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ECONOMIC RESILIENCE IN SOUTH SUDAN

Mercy Corps – Crisis Analysis

FEBRUARY 2025

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Executive Summary

However difficult to track, the effects of economic crises are real and multiple. This report looks at how recent developments are affecting the South Sudanese economy, and uses secondary data review and analysis to trace the impacts of these developments on community resilience. The report aims to inform decision-making and program design among aid actors, while feeding into future analysis and research in the resilience space.

In addition to the conflict and climate crises, another chronic crisis impacting South Sudan has been the consistent deterioration of the country's economy, which drives needs and drains resilience within South Sudanese communities.

A review and analysis of recent secondary data reveals a challenging economic landscape marked by successive and overlapping shocks. The result has been a continuous economic deterioration, with little evidence of recovery. Recent developments, meanwhile, have tipped the South Sudanese economy over the edge, the most visible indication of which was the runaway inflation that accelerated throughout 2024.

Recent data also paints a picture of populations adapting to these challenges, even as their resilience is stretched to the limit. Aid actors must ensure that interventions are aligned with these adaptations, to ensure that aid is boosting rather than undermining the resilience-building and coping strategies emerging in response to crises in South Sudan.



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Context

Political stagnation and fragmentation

Six years since its signing, the Revitalized Agreement on the Resolution of the Conflict in the Republic of South Sudan (R-ARCSS) has been only partially implemented. Many key articles relating to elections, transitional justice and security sector reforms remain pending at the time of writing.¹ Meanwhile, politics in Juba have fueled the fragmentation of armed groups driving intercommunal violence in various parts of the country, with Armed Conflict Location and Event Data (ACLED) showing a steep rise in the number of active militias since 2018.

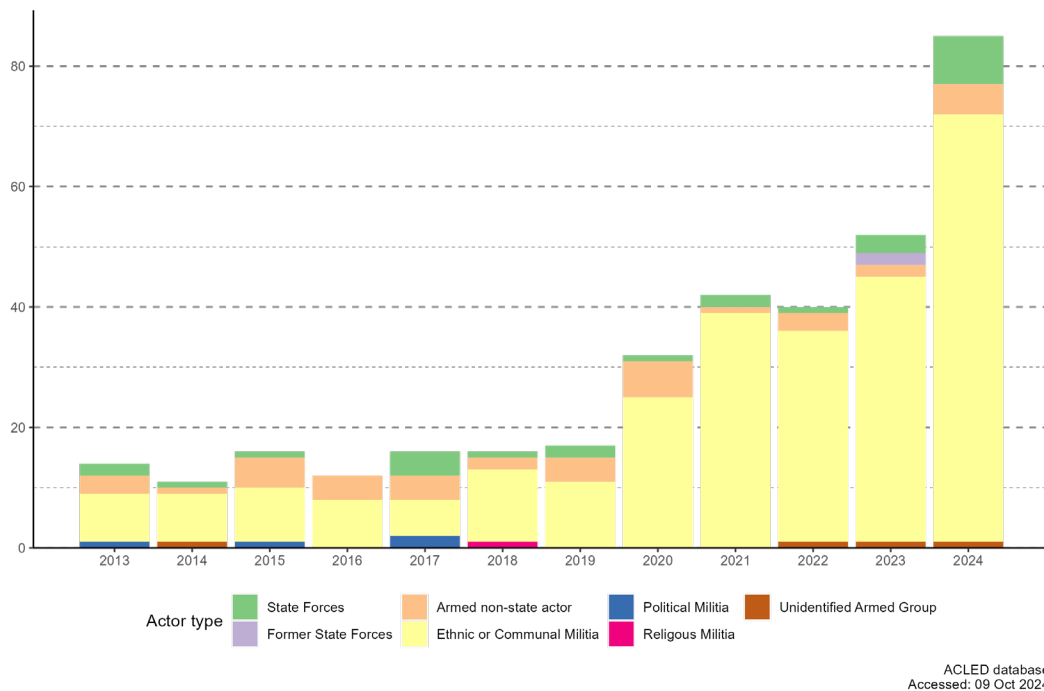


Figure 1. Actors involved in political violence events in South Sudan per year (excluding civilians).
(Source: ACLED/Mercy Corps)

This has meant that, despite the signing of the peace agreement in 2018 and the cessation of official hostilities, violence by militias has spiraled in hotspots across the country, aggravated by the increasing fragmentation of opposition.²

This political stagnation and fragmentary conflict landscape looks likely to persist, particularly since the announcement in September 2024 of another postponement of the country's elections and the extension of the transitional period for the Revitalized Transitional Government of National Unity (R-TGoNU) by a further two years. This news was met with widespread discontent within civil society and the international community, with at least eight diplomatic missions expressing 'disappointment'.³ It has also imperiled the already fraught Kenya-chaired Tumaini Peace Initiative aimed at securing peace with armed groups not signed on to the R-ARCSS agreement.⁴

¹ Reconstituted Joint Monitoring and Evaluation Commission, "[RJMEC report on the status of implementation of the revitalised agreement \[...\]](#)," 16 July 2024.

² Council on Foreign Relations, "[Instability in South Sudan](#)," 11 July 2024.

³ Reuters, "[International peace guarantors criticise South Sudan election postponement](#)," 19 September 2024.

⁴ Radio Tamazuj, "[Opposition official names Tumaini Initiative 'saboteurs'](#)," 25 October 2024.

Deteriorating humanitarian conditions

With elections delayed and other peace initiatives mired in challenges, the current political climate in South Sudan is likely to remain stagnant, making the prospect of a seismic shift in the context slim. This is without mentioning the long deteriorating humanitarian conditions in the country, where 56% of the population is suffering acute food insecurity, including over 2.4 million in the IPC Phase 4, 'Emergency', category. Acute hunger has remained a chronic challenge in South Sudan for many years and across much of the country.⁵

Food insecurity is projected to remain severe following another record year of climate-induced flooding and sporadic conflict, both disrupting access to production. The multiple crises driving hunger in South Sudan do not simply overlap but mutually exacerbate one another, accelerating the deterioration in humanitarian conditions. Successive years of worsening floods have displaced populations, damaged pasture and cropland, and forced pastoralists to adapt their migration paths. This brings them into contact with other communities at critical junctures during the season, triggering communal conflict that displaces agrarian communities at key harvest times or leads to livestock deaths and banditry, damaging livelihoods and further deteriorating food security.⁶

Climate change projections for South Sudan indicate that the country will experience increased rainfall and a heightened risk of heavy precipitation in all climate scenarios. Without adequate climate adaptation, the shocks and stresses caused by such flooding will continue to exacerbate conflict risks. Should the South Sudanese government prove unable to address the resulting damage, an already fraught state-societal relationship and damaged social fabric will only worsen as the climate-driven crisis becomes a catalyst in a complex conflict context.⁷⁸



5 IPCinfo, "[South Sudan: Acute Food Insecurity Situation](#)," 06 November 2023.

6 International Crisis Group, "[Floods, Displacement and Violence in South Sudan](#)," 27 October 2022.

7 World Bank, "[Climate Change Knowledge Portal](#)," [Accessed 02 January 2025].

8 Mercy Corps, "[Addressing the climate-conflict nexus](#)," October 2023.

Economy

Dependence, shocks and debt

South Sudan's primary export is crude petroleum, accounting for 41.6% of GDP and over 85% of government revenue in 2022. It is therefore difficult to overstate the role of the oil and gas industry in the economic landscape of the country.⁹¹⁰ Despite its primacy, the industry has not proven resilient to national or global shocks, in part due to three structural vulnerabilities. The first is South Sudan's low oil production relative to global supply, which has limited its bargaining power even after joining OPEC+. ¹¹ The second vulnerability is the country's dependence on oil pipelines to Sudan's Red Sea terminal for exports, and the third is its aging oil infrastructure and limited investment in maintenance or upgrades, which have brought production down from its peak of 350,000 barrels per day in 2011 to 150,000 in 2024.¹²¹³

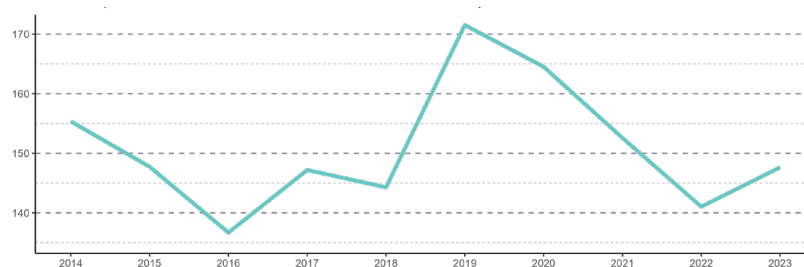


Figure 2. Crude oil production in South Sudan (thousands of barrels daily).
(Source: Energy Institute/Mercy Corps)

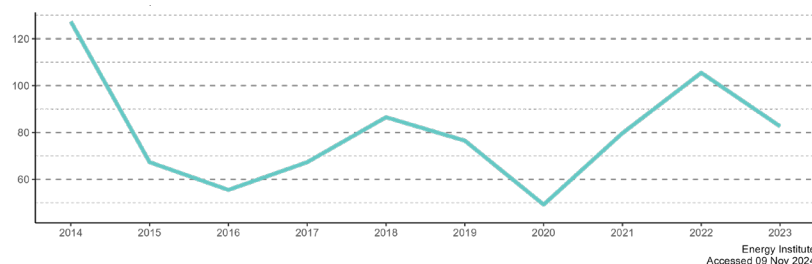


Figure 3. Crude oil barrel price (in 2023 USD).
(Source: Energy Institute/Mercy Corps)

The first major shock to the country's oil and gas industry was the outbreak of the South Sudanese Civil War, which occurred alongside a dispute with Sudan impacting the export of South Sudanese crude petroleum.¹⁴¹⁵ This was ameliorated by the Compromise Peace Agreement, which failed to end the civil war in 2016 but succeeded in shifting the conflict away from the oil-producing states of Unity and Upper Nile, which were both experiencing or at risk of famine in 2017.¹⁶¹⁷ This period also saw a drop in global oil prices between 2014 and 2016, further impacting revenue from the country's most critical export.

9 Africa Development Bank, "Africa Economic Outlook 2024," April 2024.

10 International Crisis Group, "Oil or Nothing: Dealing with South Sudan's Bleeding Finances," 06 October 2021.

11 US Energy Information Administration, "What is OPEC+ and how is it different from OPEC?" 3 July 2023.

12 Reuters, "South Sudan says it is ready to restart pumping oil through Sudan," 17 September 2024.

13 K. D. M. Dr. Akashraj D.P., "The Impact of Ageing Facilities on Oil Production in South Sudan," International Journal of Research and Review (7.11), 2020.

14 Al Jazeera, "Sudan threatens halt of South Sudan oil flow," 9 June 2013.

15 Council on Foreign Relations, July 2024.

16 UNICEF, "Famine hits parts of South Sudan," 20 February 2017.

17 BBC, "South Sudan rebel chief Riek Machar sworn in as vice-president," 26 April 2016.

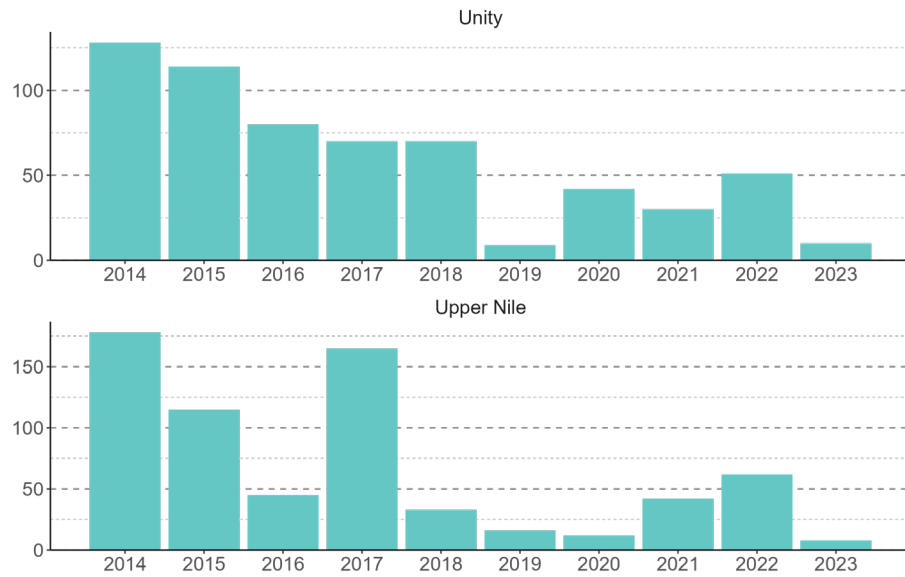


Figure 4. Number of battle conflict events per year in Unity and Upper Nile states.
(Source: ACLED/Mercy Corps)

The second set of major shocks occurred during and in the aftermath of the COVID-19 pandemic, which sent global demand for oil plunging and slashed revenue and production.¹⁸

The combined impact of these shocks has been cumulative, resulting in a, likely permanent, reduction of South Sudan's export value and a total trade balance now in the negative. This has severely hampered the delivery of government services and squeezed access to foreign currency for the import of critical goods, including foodstuffs.¹⁹

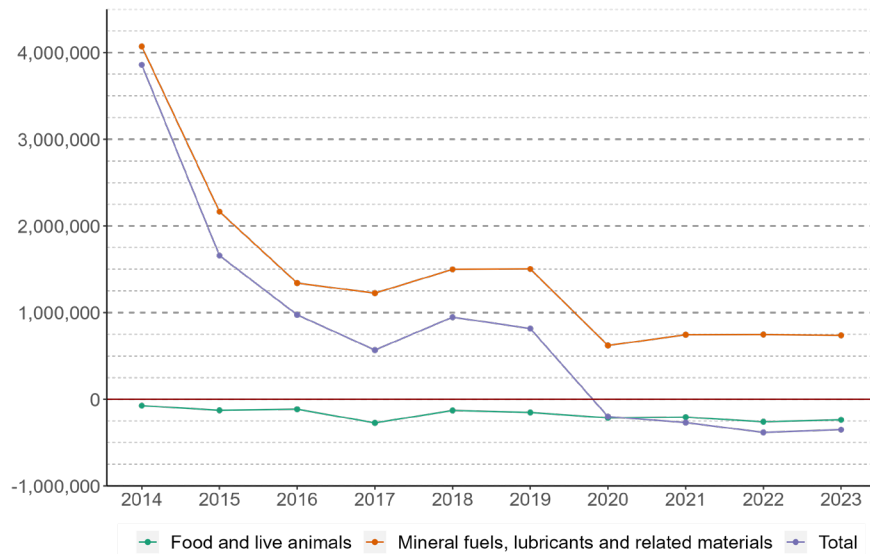


Figure 5. South Sudan Merchandise Trade Balance in thousands of USD.
(Source: UNCTAD/Mercy Corps)

¹⁸ Reuters, "Oil's journey from worthless in the pandemic to \$100 a barrel," 24 February 2022.

¹⁹ UN Trade and Development, "UNCTADstat Data centre," [Accessed 04 November 2024].

Its access to international capital markets constrained, the government has attempted to alleviate the impacts of these shocks through oil-backed loans, using future production as collateral for cash infusions into government finances.²⁰ Most recently, a deal with a Dubai-based company has secured a \$12 billion loan in exchange for repayment in discounted oil, despite concerns raised in an unpublished UN report that most of South Sudan's oil revenues will now be tied up in servicing the loan.²¹

With capital government revenue often mismanaged and diverted towards narrow partisan interest, core government services, including those necessary for a transition to democracy, are likely to remain underfunded. Meanwhile, the country's accumulating debt, estimated at 51% of GDP, places its economy at high risk of debt distress and default, limiting access to capital for public and private actors.^{22,23}

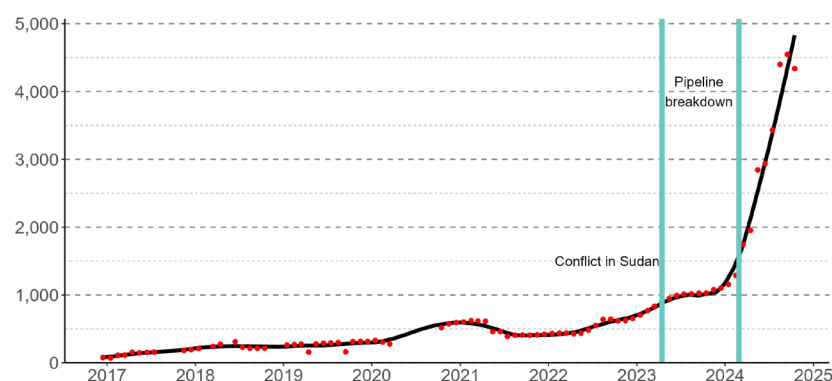


Figure 6. Black market exchange rate: USD to SSP.
(Source: WFP/Mercy Corps)

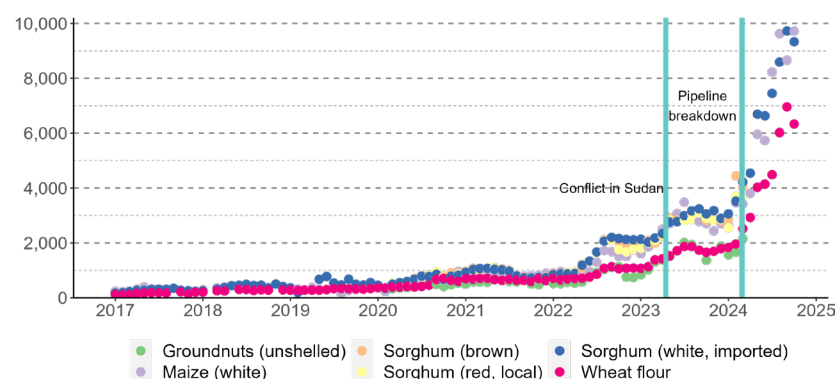


Figure 7. South Sudan staple food prices in SSP.
(Source: WFP/Mercy Corps)

Much like other oil-backed loans, this latest deal is a response to challenges in the government's finances, which are driven by the conflict occurring in its northern neighbor. South Sudan's pipelines cross lines of control between the Rapid Support Forces and the Sudanese Armed Forces, which makes maintaining them a challenge and raises the risk of conflict-related damage or sabotage. This risk is particularly acute given that the Sudanese Armed Forces receive revenue from the pipelines, much to the chagrin of the Rapid Support Forces.²⁴ One of two major pipelines has already broken down, although reports suggest that a deal between South Sudan and the Rapid Support Forces may enable repairs.²⁵

South Sudan's reliance on oil exports for access to foreign currency intensifies the financial impact of these risks. The damage to the pipelines has tipped an already deteriorating South Sudanese Pound (SSP) into a free fall against the US dollar (USD), causing inflation to rise sharply.²⁶

20 International Crisis Group, October 2021.

21 Bloomberg, "A Dubai Firm Pledged \$13 Billion for 20 Years of South Sudan Oil," 26 April 2024.

22 United Nations High Commissioner, "Report of the Commission on Human Rights in South Sudan," 13 March 2024.

23 World Bank, "Debt Sustainability Analysis (DSA)," June 2024.

24 International Crisis Group, "South Sudan on edge as its neighbour's war disrupts oil exports," 15 May 2024.

25 Radio Tamazuj, "Revealed: Juba strikes deal with RSF to allow crude oil flow," 1 November 2024.

26 World Food Programme, "South Sudan – Food Prices," [Accessed 12 December 2024].

Production, imports and trade

The sensitivity of food prices to changes in the exchange rate can in part be explained by the profile of livelihoods in South Sudan. Price data tracked by the World Food Programme (WFP) shows how the price of staple foods closely mirrors the USD to SSP black market exchange rate (see Figures 6 and 7 overleaf).

With the majority of the South Sudanese population engaging in subsistence agriculture, herding and fishing, communities often have limited stocks and are therefore less resilient to weather shocks. Poverty incidence is highest among the 71 % of households dependent on agriculture, 81 % of whom live in poverty.²⁷

Despite the ubiquity of agriculture as a livelihood, low food production is a key driver of food insecurity. Less than half of rural households produce their own food (with the exception of vegetables), acquiring items like milk and dairy products, cereals, roots, tubers and legumes from local markets. In camp settings, humanitarian assistance is the main source of staple food, but households are reliant on the market for items such as meat, milk and vegetables.²⁸ Combined with the low levels of large-scale agricultural production, this has made the country dependent on imports of food from neighboring countries, particularly Uganda and Kenya.²⁹

Since Juba is the primary distribution point for imported goods, delivery is further complicated by the poor state of transport infrastructure, particularly during the rainy season, and checkpoint fees along land and river transport routes into the city.^{30,31}



Figure 8. Map of South Sudan showing transport routes. (Source: WFP)

This combination of limited local production, dependence on imported food, and transport challenges worsened by conflict or flooding is amplifying the impact of inflation on markets, stretching household resilience to breaking point.

²⁷ World Bank, “[Poverty and Equity Assessment](#),” June 2024.

²⁸ World Bank, June 2024.

²⁹ UN Trade and Development, [Accessed 04 November 2024].

³⁰ Mercy Corps, “[Rapid Market Assessment](#),” 2024.

³¹ Social Science in Humanitarian Action Platform, “[Alleviating Chronic Food Insecurity in South Sudan](#),” 9 September 2024.

A Rapid Market Assessment conducted by Mercy Corps in August 2024 highlights the immense impact of inflation on market actors, particularly in the reporting year. On the supply side, the significant additional cost of exchanging currency to purchase imported goods, exacerbated by tax burdens and soaring transportation costs, has limited the capacity of small-scale traders. The price hikes are also impacting demand, as the majority of consumers do not have the income necessary to meet inflated prices.³²

The cumulative impact of these factors has been a reduction in volume or a complete loss of business for smaller traders who lack the capital to absorb the increased cost of doing business or are unable to sell their stocks due to the low purchasing power among poorer communities.

Economic opportunity

The severe economic shocks of 2024 have reduced income opportunities for South Sudanese households across industries. With those on government payroll facing delayed or unpaid salaries throughout 2024, business owners are struggling to make a profit, and salaried positions have been reduced both in the private sector and, due to funding cuts, at NGOs.

This has led to temporary or permanent loss of income, and recent research shows that the proportion of households reporting adults unemployed and seeking work has increased due to the current economic challenges. The majority of households also cited a lack of family/personal connections as a barrier to employment, highlighting the value of social support in securing income.³³

The loss of income due to economic shocks has depleted household savings and increased household debts, with 94% of households in the city of Malakal reporting a shrinking of their savings as a result of the economic crisis.³⁴ Even households led by highly educated or salaried workers have felt the effects of the economic challenges. In fact, these households are themselves overwhelmingly at risk of poverty: research by the World Bank has identified 95% of South Sudanese households with heads educated to secondary level or higher as vulnerable to poverty.³⁵



South Sudanese farmer, 2023. © Mercy Corps

The various shocks restrict households' ability to obtain income, draining their resilience and making coping with the current economic crisis incredibly challenging. The World Bank estimates that 50% of households are now employing emergency coping strategies or have already exhausted these mechanisms. Those involved in the selling of productive assets are particularly vulnerable due to their reliance on agriculture and their own production, both of which lead to a permanent reduction in resilience.³⁶

³² Mercy Corps, 2024.

³³ REACH, "[Coping with economic hardships](#)," 2 November 2024.

³⁴ REACH, November 2024.

³⁵ World Bank, June 2024.

³⁶ World Bank, June 2024.

Resilience

Traders and producers

Producers are also adapting to this rapidly deteriorating economic environment. As the cost of imports rises, demand for local farm produce is increasing, and, whatever the challenges, communities are attempting to meet this demand. South Sudanese youth, who show a preference for ‘fast’ money as a means of curbing the impacts of inflation are growing fast-maturing vegetables such as okra and kale, or grafted fruits such as mangoes and oranges. Many are also shifting from cattle to goat rearing, since the latter are seen as more resilient, require less migration and are at a lower risk of raiding than cattle, all while providing a solid source of income and nutrition.³⁷

Like producers, traders are adapting to economic challenges in a variety of ways. Some vendors have started to sell smaller quantities of sorghum to women, for example, promoting female-led micro-businesses both as a means to offload produce and a response to the safety concerns they face when traveling to other markets.³⁸

Social support systems

Households in South Sudan have always relied on one another for food, shelter, and assistance with economic activities such as land clearing and cattle keeping. Amid the current economic crisis, this support forms an important social and economic safety net for affected households.

These social support systems take various forms: strong informal rules and norms oblige households with kinship relationships to share with and support one another, while households without kinship connections voluntarily support one another as a means of broadening their sources of reciprocal support in times of need. Finally, economic actors form informal livelihood-based support groups, guaranteeing the trust needed to mobilize and facilitate collective action to support group members’ economic needs or livelihoods. Such groups have taken on increasing importance as crisis-induced mobility and displacement fray other social support systems.³⁹



South Sudanese farmers, 2023. © Mercy Corps

These social support systems are evolving in response to the crisis-related decline in local agricultural and livestock production capacity. An increasing number of South Sudanese households are dependent on the sharing of humanitarian assistance as a means of maintaining and strengthening informal support networks. They are also increasingly reliant on marketplaces for financial and non-material support, including loans, goods on credit, information, and advice.

Traditional gender roles have made it easier for men than women to form and maintain social connections in the marketplace. This leaves men better positioned to negotiate with traders to obtain in-kind goods or cash loans. However, new groups have emerged during the crisis, including many composed of women and based on the provision of critical crisis-time support among members.

³⁷ Supporting Pastoralism and Agriculture in Recent and Protracted Crisis (SPARC), Key Informant Interview (KII) 2024.

³⁸ Mercy Corps, 2024.

³⁹ Mercy Corps, “[Informal Social Protection Networks and Resilience in Conflict-Affected Contexts](#),” September 2022.

Recommendations

For as long as uncertainties persist around South Sudan's future, the country's economic crisis will remain a key driver of needs. Producers, traders and the broader populace will continue to adapt to the evolving reality, and humanitarian and development actors must ensure their interventions align with and support the resilience of local actors.

Market-based solutions

Enhancing market access for locally produced goods is essential for encouraging local production.

- › **Enhance access to logistical capacities for traders:** The impact of poor infrastructure should be mitigated, for example by supporting storage capacities to prevent spoilage and ensure consistent supply, or by assisting local fairs or farmers' markets that provide direct access to consumers and pooling.
- › **Financing:** Strengthen microfinance institutions to widen access to microfinance options, loans and credit facilities, enabling traders to manage immediate financial needs and invest in their businesses longer-term. This also gives them the financial space to contribute to providing social support to households.
- › **Promote gender-sensitive interventions:** Interventions targeting market actors should be designed through a gender-sensitive lens, keeping in mind the interplay between such interventions and gender-specific interactions among market actors. This will reduce the risk of interventions from national and international actors disincentivizing local adaptation strategies that benefit vulnerable populations.

Local production

With the economic crisis driving demand for produce, there is an opportunity to strengthen local production.

- › **Align with market trends:** Interventions aimed at providing or subsidizing key inputs to agrarians and pastoralists should consider how producers are shifting their livelihood activities in response to economic pressure. Interventions should be aligned with these coping strategies and aim to support their resilience.
- › **Encourage innovation and climate resilience:** Agricultural support should encourage farmers to continue innovating and diversifying as they align local production with the varied needs of consumers. This can be done through the provision of relevant, high-quality seeds, and by providing tools and training for climate-smart farming practices that build resilience to climate shocks.



- › **Support producer groups:** Supporting agricultural cooperatives and producer groups can multiply the impact of agricultural interventions, e.g. by helping local producers pool resources for bulk purchasing of inputs, develop collective marketing strategies, share knowledge, and access larger markets.

Informal social protection

While some research has been done into informal social protection (ISP) in South Sudan, there continues to be a need for aid actors to consistently analyze and track how such networks are impacted by crisis and humanitarian interventions.⁴⁰

- › **Measure informal social protection networks as a key outcome and trigger indicator:** Aid actors should account for informal social protection systems in assessments and monitoring activities, ongoing crisis analysis, and early warning systems, while also assessing the effect of external assistance on these systems.⁴¹
- › **Design targeting and community engagement strategies in ways that support informal social protection networks:** Increased support for community committees must be concurrent with accountability to allow the latter to navigate pressures from local elites and partisan political actors. Actors should ensure transparency in all aspects of recipient selection and advance community-driven approaches to targeting, to ensure that aid provision does not inadvertently disrupt informal social protection systems.
- › **Seek out and invest in opportunities to partner with informal social protection efforts:** Locally organized groups and informal initiatives adapt and emerge in response to deteriorating conditions. These groups and initiatives should be identified and supported, and their networks leveraged to disseminate early warning data locally.



⁴⁰ Mercy Corps, September 2022.

⁴¹ Mercy Corps, "[Monitoring Informal Social Protection in Lebanon – Round Two](#)," 20 August 2024.

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About Mercy Corps

Mercy Corps is a leading global organization powered by the belief that a better world is possible. In disaster, in hardship, in more than 40 countries around the world, we partner to put bold solutions into action — helping people triumph over adversity and build stronger communities from within. Now, and for the future.



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