



THE SUDD INSTITUTE

RESEARCH FOR A PEACEFUL, JUST AND PROSPEROUS SOUTH SUDAN

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Weekly Review

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Poverty and Currency Floating in South Sudan

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I. Introduction

South Sudan recently floated its currency against a dollar, invoking astronomical hikes in prices across the board. Owing to low local production, the world's newest country imports just about anything, essentially lending little use for its currency in the international markets. This monetary policy change in an economy that is largely imports dependent has resulted in serious social security or livelihood consequences for many households, especially those whose monthly earnings fall below 2,000 pounds. While this decision seems long overdue as a way to correct longstanding market distortions, increasing the population's cost of living prior to raising wages or applying any other appropriate measures creates more problems than it tries to solve. The policy, to this effect, has certainly exacerbated poverty incidence in a country where over 50 percent of the population lived on less than a dollar per day in 2009 (NBS 2009).

That majority of the working South Sudanese are now poorer than they were 7 years ago births a number of risk factors. First, poverty subjects individuals to poor health conditions and accelerates mortality. Secondly, poverty encourages crimes (economic or otherwise), which now seem to be on a rise since the nation's economy commenced to weaken in 2012. Thirdly, poverty impairs individuals' productive capacity, hence less economically productive nation. Finally, poverty fans political conflicts, especially in youthful settings where the delivery of basic services is incredibly inadequate.

Using market and public wage data, this weekly review analyzes the extent to which the floating of pounds impacts on social security or living standards of the South Sudanese. It argues that increasing the prices of imported goods via currency floating without augmenting basic wages or subsidizing basic consumption goods is riskier a policy than maintaining the status quo. The analysis concludes with increased wages and subsidies as an immediate policy instrument to stir the nation away from persistent, nagging instability. The rest of the review details our argument.

II. Poverty prevalence in South Sudan

Over half of the South Sudanese population or roughly 51 percent, according to the National Bureau of Statistics (2009), live below the poverty line. That is, as many as 4 million South Sudanese based on the 2008 official statistics, lived on less than a dollar per day nearly 7 years ago. This number has dramatically increased following the currency floating. In 2009, 72.9 pounds or \$1.29 per day was the point at which an individual South Sudanese supposedly broke with poverty. Seventy-three pounds is now equivalent to 688 current pounds, which is the average income for those receiving minimum wages. Presently, this amount is well below the average cost of living, a sign of deteriorating livelihoods in the country. Given example, a three-member household now needs about 3,000 pounds per month to retain a decent living. Thus, many of the households earning 2,000 pounds or less have now dropped into the poverty segment, placing majority of the South Sudanese under a situation of impoverishment.

III. Floating and wages

Following the floating, the cost of a dollar went up 625 percent, but the wages remained constant. This impacts massively on the purchasing power of households or individuals. Let's look at this relationship more closely. A wage of 700 pounds per month before the floating represented \$236.50. Following the roll out of this new policy the same wage now stands at \$37.84, placing those earning this much under humiliating economic circumstances. If this inflation were to be reflected in essential wages, a salary of 700 pounds then translates into 4,375 current pounds. Thus, any policy response from the authorities will need to thoroughly evaluate this basic relationship to generate adequate remedial measures.

IV. Cost of basket of essential goods after floating

A basic food basket for an average South Sudanese household per month contains flour, cooking oil, beans or lentils, a few vegetables, meat, rice, tea, and sugar. A conservative sample of those basic food items shows that a bag of 50kgs worth of flour now costs 700 pounds, 20 liters of cooking oil 600, 10kgs of onion 300, 50kgs bag of beans 1,100, a kg of meat 100, and 50kgs bag of rice 1,000. Considering the household purchases at least a kg of meat per week, in addition to all these other basic food supplies, then its monthly cost of living stands at least 4,100 pounds.

V. Poverty, health, mortality, and economic production

Economic deprivation has grave consequences for one's health. It means recurrent exposure to health problems and limited access to healthcare services. It elevates morbidity and mortality, hence relatively low life expectancy in many of the low-income societies (Montgomery et al 2005). Due largely to abject poverty, South Sudan's child and maternal health experiences have remained the worst in the region for the last decade, with average years of life at birth in the country not exceeding 60. Similarly, health and economic development are inextricably linked. That is, poor health leads to

low economic production (Bloom et al 1998). Therefore, the floating that has little emphasis on wages and other mechanisms that support well-being exacerbates these poor health circumstances for majority of the South Sudanese, situating them on a very dangerous path of human development.

VI. Poverty, crimes, and political conflicts

Poverty amplifies potential for involvement in crimes, especially the economic ones. The currency floating policy compounds this problem. In particular, economic crimes have been on a rise in South Sudan immediately following the discontinuation of oil production in 2012. Since then, there have been numerous reports of robberies and even murders in the nation, as citizens become poorer and poorer. As the economic stress hits a new level, these criminal activities are now beginning to involve some elements of the organized forces whose current income is too low to make the ends meet. Our interviews with some members of these forces confirm this undertaking, with nearly all of the respondents suggesting that robbery may become the way to subsist since public service employment does not provide even for the barest minimum of one's needs. Married individuals with children are particularly more distressed.

Moreover, being poor is a cause for engagement in political violence or conflicts. Hungry, redundant youth, as is ubiquitously the case in South Sudan, are likely to be co-opted by militant groups and violent oppositions. The more South Sudanese youth become economically disgruntled, the more likely they are to fan violence, political or otherwise. All of this isn't good news for an infant nation that is trying to end a devastating civil war.

VII. Conclusions

As South Sudan attempts to escape fragility through the Agreement on the Resolution of Conflict in South Sudan (ARCISS), guaranteeing decent economic access to all its citizens demands primacy. The new policy, however, falls short of this objective. Instead, it intensifies poverty and methodically deprives majority of the country's households of basic food supplies. To make the policy more deserving, basic wages must be boosted at least 5 times. This could address a number of socioeconomic and political troubles the country currently faces. Moreover, other mechanisms can also be enlisted, such as subsidies for basic supplies, namely food, fuel, medicines and medical services, transport, water, and educational materials.

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The Sudd Institute is an independent research organization that conducts and facilitates policy relevant research and training to inform public policy and practice, to create opportunities for discussion and debate, and to improve analytical capacity in South Sudan. The Sudd Institute's intention is to significantly improve the quality, impact, and accountability of local, national, and international policy- and decision-making in South Sudan in order to promote a more peaceful, just and prosperous society.

Author's Biography

Augustino Ting Mayai is cofounder and Director of Research at the Sudd Institute. He is also an assistant professor at the University of Juba's School of Public Service where he teaches courses in program evaluation, research methods, and econometrics. As a demographer, his major research interests include childhood mortality in South Sudan and Ethiopia, applied quantitative methodology (econometrics), applied development research, social accountability and public service delivery, and the demography of conflicts and violence.