2014
<b>Food</b>											
Sorghum	52.0	Kg	186.89	293.27	243.19	284.63	239.28	239.28	201.31	183.01	114.45
Maize	26.0	Kg	85.62	144.70	150.92	150.14	104.00	104.00	63.56	70.39	61.70
Rice	3.3	Kg	20.49	20.37	20.15	20.15	20.49	22.28	21.45	26.98	28.43
Wheat Flour	3.3	Kg	22.75	23.53	23.45	23.45	22.23	23.43	19.80	23.25	24.71
Vegetable Oil	3.3	Litre	33.00	32.57	33.00	33.00	33.00	33.00	31.04	30.77	31.96
Beans	6.5	Kg	58.84	62.74	64.32	64.32	64.32	64.35	173.18	128.14	161.30
Milk	6.w5	Litre	59.58	36.61	33.31	32.16	34.50	34.36	36.95	53.49	50.70
Meat	3.3	Kg	93.0	94.27	96.39	96.39	96.22	96.53	78.1	83.06	83.37

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Fish	3.3	Kg	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	105.60
Sugar	3.3	Kg	20.49	19.08	20.15	20.15	19.80	20.46	20.35	19.24	23.19
Vegetables/ Okra	16.3	Kg	250.50	253.71	261.66	259.94	272.81	278.73	119.06	249.93	272.04
Tea Leaves	0.5	Kg	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15
Coffee	0.5	Kg	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15
<b>Non Food</b>											
Clothing	6.1	pounds	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10
Housing	8.1	pounds	8.10	8.10	8.10	8.10	8.10	8.10	8.10	8.10	8.10
Water	15.0	Litre	29.21	29.32	30.00	30.00	30.00	30.00	18.75	15.48	17.40
Parafin	2.0	Litre	12.00	12.00	12.00	13.20	12.00	12.00	12.78	12.18	12.00
Firewood	5.0	bundle	0.00	0.00	0.00	0.00	0.00	0.00	75.00	65.00	72.19
Charcoal	10.0	Kg	23.68	24.35	20.00	24.21	24.21	26.00	12.50	17.11	20.00
Health	1.0	pounds	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10
Transport	1.0	pounds	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Communication	1.0	pounds	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Social Contributions	1.0	pounds	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Education	1.0	pounds	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Personal care	1.0	pounds	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10
Food Cost			833.55	983.15	948.84	986.63	908.95	918.72	767.1	870.56	959.75
Non-Food Cost			96.29	97.07	93.4	98.81	97.61	99.4	150.43	141.17	152.99
CMB Cost			929.84	1080.22	1042.24	1085.44	1006.56	1018.12	917.53	1011.73	1112.74

### Cost of Minimum Basket Expenditure in Juba, 2014

Graph Fig.4



### 5.5. The Cost of Minimum Basket Expenditure in Juba

The cost of living, measured by the Cost of Minimum Expenditure Basket (CMEB), showed an increase in 2015, there was no changes in most of commodities needed by household for survival and that resulted hardship, and majority of household members are self-employed and with few of them employed.

#### The Cost of Minimum Basket Expenditure in Juba, 2015

Table No. 2

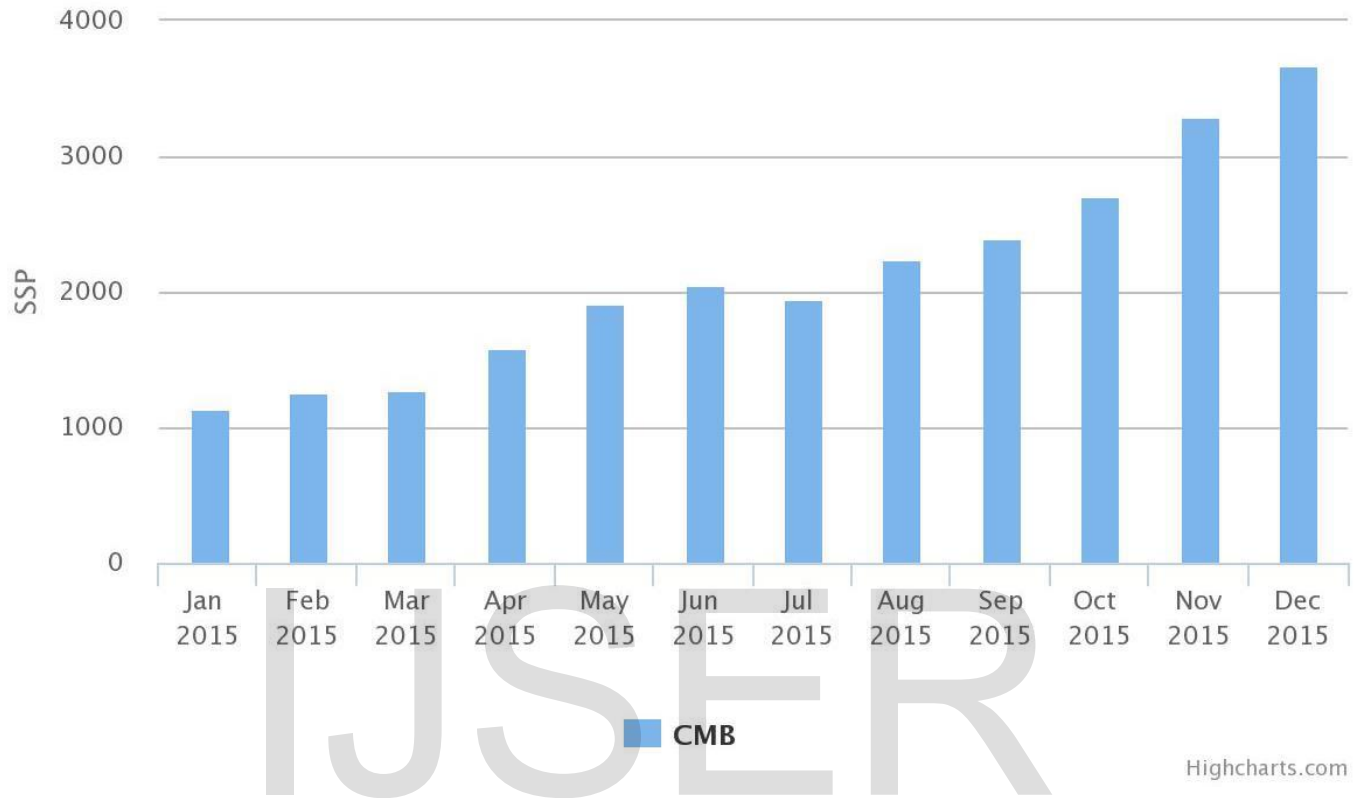
Item description	Unit Amount per Household per Month Rounded	Unit of Measurement	Jan 2015	Feb 2015	Mar 2015	Apr 2015	May 2015	Jun 2015	Jul 2015	Aug 2015	Sep 2015	Oct 2015	Nov 2015	Dec 2015
<b>Food</b>														
Sorghum	52.0	Kg	185.44	277.64	291.98	403.97	486.04	469.06	396.50	492.14	494.00	589.83	680.13	838.19
Maize	26.0	Kg	83.52	87.83	119.34	143.48	208.74	188.77	191.75	240.96	251.95	289.04	382.16	402.73
Rice	3.3	Kg	27.38	22.61	23.45	29.87	36.80	43.11	47.03	53.63	58.20	56.47	72.97	86.74
Wheat Flour	3.3	Kg	25.14	26.08	28.79	34.84	46.77	56.41	49.91	50.33	54.72	60.30	86.90	102.77
Vegetable Oil	3.3	Litre	37.37	38.63	35.55	40.56	58.40	61.83	67.86	66.83	76.50	73.26	94.46	94.29
Beans	6.5	Kg	68.97	51.37	62.27	107.25	117.98	148.08	148.28	126.75	139.21	199.55	216.67	196.39
Milk	6.5	Litre	69.88	65.23	72.35	84.50	98.40	84.50	125.53	127.21	169.81	213.20	295.75	251.73
Meat	3.3	Kg	97.93	92.40	97.47	115.23	147.37	120.06	132.00	171.60	172.92	189.75	205.43	235.24
Fish	3.3	Kg	93.94	84.93	97.22	105.44	130.68	142.66	126.50	130.46	127.97	140.96	156.34	185.74
Sugar	3.3	Kg	28.63	29.12	28.99	34.47	44.14	47.60	49.94	55.48	60.13	59.40	64.35	84.62
Vegetables/ Okra	16.3	Kg	260.80	333.90	235.77	288.42	321.79	470.23	378.39	476.19	525.22	565.07	710.21	843.53
Tea Leaves	0.5	Kg	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15

Coffee	0.5	Kg	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15
<b>Non Food</b>														
Clothing	6.1	pounds	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10
Housing	8.1	pounds	8.10	8.10	8.10	8.10	8.10	8.10	8.10	8.10	8.10	8.10	8.10	8.10
Water	15.0	Litre	18.00	16.88	15.00	18.26	18.57	20.56	30.00	30.00	30.00	30.00	30.00	30.00
Parafin	2.0	Litre	15.04	11.42	10.11	14.25	13.81	19.64	20.46	21.82	25.20	16.80	24.00	20.00
Firewood	5.0	bundle	76.79	63.06	96.92	103.86	127.14	122.19	101.00	115.33	126.00	131.88	161.67	171.54
Charcoal	10.0	Kg	21.47	29.12	24.52	27.37	25.31	25.63	50.53	55.26	58.00	59.00	70.00	93.85
Health	1.0	pounds	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10
Transport	1.0	pounds	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Communi cation	1.0	pounds	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Social Contribut ions	1.0	pounds	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Education	1.0	pounds	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Personal care	1.0	pounds	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10
Food Cost			981.3	1112.04	1095.48	1390.33	1699.41	1834.61	1715.99	1993.88	2132.93	2439.13	2967.67	3324.27
Non- Food Cost			162.7	151.88	177.95	195.14	216.23	219.42	233.39	253.81	270.6	269.08	317.07	346.79
CMB Cost			1144	1263.92	1273.43	1585.47	1915.64	2054.03	1949.38	2247.69	2403.53	2708.21	3284.74	3671.06



### Cost of Minimum Basket Expenditure in Juba, 2015

Graph Fig. 5



### 5.6. The Cost of Minimum Basket Expenditure in Juba

The cost of living, measured by the Cost of Minimum Expenditure Basket (CMEB), showed a rapid increase in the most of food items and non-food items as well. Therefore, living condition of the households is deteriorating due to the higher inflation. With majority of people seen by United Nations moving out the country to neighboring countries like Uganda, Kenya and DRC Congo.

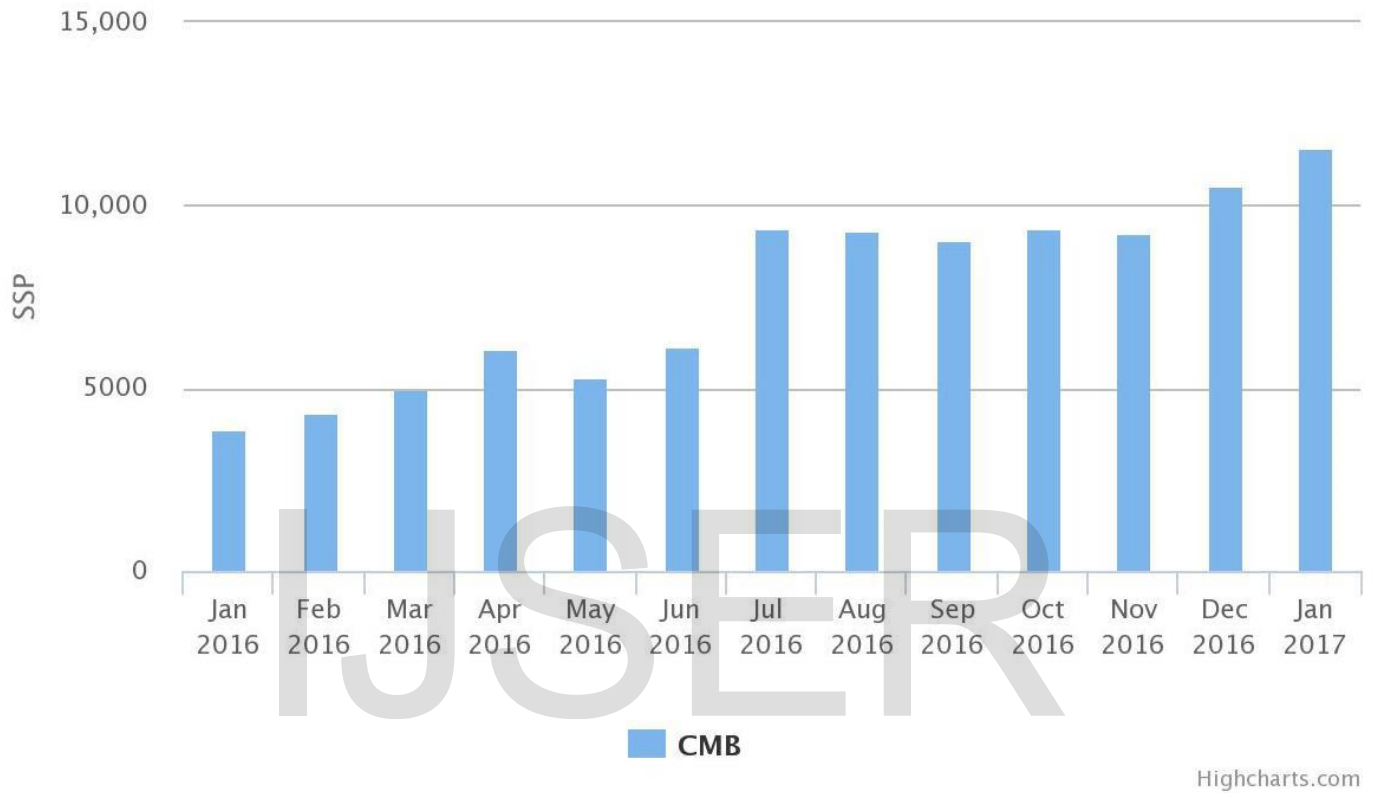
**Table No. 3**

Item description	Unit Amount per Household per Month Rounded	Unit of Measurement	Jan 2016	Feb 2016	Mar 2016	Apr 2016	May 2016	Jun 2016	Jul 2016	Aug 2016	Sep 2016	Oct 2016	Nov 2016	Dec 2016	Jan 2017
<b>Food</b>															
Sorghum	52.0	Kg	860.57	1027.84	1173.71	1420.88	1355.71	1704.52	2916.24	2916.95	2680.00	2242.50	2254.57	2999.29	2552.00
Maize	26.0	Kg	432.00	465.30	557.76	1164.80	591.50	826.43	1485.71	1318.16	1115.68	1450.14	1045.20	1373.67	1717.65
Rice	3.3	Kg	107.88	100.50	119.90	121.55	118.80	134.20	233.97	235.57	232.39	266.70	270.27	289.18	346.68
Wheat Flour	3.3	Kg	111.95	118.50	145.47	138.60	107.52	131.73	306.90	321.37	272.51	217.80	259.98	243.38	248.97
Vegetable Oil	3.3	Litre	121.85	152.70	166.65	173.52	136.95	199.47	254.10	287.45	274.09	323.92	319.69	438.90	465.12
Beans	6.5	Kg	225.00	252.32	317.96	327.17	283.29	312.46	473.78	463.13	472.64	507.00	541.67	559.00	686.83
Milk	6.5	Litre	217.75	209.86	263.55	338.72	356.57	361.11	379.79	466.38	487.88	468.00	571.46	405.03	595.16
Meat	3.3	Kg	273.30	289.80	280.23	374.82	404.25	446.97	444.32	514.33	685.61	740.92	771.93	689.70	1013.10
Fish	3.3	Kg	183.00	217.50	251.90	298.92	280.91	328.17	488.03	533.08	546.15	615.60	765.60	1074.56	1100.10
Sugar	3.3	Kg	93.00	114.77	133.92	123.48	113.44	164.63	239.25	251.96	250.47	262.42	298.38	316.64	360.43
Vegetables/ Okra	16.3	Kg	874.77	945.40	1081.7	1119.2	1006.5	1017.1	1412.3	1298.3	1258.3	1335.6	1222.5	1353.9	1534.92

					3	7	3	2	5	0	6	9	0	2	
Tea Leaves	0.5	Kg	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15
Coffee	0.5	Kg	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15
<b>Non Food</b>															
Clothing	6.1	pounds	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10
Housing	8.1	pounds	8.10	8.10	8.10	8.10	8.10	8.10	8.10	8.10	8.10	8.10	8.10	8.10	8.10
Water	15.0	Litre	30.00	30.00	30.00	30.00	30.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Parafin	2.0	Litre	37.00	53.00	60.00	60.00	0.00	0.00	124.00	85.00	135.71	135.00	140.00	0.00	205.33
Firewood	5.0	bundle	181.00	160.50	183.75	195.00	260.00	268.75	301.67	337.50	336.00	413.44	323.75	327.50	355.56
Charcoal	10.0	Kg	103.00	138.89	153.33	173.33	251.43	245.00	272.31	268.42	279.05	349.13	395.00	405.00	367.06
Health	1.0	pounds	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10
Transport	1.0	pounds	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Communication	1.0	pounds	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Social Contributions	1.0	pounds	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Education	1.0	pounds	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Personal care	1.0	pounds	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10
Food Cost			3503.37	3896.79	4495.08	5604.03	4757.77	5629.11	8636.74	8608.98	8278.08	8432.99	8323.55	9745.57	10623.26
Non-Food Cost			382.4	413.79	458.48	489.73	572.83	545.15	729.38	722.32	782.16	928.97	890.15	763.9	959.35

### Cost of Minimum Basket Expenditure in Juba

Graph Fig. 6



## Chapter Six

### 6.0. Interpretation/ Discussion

The impact of financial crisis is a talk of the day in Juba, when the government introduced the floating rate and against USD per SSP then that was the beginning of the current problem.

#### 6.1. The genesis of the crisis

In December 2015, South Sudan's finance minister announced that the currency rate of about 3 South Sudanese Pounds (SSP) to the U.S. dollar, which had been fixed at that same rate since independence in 2011 would now float according to the market value.

The black market rate, which had grown to about five times the official rate, became one with the official rate, causing the value of the SSP to drop immediately by 84 percent.

The fallout for South Sudanese consumers and low-income workers who were already struggling with rising prices and inflation has been swift and acute. Food prices have risen during a time of the year when they usually drop.

Fuel prices have tripled almost quadrupled by some reports, fuel shortages have been responsible for the deaths of some of the country's most vulnerable people.

#### 6.2. Economic winners, losers, and the implications of currency devaluation

The painful effects of the devaluation and floating exchange rate policy are made more acute by South Sudan's heavy dependence on imports of basic commodities like food and medicine. Before the currency shift, taxes on imported goods were based on the official exchange rate of almost 3 SSP to the U.S. dollar.

Devaluation caused customs duties on these commodity imports to increase by five or six times, though the government has also announced a reduction of customs taxes on imported food. Impoverished South Sudanese consumers have nonetheless paid the heaviest price for the country's economic hardship.

News reports indicate that a 110-pound bag of wheat flour, which had sold for 300 SSP before the devaluation, sold for 1,000 SSP in January 2016 and now sells 3,200 SSP. Sources in Juba tell enough that a 110-pound bag of corn that cost 135 SSP in March 2014 now costs 2,100 SSP, two years later.

Consumers must either pay five times as much for essential food items or purchase a fifth of the volume of food that they need. Many people cannot afford to buy food or other basic goods and services.

High fuel prices also provide some income for the government but also mean that many people cannot afford to move around for work or other purposes.

In late January 2016, the government increased the salaries of public servants by 300 percent in an effort to mitigate some of the effect of the currency devaluation. However, for many local residents, fixed or insufficiently increased salaries have been far outpaced by the soaring cost of living.

Some taxes are flowing into government coffers, but many South Sudanese consumers cannot afford to pay for their basic living expenses and the commodities that are available.

### **6.3. The costs of volatility in the local money supply**

The South Sudanese money supply problems in the months leading up to December that prompted the floating of the SSP were complex.

The South Sudanese government, which has depended for almost 100 percent of its revenue and foreign exchange on oil, had seen dramatic declines in production levels, quality, and the global price of oil since independence in 2011.

Sudan's central bank records show sharp increases in the money supply, which more than doubled since April 2014.

The government estimated that it would have \$100 million per month in revenue for the 2015/2016 fiscal year. Sources anticipated that the Ministry of Finance would sell the dollars from this revenue to the Bank of South Sudan (central bank) at the new devalued rate of 18.5 SSP to the dollar, as opposed to the previous 2.96 SSP to the dollar.

South Sudanese officials therefore calculated revenues would total 1.85 billion SSP—or \$100 million. Half of that amount, officials estimated, would go to public spending and the other half would address the fiscal deficit and also cover domestic debt servicing for the banking sector, which is now about 16.5 billion SSP.

Following South Sudan's currency devaluation and exchange rate regime shift, the country's central bank began auctioning off millions of U.S. dollars to South Sudanese commercial banks, with the dollars coming from South Sudan's Special Drawing Rights at the IMF.

The intent was to raise the value of the South Sudanese currency to offset the toll of devaluation. Pumping dollars into the market has allowed the South Sudanese government to buy up the local currency and increase its value. But there are at least two critically untenable dynamics at work undermining this approach and further exacerbating the economic situation.

First, there are early indications detected by some experts and analysts that the process of infusing dollars through the auction to the commercial banks has not caused dollars to reach an open market of buyers and sellers. Dollars have instead reached a closed market of insiders who have held on to that cash.

Second, through these dollar infusions, South Sudan's foreign currency resources are being depleted much faster than they are being replenished. By some estimates the foreign currency will run out and be unable to support the interbank market for foreign exchange by the fourth week of February 2016.

When South Sudan's foreign currency stops flowing into the banking system, without free circulation of the dollars that have already been injected into the economy, inflation is inevitable—particularly if the South Sudanese government is unable to borrow more foreign currency. The government will be forced to print money to make payroll.

The floating exchange rate regime, which was implemented in part to unify the official and parallel exchange rates and to counter currency speculation and arbitrage, has failed. The current official exchange rate is 120 SSP to the dollar but on the black market.

The exchange rate gap is widening once more. Cartels are engaging in insider trading and still benefiting disproportionately from the current interbank market for foreign exchange.

#### **6.4. Loss of income and foreign currency**

There are growing concerns about further deterioration of South Sudan's economic situation with the risk of capital flight and the potential for an oil production shutdown.

Before the currency devaluation in December, hard currency shortages and rising inflation had begun to hurt sales for many national and internationally affiliated businesses in South Sudan. Devaluation meant an overnight loss of more than 80 percent of the value of the domestic currency held by everyone, including businesses.

The limited foreign currency auctions between the central bank and the commercial banks have now created incentives for the businesses that seek to cut their losses and leave South Sudan to exchange their local currency for the foreign currency and move their assets out of the country.

The drop in global oil prices has meant South Sudan is getting little to no revenue from its Dar blend oil and at a point had begun effectively paying more than it was receiving to export its oil.

A barrel of Dar blend oil currently sells for approximately \$20—\$10 less than a barrel of the higher quality Brent crude oil. Out of the \$20, Chinese, Malaysian, and Indian oil firms deduct their shares. Juba has also been paying a fixed fee of \$24 per barrel to Khartoum—\$9.1 in oil transit and transportation and \$15 for a transitional financial arrangement—as part of an agreement signed in 2012.

With the slump in global oil prices, South Sudan has been losing at least \$4 on every barrel it exports, meaning it has little incentive currently to pump. Some of the fees could potentially be adjusted, if Sudan and South Sudan reach agreement on the terms, to ease South Sudan's fee burden.

Overall, however, the oil that was once a lucrative sole source of revenue for South Sudan is no longer generating revenue, and there is no alternative source of revenue or foreign currency readily available to replace it.

## Chapter Seven

### 7.0. Summary, Conclusions, and Recommendations

#### 7.1. Summary

The impact of financial crisis become difficult to households, especially the low income households who cannot afford the basic food items for daily living.

In this study it is mentioned that majority of the household could not afford the food items and non-food items due to hyperinflation in the country caused by the conflict.

The exchange rate has made the life difficult because most of the food items are imported from the neighboring countries of Ethiopia, Uganda, Kenya, Sudan and DRC.

I also mentioned about the insecurity that disrupt all commercial activities due to the ongoing fighting between the warring parties, government and rebels.

Fuel shortages are responsible for death of vulnerable people in South Sudan because transporting goods need fuel and fuel is expensive, 1 litre of fuel was increased by government from 6 SSP to 22 SSP and it is not even available in fuel stations in most cases.

But many witness that government sells the fuel to people outside fuel stations with 1 litre at 150 SSP to 200 SSP that is in the black market.

The floating exchange rate against USD contributes more problem to current financial crisis with low supply to market and demands of hard currency is very high because many households fled the country due to the ongoing war. Central Bank auctions the dollars to commercial Banks and commercial banks to forex bureau and black markets.

Oil production is shut down in most oil fields with less than two third of oil production active in the country and the country generate 90% of its revenues from the oil.

Devaluation of South Sudan currency against US Dollars add more problem to current financial crisis.

Printing additional currency notes by Central Bank was one the problem causing more inflation and resulted for government borrowing from external bodies to depend itself and continues to rule the country.



## 7.2. Conclusion

The impact of financial crisis on the living standard of households in Juba, South Sudan will provide details on how to copy up with economic crisis.

Some measures to be adopted by household members to manage their income during financial crisis.

Austerity budget of household has been restructured to live as per situation caused by the inflation.

## 7.3. Recommendation

Ensuring adequate internal security that is required for sustained strong economic development and improved well-being of citizens throughout the country. The government should bring peace so that the people resume their normal life.

Government should regulate and supply enough foreign currency to the market and access to all people without restriction.

Government should reduce taxes and makes fuel available in the fuel stations and not sold in black market.

Responding to the challenges that stem from current and continued rapid growth in population and the labor force.

Promoting a broad-based economic growth to reduce the current heavy dependence on the oil economy.

Developing targeted programs that will result in a sustained reduction in the current financial crisis which are very high levels of poverty in the country.

Crafting a major program of infrastructure development to overcome the current major bottlenecks to business activity and cost-effective delivery of basic services throughout the country.

Providing a stable macroeconomic environment that will create an attractive operating environment for domestic and international business and ensure economic stability for the people of South Sudan.

Addressing a range of issues related to the gradual adjustments in public expenditure policies that will be required in the medium- and long-term in response to changing domestic needs and requirements for public service provision.

Designing and implementing programs that will address the current institutional and human capacity constraints that confront South Sudan.

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## Bibliography

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#### Summary

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#### Work Experience

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<b>Mar 2014 - Present</b>	<b>Food and Agriculture Organization</b> Admin/Operations Assistant	<b>Juba, South Sudan</b>
<b>Nov 2013 – Feb 2014</b>	<b>Food and Agriculture Organization</b> Rural Finance Officer	<b>Malakal, South Sudan</b>
<b>Jun 2012 – Nov 2013</b>	<b>Finance (SS) Ltd.</b> Branch Manager	<b>Juba, Malakal, Wau (South Sudan)</b>
<b>Feb 2012 – May 2012</b>	<b>BRAC South Sudan</b> Audit Officer (Internal Audit)	<b>Juba, South Sudan</b>
<b>Jul 2011 – Nov 2011</b>	<b>Sudan Field of SDA Church</b> Accountant	<b>Khartoum, Sudan</b>
<b>Oct 2007 – June 2008</b>	<b>American Refugee Committee (ARC)</b> Loan Officer	<b>Malakal, Sudan</b>

#### EDUCATION

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<b>Jul 2014 – Current</b>	<b>Don Bosco University</b> Finance, MBA (online)	<b>Guwahati-Assam, India</b>
<b>Jul 2008 – Sept 2011</b>	<b>Ethiopia Adventist College</b> Accounting, BA GPA 2.90/4.00	<b>Shashemene, Ethiopia</b>
<b>Jul 2006 – March 2007</b>	<b>Ayod Secondary School</b> Sudan School Certificate, 67.3%/100%	<b>Malakal, Sudan</b>

Aug 2003 – Feb 2004 **Both Diu Basic School** **Malakal, Sudan**  
Basic School Certificate, 141/230 marks

**Other Certificates**

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2016	Fraud/Corruption Control	International Institute of Certified Forensic Investigation Professionals INC. Nairobi, Kenya
2015	Contract Management	The World Bank, Washington, D.C., USA
2015	ISO 9001 QMS Auditor/Lead Auditor	Udemy, San Francisco – USA
2015	Citizen Engagement and Preventing Corruption	UNPAN, New York – USA
2009	Electronic Accounting	Arabic Technical Company, Khartoum- Sudan

**IT Skills**

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Microsoft Office tools/Accounting Software

- MS Word, Excel, Outlook Advanced
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- QuickBooks, Saga, Peachtree and GRSMS

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- English Fluent
- Arabic Working Knowledge
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