



Impact of COVID-19 on Trade, Peace and Health System in South Sudan

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Introduction

South Sudan is emerging from devastating conflict that has left thousands dead and millions displaced. The 2018 peace agreement implementation remains elusive as instability persists in some parts of the country. The onset of COVID-19 pandemic exacerbated the crisis as government response limited economic activities and increased pressure on the ailing health system.

This research explores the impact of the pandemic on the trade sector, underfunded and fragile health system, and fluid peace process in South Sudan.

The research overall objective was to examine the impact of COVID-19 pandemic and government response mechanisms on trade, health systems, and peace process in South Sudan. The research was commissioned by the African Economic Research Consortium (AERC) as part of the regional analysis into impact of COVID-19 pandemic on socioeconomic and public health in the region.

Context analysis

South Sudan is experiencing exponential rise in COVID-19 cases. The country is already struggling with the negative shock of the pandemic coupled with the climate shock and crash in global oil prices that has put the economy in much deeper crisis than never before. With a fragile peace process and heightened insecurity in some parts of the country, COVID-19 has further exacerbated an already dire economic environment. The country's macroeconomic situation is affected and under stress due to the pressure brought in by the pandemic on trade.

The pandemic had direct implications on the peace process in the country. The onset of COVID-19 pandemic at the start of 2020 had significant ramifications and continues to pose threat to the peace process. Political elites used the pandemic as a scapegoat to stall implementation of key provisions of the peace agreement.

Similarly, the outbreak of COVID-19 increased pressure on the health system in South Sudan. The country's health system is mainly funded and serviced by donors and humanitarian agencies with limited government investment and service provision. The pandemic has shifted the focus of many donors from the deadly diseases such as malaria, diarrhoea and acute respiratory infection.

Key research findings

COVID-19 impact on trade

South Sudan lost its trade balance largely due to convergence of factors that affected its economy. The government lost more than 67% of its expected revenue per barrel of oil due to global oil price crash further exacerbated by the pandemic. The immediate government policy to stop the virus was detrimental to small and medium businesses. Government revenues slumped as taxes reduced. The country imports large amount of essential products including petroleum, food, agriculture, and medical products, which reduced significantly. The import levels in 2020 dropped compared to previous years.

The impact of COVID-19 also affected the revenue generation by the government. This is because there is a very thin link between increased revenue generation and expansive trade volume in the country. When there is an increase in trade imports and exports, the government collects more revenues. Available data show that the government lost 96.1% of its revenues between April and June 2020 compared to the last quarter of 2020. The problematic parallel tax collection system has created unfavourable tax regime to businesses.

There is drop in revenue collection by Juba City Council (JCC) especially from small, medium and petty businesses operating within the Council jurisdiction. The trend in the revenue collected by JCC has very strong relationship between growth and decline in small and petty businesses across local markets. According to available data, JCC lost more than 97% of its revenue by end of June 2020. This trend reveals how much businesses have lost or entities closed down at the peak of the COVID-19 pandemic.

COVID-19 impact on the peace process

The impact of COVID-19 pandemic on the implementation of the Revitalized Agreement on the Resolution of the Conflict in South Sudan (R-ARCSS) cannot be underestimated. The pandemic negatively influenced the behaviours and actions of political elites, especially in regards to the implementation of the peace agreement. The political elites used the pandemic response restrictions to stalled implementation of key provisions of the agreement, including the urgent formation of the subnational levels of governments which are critical to the pandemic response at the lower level. The work of the civil society around advocacy and civic education on the peace agreement implementation was not spared by the resultant impact of the pandemic. The restrictions imposed by the government meant fewer bilateral advocacy and civic education activities were held. This significantly reduced the influence of the civil society groups to push for the timely implementation of the agreement.

The pandemic affected the work of the peace agreement guarantors at national, regional and global levels, as many countries refocused their attentions back home. National level monitoring of the ceasefire and security violations dropped. And regional and international actors shifted their attention to domestic COVID-19 response. This affected the implementation of the agreement.

COVID-19 impact on the health system

South Sudan has made progress in reducing maternal and child mortality and morbidity. But the threat of COVID-19 risks reversing the gains made over the years. The health system has been severely affected by conflict and most recently by COVID-19. The health system continues to suffer from poor infrastructure, shortage of human

health resources, and lack of medical equipment. Meanwhile, government investment in the health system remains the lowest in the region, at 2% per year. This has led to humanitarian partners managing 87% of the healthcare system in the country. This trend has not changed in the COVID-19 response, with donors contributing US\$27 million and government putting in just US\$4 million.

South Sudan COVID-19 response approach lacks consistency on testing, surveillance, risks communication and case management. The government has struggled to enforce its own public health guidelines in the country. This is because of social and cultural practices that do not embrace medical advice. South Sudan epidemiological capacity to detect and conduct timely surveillance is feeble; this has indirectly contributed to poor understanding the scale of the virus infection.

Lessons learnt and policy recommendations

The government should adapt trade and market policies and system that mitigates against disruption, including government reviewing and upgrading of border points and local market arrangements to allow adherence to the health guidelines for vendors and buyers.

Strengthening the 'formal' financial market like the banking to increase its work with SMEs, especially the retail market and vendors. The government needs to provide the legislative and enforcement mechanism. The financial market should start to offer adapted loan facility to businesses with government guarantee.

The government and humanitarian partners should invest in social safety net programmes that will ensure social provided tailored skills and capital for the petty business targeting women and the youth. The humanitarian efforts in the food security and livelihoods sector need to be co-ordinated to respond to the economic and market shock. The government should harmonize and lead donor aid and humanitarian support for livelihoods to ensure development aid address national development priorities.

Fast track the establishment of the youth and women enterprise development fund as per the provision of Chapter Four of the revitalized peace agreement. The government and development partners should expedite the legislation, establishment and operationalize the enterprise fund for women and the youth. This will increase business opportunities and employment that is critical to support the ailing economy.

Enforcing the implementation of relevant regional trade policy like the EAC trade policies will be relevant to South Sudan due to its landlocked status. The government should quickly invest on policy and structural reforms that will boost cross-border trade and make business environment attractive to existing and new investors.

South Sudan tax regime remains complicated with different institutions applying various tariffs. **The taxation and financial acts should be reviewed and harmonized for consistency.** Reforms in the operationalization of these laws by different entities should be prioritized to create enabling environment for investment in the country.

The current revenue system of Customs Services under the Ministry of Interior, and National Revenue Authority under the Ministry of Finance, **both managing tax collection is not sustainable and increases tax irregularities.** The government should introduce the use of technology in its work to adapt to the realities of COVID-19 context.

The government has big opportunity for long-term economic recovery and revamping the trade sector through **implementing a range of public finance reforms. The institutional and policy reforms in the ministry of finance, Central Bank of South Sudan, National Revenue Authority and National Audit Chambers are critical to boosting investors trust in the economy.** This further can attract foreign direct investment in crucial sectors of the economy.

The government should implement the peace agreement to respond to COVID-19, the economy, and social services delivery. This will provide the political stability and reforms that are critical drivers for better response mechanisms to the pandemic. The formation of the state and local governments creates the structures at the subnational level to enforce public health guidelines.

The government should step up its financing of the health sector. This should include increasing the annual budget allocation for the sector to at least 10%, and put money in key health system blocks such as training health cadres, procurement of medical supplies and upgrading physical infrastructures. The current funding and support by humanitarian partners is not sustainable. It is important that humanitarian partners and government **integrate COVID-19 response into existing health programming to ensure the gains made over the past years are not lost.** It also ensures the health system becomes resilient to shocks.



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