South Sudan Economic Update
July 2018

RECENT ECONOMIC DEVELOPMENTS

- Real GDP is projected to further contract by 3.5 percent in FY2018, following the contraction of about 6.9 percent in FY 2017. Monetization of the fiscal deficit led to strong money growth and high inflation, although there are indications that borrowing from the Bank of South Sudan had been limited in the second half of 2017. The spread between the official and the parallel market exchange rates remains wide, despite the recent exchange rate appreciation. 82 percent of South Sudanese were living under the international poverty line in 2016. High inflation, disrupted trade flows, and conflict continue to expose many households to food insecurity and displacement.

- South Sudan’s cabinet approved the general budget for fiscal year 2018/19, which increased by about 60 percent to reach 584 million USD up from 366 million USD in FY17/18. It remains unclear how South Sudan will finance the budget, given its struggling economy amidst the ever-rising inflation and conflict. Spending continues to be skewed toward defense at the expense of poverty reduction.

- Developed nations recently expressed their intention to impose political and economic sanctions on South Sudanese government officials and restrict the trade flows of defense articles and services to help contain the damages of the current domestic armed conflict. Although South Sudan’s president signed a peace agreement with opposition leaders on June 27, 2018, the negotiated ceasefire has been violated hours after it began with the government and armed opposition trading blame. The UN approved an arms embargo on South Sudan on 13 July 2018, following through on its warning in early June that it would do so if no progress were made in peace talks.

OUTLOOK AND RISKS

- The first challenge is restoring peace and security through cessation of hostilities and implementation of governance and security arrangements, including the peace agreement signed in June 2018, which serve the interests of the nation’s people.

- The government would then need to tackle the underlying causes of the country’s current economic collapse and food insecurity. The government urgently needs to implement comprehensive macroeconomic reforms. The latter include measures to unify the official and parallel exchange markets and reduce inflation, as well as longer-term action to boost employment, build infrastructure, and diversify the economy, with special emphasis on agriculture development.

- The June 2018 peace agreement between President Salva Kiir and opposition leader Riek Machar had been seen as a breakthrough in efforts to end South Sudan’s civil war, but since then progress has been mired by infighting. Without the government’s real commitment and proactive action to end the conflict and stabilize the economy, it is premature to envisage a post-conflict path for the economy.
Recent Economic Developments: Economic collapse, decreasing oil revenues, with soaring inflation and food insecurity

Growth

South Sudan’s economic collapse continues in FY2018, with output contracting, and inflation and parallel exchange market premium soaring. The economy is estimated to have contracted by about 6.9 percent in FY2017 due to the ongoing conflict, oil production disruptions and below-average agriculture production. Real GDP is projected to further contract by about 3.5 percent in FY2018. Exports and households’ consumption declined, while government consumption increased because of spending on defense and security operations. Both exports and household consumption are expected to decrease (Table 1).

Declining oil production and revenues have put additional pressure on the economy already weakened by the civil war. Oil production is estimated to have decreased to about 46.3 million barrels in FY2017 down from 60.2 million barrels in 2014, itself less than half of the peak production before independence in 2011. According to IMF and WB projections, oil production is expected to remain between 46.5 and 47.8 million barrels per year for the 2018-2021 period. Oil price is expected to increase up to USD 55.8 per barrel in FY 2018 and then decline in subsequent years (Table 2).

### Table 1: South Sudan – key economic indicators

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<tbody>
<tr>
<td>GDP, at constant market prices</td>
<td>-46.1</td>
<td>13.1</td>
<td>3.4</td>
<td>-10.8</td>
<td>-11.2</td>
<td>-6.9</td>
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<td>Private Consumption</td>
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<td>-26.0</td>
<td>-16.0</td>
<td>-15.0</td>
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<td>Government Consumption</td>
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<td>10.9</td>
<td>13.0</td>
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<td>3.0</td>
<td>3.0</td>
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<td>Gross Fixed Capital Investment</td>
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<td>17.6</td>
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<td>0.0</td>
<td>3.0</td>
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<td>Change in Inventories, % contrib</td>
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<td>0.0</td>
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<td>Exports, Goods and Services</td>
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<td>99.5</td>
<td>52.8</td>
<td>-40.0</td>
<td>-44.0</td>
<td>-20.0</td>
<td>-10.0</td>
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<tr>
<td>Imports, Goods and Services</td>
<td>-35.3</td>
<td>10.7</td>
<td>5.1</td>
<td>-41.0</td>
<td>-17.0</td>
<td>-10.0</td>
<td>3.2</td>
<td>5.1</td>
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<tr>
<td>GDP, at constant factor prices</td>
<td>-46.1</td>
<td>13.1</td>
<td>3.4</td>
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<td>-11.2</td>
<td>-6.9</td>
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<td>Agriculture</td>
<td>8.4</td>
<td>15.5</td>
<td>5.0</td>
<td>2.5</td>
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<td>-10.0</td>
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<td>Manufacturing</td>
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<td>45.7</td>
<td>26.9</td>
<td>-23.3</td>
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<td>-7.0</td>
<td>-1.5</td>
<td>1.8</td>
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<td>Services</td>
<td>4.8</td>
<td>18.2</td>
<td>-6.2</td>
<td>-6.1</td>
<td>-6.1</td>
<td>-6.1</td>
<td>0.0</td>
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<tr>
<td>Inflation (Consumer Price Index)</td>
<td>45.1</td>
<td>0.0</td>
<td>1.7</td>
<td>153.0</td>
<td>410.0</td>
<td>125.0</td>
<td>n.a</td>
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<tr>
<td>Current Account Balance, % of GDP</td>
<td>-20.6</td>
<td>8.7</td>
<td>-4.8</td>
<td>-4.8</td>
<td>-3.8</td>
<td>-6.1</td>
<td>-5.2</td>
<td>-3.7</td>
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<tr>
<td>Fiscal Balance, % of GDP</td>
<td>-16.3</td>
<td>-3.3</td>
<td>-12.0</td>
<td>-20.8</td>
<td>-8.5</td>
<td>-4.6</td>
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<td>Poverty rate ($1.90 a day, PPP terms)</td>
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<td>55.1</td>
<td>58.5</td>
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<td>77.6</td>
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<td>Poverty rate ($5.50 a day, PPP terms)</td>
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<td>90.8</td>
<td>92.9</td>
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### Table 2: Oil production and price estimates

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<tr>
<td>Oil production (millions of barrels)</td>
<td>59.3</td>
<td>45.5</td>
<td>46.3</td>
<td>46.5</td>
<td>47.6</td>
<td>47.7</td>
<td>47.8</td>
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<tr>
<td>South Sudan’s oil price (USD per barrel)</td>
<td>43.3</td>
<td>35.3</td>
<td>45.3</td>
<td>55.8</td>
<td>51.7</td>
<td>49.1</td>
<td>47.6</td>
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Notes: e = estimate, f = forecast. Source: South Sudanese authorities; and IMF estimates and projections.
Government revenues continue to be highly oil-dependent, with oil revenues accounting for more than 80 percent of all revenues (Figure 1). A large proportion of Nilepet’s income is generated from the minority shares (between 5 to 8 percent) it holds in each of South Sudan’s three oil projects (Dar Petroleum, Sudd Petroleum and Greater Pioneer Operating Companies). These investments are majority controlled by foreign companies such as China National Petroleum Corporation (CNPC) and Malaysia’s Petronas.

**New investments in the oil sector?** The Minister of Petroleum and Mining recently stated in an interview that the government is currently making efforts to attract new oil drilling investments from the French company Total to reach a daily production of 200,000 barrels by the end of 2018 (currently at 127,000 barrels per day). Also, the government declared it is trying to encourage more investment in the petroleum sector by extending the exploration and production sharing agreement with Petronas for six years. The deal covers blocks 3 and 7 in Unity oilfield, which have been shut down due to the ongoing civil war. However, it is uncertain if Nilepet will be able to effectively attract investments, since the oil fields are still maturing, and investors are wary.

**Increased oil revenues as Sudan and South Sudan authorities begin collaboration to rehabilitate damaged oil fields?** The Khartoum Declaration of Agreement signed on June 27, 2018 includes provisions on collaboration between Sudan and South Sudan for the rehabilitation and protection of oilfields in Unity state (Blocks 1,2 and 4) and Tharjiath (Block 5), and the eventual resumption oil production to pre-conflict levels (290,000 barrels per day). According to Sudan’s Ministry of Oil and Gas, a delegation has been dispatched to South Sudan in early July 2018 to check on arrangements for resuming oil pumping. However, the Khartoum Declaration does not provide for the immediate resumption of oil production since South Sudan’s opposition rejected the proposal arguing that this step should only come after the signing of a comprehensive peace agreement. Hence, it is uncertain if the bilateral agreement will lead to an increase in oil production to pre-conflict levels.

**South Sudan is losing large portions of revenues through compensation agreements and defense expenses.** Little net oil revenues are expected to be available to fund the government budget (Figure 2) as net oil revenue went entirely towards repaying Trafigura, an oil trader, and other oil advances. Given these financing shortfalls, the government has faced difficulties in meeting its payment obligations. Pay scales remain restricted. Even under these conditions, the government expenditures have exceeded the available resources by SSP 978 million in the first quarter. This was partly funded by a net inflow of SSP 590 million from oil advances. With most of the oil coming out of the ground already sold, or going to service debts to Sudan, South Sudan remains trapped in a worsening cycle of debt.

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1 Nilepet is South Sudan’s national oil company.
2 [https://www.bbc.co.uk/iplayer/episode/b09t27r0/hardtalk-ezekiel-lol-gatkuoth-minister-of-petroleum-south-sudan](https://www.bbc.co.uk/iplayer/episode/b09t27r0/hardtalk-ezekiel-lol-gatkuoth-minister-of-petroleum-south-sudan)
3 The combined impact of a civil conflict, a large fall in oil prices, and high levels of fiscal spending left South Sudan in debt distress (DSA 2017).

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**Exchange rate and inflation**

Despite the recent exchange rate appreciation, volatility remains. Although the implementation of the recent Khartoum Declaration of Agreement is starting to falter, the ongoing peace negotiations have brought a relatively positive mood to the country with the parallel exchange rate dropping from 310 South Sudanese Pounds (SSP) per US dollar to 230 SSP by mid-July 2018 (Figure 3). The spread between the official and the parallel market exchange rates reached 44 percent in July 2018 down from a record-high 55 percent in May 2018. Despite the recent exchange rate appreciation, the spread between the official and the parallel market exchange rates remains high. Since the move from a fixed exchange rate arrangement to a managed float in January 2016, the SSP has depreciated by 790 percent (July 2018). Earlier this year, the government announced measures to crack down on parallel market currency exchange operations to prevent the pound from further depreciating against the US dollar and reduce the wide spread between official and parallel market exchange rates.

**Increasing inflation.** The year-on-year annual Consumer Price Index (CPI) increased by 88.5 percent between June 2017 and June 2018 (Figure 4). The increase was mainly driven by high prices in non-food items such as communication and housing, water, electricity and gas. The monthly CPI decreased by 4.6 percent between May 2018 and June 2018. Notwithstanding the recent downward trend, inflation remains high. Households in both urban and rural areas remain unable to afford the minimum food basket.

**High inflation puts households in both urban and rural areas in a difficult situation.** The cost of the minimum expenditure basket, which measures what a household requires to meet basic needs, increased from 5,370 SSP in May 2016 to 31,632 SSP in May 2018. The sharp increase was mainly driven by high prices in food items (Figure 5).
A new, higher-denomination SSP banknote will be introduced to manage the volume of cash in this high-inflation environment. As a direct result of the soaring inflation, the Central Bank announced by early June 2018, the upcoming release of a new 500 SSP banknote, which will be the highest-denomination note in circulation in the country. According to authorities, the measure would help reduce the volume of cash people carry. The measure followed the dismissal in May 2018 of the Central Bank governor who was fired after inflation hit a record high in the country. Financial authorities wait for the improvement of the political situation and the signing of a peace agreement before introducing the new banknote in the market.

**Fiscal policy**

South Sudan’s cabinet approved the general budget for fiscal year 2018/19, which increased by about 60 percent to reach 584 million USD up from 366 million USD in FY17/18. According to government authorities, the increase came as a result of the lifting of the fuel subsidies, the rise in the prices of oil, and the improvement in the collection of non-oil revenue. The approved budget for 2017/18 has allocated 3.5 percent, 6 percent, and 16.6 percent to Health, Infrastructure and Education, respectively. Both security (34.4 percent) and accountability/public administration & rule of law (46.1 percent) account for 80.5 percent of the total budget, taking the largest share continuing the trend of the last three fiscal years (Figure 7).

The fiscal deficit is projected at about 4.4 percent of GDP in FY2018 (Table 2). Given the oil dependent structure of the economy, the decline in global oil prices, and the progressively lower production, the government spending is far exceeding revenues and the government continues to face difficulties in meeting its payment obligations. Government authorities recently admitted that the treasury has run out of cash and that the Central Bank no longer keeps the foreign currency proceeds from oil sales. Although the pay scale remains unchanged and operating and capital expenditures are restricted, government expenditures are expected to exceed the available resources by SSP 16,800 million, equivalent to 36 percent of the total budget.

It remains unclear how South Sudan will finance its budget, given its struggling economy amidst the ever-rising inflation figures. During execution, budget credibility is undermined by lack of transparency and the fact that budget outcomes per spending agency significantly differ from the approved budgets. For the fiscal year 2017/18, which is already at its end, only the report of the first quarter is currently available.

**Budget performance report for the first Quarter of the FY2017/18.** The Government’s First Quarter Macro-Fiscal Report for FY17/18 reveals a government spending of SSP 6,108 million, which was equal to 14 percent of the annual budget (Figure 8). Oil revenue captured by MoFPED was at SSP 1,723 million, around 27 percent of the budgeted projection for the quarter, well below the forecast. Non-oil revenue totaled SSP 3,406 million, around the expected amount for the quarter.
Expenditures continue to be skewed toward defense at the expense of poverty reduction. Security and accountability/public administration and rule of law spending have accounted for over 70 percent of the total budget over the past three fiscal years. By contrast, education and health sectors were the only sectors which underspent their original budgets in the past fiscal year (around 6 percent of total government spending). Social services are currently severely underfunded and even more dependent on donor-funded development projects.

Salary arrears prevent the effective functioning of the Government. The central Government has sought to honor wage payments, transfers to state levels, and security expenditures, but even limited to those categories, existing expenditures commitments far exceed available resources thus leading to continuous cash rationing during budget execution. As of late 2017, there were significant salary arrears for several months, and this is despite the fact that for most staff, the value of individual salaries has greatly eroded. There is anecdotal evidence that non-payment of salaries has increased absenteeism of civil servants.

Fiscal discipline remains a priority. While the Ministry of Finance broadly recognizes the need to make steep fiscal cuts to bring expenditure closer into line with available revenues, it is struggling to introduce the necessary cuts, in particular to the number of armed and organized forces, into the budget. Extra-budgetary expenditures are not specifically reported but it is assumed that large amounts are being spent on security related matters. Further it is assumed that a high level of debt and arrears were accumulated outside of the normal budgeting process, but the amount remains unknown.

Tax administration needs to be strengthened. Recently, the South Sudan’s Revenue Authority claimed that the country has lost over 750 million South Sudanese Pounds (SSP) due to tax evasion in February alone. The government has revealed that about ten companies had failed to pay over SSP 3 billion in tax. The extent of tax evasion has prompted a positive reaction from the South Sudanese authorities to strengthen tax administration. Following a meeting with nine commercial banks, the Commissioner General of South Sudan’s Revenue Authority announced the Revenue Authority intention to interlink the banking system with the revenue technological system to improve the country’s revenue collection system.

The credibility of the budget has eroded over the past years. The fundamental challenge for fiscal space in the budget of South Sudan is the inherent indiscipline in the management of approved budgets caused by the lack of effective oversight from the legislative branch of the government. During execution, budget credibility is undermined by the fact that budget outcomes per spending agency significantly differ from the approved budgets and there is a large buildup of payments arrears. As a result, there is a high risk of wasteful spending, low value for money and public services not being delivered as planned. Also, oil-rich countries tend spend government revenues more inefficiently than non-oil countries, especially in terms of spending composition.

‘Oil-for-food’ scheme put in place. Despite recent announcements about empty coffers, the South Sudanese government is continuing to buy equipment for the army. Supplying companies are obliged to accept in-kind quotas of crude oil as payment for their services. While bartering barrels for military equipment, the soldiers of the Sudan People’s Liberation Army (SPLA) have not been paid for over a year and have seen their food budget of USD 134 million vanish. Also, the increasing use of this bartering system is transforming oil trading in South Sudan, reducing the involvement of

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4 According to the recent released Open Budget Survey 2017, South Sudan has a score of 5 out 100 in terms of the Transparency Open Budget Index, while the global average is 42. Available at:


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Trafífigura, the main multinational oil trading company, and initiating talks with other traders.

**Oil revenues are funding civil conflict.** The national oil company, Nilepet, finds itself at the heart of the economics that sustain South Sudan’s civil war and violence. Nilepet is not subject to the same oversight and scrutiny as a government ministry. Therefore, Nilepet’s expenditure is not clearly delineated within the ministerial budget, making it hard to form an accurate picture of its activities. The passage of a bill to regulate Nilepet and its activities ground to a halt with the outbreak of conflict in 2013. Without this law, the regulation of South Sudan’s powerful state-owned company hangs on a few provisions in the barely implemented Petroleum Act of 2012 and Petroleum Revenue Management Act of 2013.

**Transparency questions remain in regard to Nilepet’s management.** The combination of secrecy and capture has made Nilepet the vehicle of choice for many of the transactions carried out by South Sudan’s ruling elite and security forces wish to shield from prying eyes. Institutions such as the National Security Services (NSS) and the military are allegedly given direct access to the funds generated by the company, which is well beyond its intended role as a commercial oil company.  

**Who is capturing the oil rents?** Reports recently released by the Global Witness and The Sentry groups implicate the leadership in South Sudan and detail how oil revenues are being diverted with little oversight and accountability to support the country’s security services and ethnic militias. These reports list over USD 80 million in payments to authorities and private companies directly linked to the government’s defense effort.

**Tackling corruption?** In an apparent attempt to ward off government officials who are suspects of being behind the misappropriation of Nilepet funds, the government has embarked on a successive reshuffle of ministers and other government officials. However, the appointment of certain officials has caused concern over their suitability for public office, as some were previously accused of corrupt practices. In this setting, as long as conflict and corruption prevail, the reshuffling of ministers and other government officials will most likely fail to address the real economic challenges.

**Phasing out fuel subsidies.** Fuel prices paid by consumer have continued to increase over the past months (Figure 9) and the value of subsidies kept increasing in real term due to the deteriorating exchange rate (Figure 10 and 11). Following the deteriorating macro-fiscal situation, the South Sudanese Council of Ministers has officially approved the removal of fuel subsidies in May 2018. In a briefing to the media, the deputy information minister has informed that the government will no longer allocate funds to the national oil company, Nilepet, to import fuels for sale at a reduced price to the public. Also, the Ministry of Finance has been instructed to redirect these funds and prioritize the payment of civil servants’ arrears.

**As of October 2017, Nilepet, the sole fuel importer in the country, has stopped procuring fuel for subsidized sale, and allowed private firms to import and sell fuel at market prices.** This development has led the majority of consumers to turn to the parallel market where one liter of petrol is currently priced up to SSP 317.

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5 A report recently released by The Sentry groups implicate the leadership in South Sudan and details how oil revenues are being diverted with little oversight and accountability to support the country’s security services and ethnic militias, with little oversight and accountability. The document lists a total of 84 security-related payments made by Nilepet spanning a 15-month period beginning in March 2014 and ending in June 2015. The document lists over USD 80 million in payments to politicians, military officials, government agencies, and private companies, many of which include captions that describe activities directly linked to the government’s war effort. It indicates that these companies received payments from Nilepet for military or security-related activities, transactions involving flights or military logistics operations in 2014 and 2015, during a period of intense fighting in Unity and Upper Nile.


7 The Sentry (2018), Fueling atrocities. Available at: https://thesentry.org/reports/fueling-atrocities/
Poverty, Food insecurity, and Displacement

South Sudan has become one of the poorest countries in the world with more than 4 out of 5 people living under the international poverty line in 2016. The protracted impact of the conflict and the recent macroeconomic crisis have driven poverty rates to unprecedented levels. The poverty headcount – measuring the proportion of the population living under the international poverty line of US$ 1.90 PPP (2011) – was equal to 82 percent in 2016. Such a poverty headcount places South Sudan amongst the poorest countries in the world. Currently, South Sudan ranks 181 out of 188 countries in the Human Development Index with a life expectancy of only 56 years. Poverty increased substantially from 51 percent in 2009 to 66 percent in 2015 and further to the current rate of 82 percent in 2016 (Figure 12). Much of the population in 2016, remained, returned or even dropped further into a state of destitution with extremely low rates of access to amenities, infrastructure, and services.

Agriculture production is disrupted and food prices are high. South Sudan has a wealth of untapped agricultural assets. With 30 million hectares of arable land, across six agro-ecological zones, the country can produce an array of agricultural products, from cereals to oil seeds and horticulture. Despite the large agricultural potential, only about 5 percent of the country’s land is cultivated.

Food production shortfalls are substantive. The net cereal production in 2017 is estimated at 764 thousand tones, a decrease of 7.5 percent from 2016 (Figure 13). It is also 14 percent below the average of the previous five years, showing the smallest output since the start of the conflict. With a projected population of about 11.4 million in mid-2018, the overall cereal deficit in the January-December 2018 year is estimated at about 482 thousand tones, 26 percent above the deficit estimated for 2017. The poor performance of the 2017 cropping season is due to the combination of reduced number of farming households, and lower than average area planted per household as a result of the increased intensity and scale of the conflict. The most significant reductions of harvested area occurred in Central Equatoria (-48 percent) and Western Bahr el Ghazal (-28 percent).

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Food prices are increasing. High inflation, disrupted agricultural production and trade flows, and the continuous depreciation of the pound continue to expose many households to high food prices. Trade to and within South Sudan continues to be severely disrupted, greatly reducing food supplies in most markets. High prices, especially for meat and fish, keep aggravating food insecurity (Figure 1).

Interventions supporting agricultural production can help alleviate food insecurity. Improved agricultural productivity is an important pathway out of poverty by reducing food insecurity and improving income. Contingent on ending the conflict, interventions to address agricultural productivity and improve rural connectivity will be key to enhancing livelihoods in the longer term.

Current levels of aid are expected to reach less than 50 per cent of people in need across the country. In addition, restricted access to aid and other food sources will be extremely low, as food stocks run out in many parts of the country while the lean season of May to July approaches. In this setting, the forum for non-governmental organizations (NGOs) in South Sudan, which consists of over 300 local and international members, has appealed for more funding from donor countries. Public social services are currently severely underfunded and increasingly dependent on humanitarian aid.
Areas worst affected by the food crisis are those exposed to the armed conflict, including central and southern Unity, northwestern Jonglei, and Wau in Western Bahr el Ghazal, according to the Famine Early Warning Systems Network (FEWSNET). Other areas are seeing massive arrivals of displaced communities, increasing pressure on already limited resources.

The number of refugees and IDPs continues to increase. Insecurity continues to be widespread in the country as evidenced by the increasing number of people fleeing from their regular area of residence. According to December 2017 figures from OCHA and UNHCR, 4.5 million out of a population of 12.2 million have been displaced internally or are seeking asylum in neighboring countries, with up to 85 percent estimated to be children and women. Citizens continue to flee their area of residence as of spring 2018. More than half of the population is expected to require humanitarian assistance in 2018 (7 million).

Internal displacement increases food insecurity. Internal displacement, and the absence of humanitarian aid stopped by various armed groups, including Government troops, contributed to the record-high 6 million severely food insecure people in September 2017 (OCHA, 2017). Access to food is generally better for those who fled to neighboring countries, but conditions remain difficult, especially given the rapid increase in refugee numbers.

**Development assistance and the threat of sanctions**

Development assistance exceeds the Government budget. For FY2017/18, the official development assistance (ODA) is significantly larger than the entire government budget. According to estimates from IMF and the OECD-DAC database, the total state budget is less than USD 1 billion, while ODA funding is totaling USD 1.75 billion for the same period. Between 2011 and 2015, ODA amounted to approximately one-third of the budget (Figure 16). Such an event is not the result of a significant increase of ODA resources, but rather due to the deterioration of the real budget value since 2015. However, it confirms the importance of development assistance on the education and health sectors.

South Sudan’s president signed a peace agreement with opposition leaders at the end of June; however, the negotiated ceasefire has been violated hours after it began. On June 27, 2018 President Salva Kiir and former Vice President Riek Machar signed a peace agreement in the Sudanese capital, Khartoum, in the presence of Sudanese President Omar al-Bashir and Ugandan President Yoweri Museveni. The agreement calls for the opening of corridors for humanitarian aid, the release of prisoners of war and political detainees, and a transitional unity government to be formed within four months and govern the country for 36 months. It also allows members of the African Union and the East African regional bloc, Intergovernmental Authority on Development to "deploy the necessary forces to supervise the agreed permanent ceasefire". The ceasefire has been violated hours after it began with the government and armed opposition trading blame.

Targeted sanctions are gaining momentum as a means of isolating those at the center of the conflict, with the UN approving an arms embargo on South Sudan. On 13 July 2018, the United Nations Security Council approved the adoption of an arms embargo on South Sudan until 31 May 2019, following through on its warning in early June that it would do so if no progress were made in peace talks. The Security Council also added two government officials to the UN sanctions blacklist subject to travel ban and assets freeze. The resolution expressed concern at the failures of South Sudan's leaders to bring an end to the hostilities. The embargo is seen as an important step towards increasing pressure on the parties to compromise.

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