



Economic Policy Response to COVID-19 Pandemic: the challenge for South Sudanese Policymakers on where to start and how?

**Reflections of a concerned senior citizen presented to the
Development Policy Forum (DPF) Digital Platform**

By Lual A Deng¹

Juba, Republic of South Sudan

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¹ Managing Director and founder of Ebony Center for Strategic Studies

² Quoted from **"In It Together: Protecting the Health of Africa's People and their**

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Summary of possible actions to protect lives and livelihoods

I present in a tabular format, the summary of possible actions that could be taken by the South Sudanese policymakers to protect both lives and livelihoods of the people of South Sudan. Efficient public policy responses are key for winning the war against COVID-19 pandemic. This public policy consists of two arms – public healthcare policies and economic policy management. The focus here is on the role of economic policy management. South Sudan has been performing poorly, according to the World Bank's Country Policy and Institutional Assessment (CPIA) index, in the key area of economic policy management. This weakness, notwithstanding, South Sudanese policymakers have no choice but to apply economic policy management instruments. Monetary policy is the primary instrument in protecting lives and livelihoods, because the shocks are on the supply-side of the economy, conceptualized in the paper in a circular flow diagram. Moreover, there is a limited space for fiscal policy in that South Sudan is currently running a financing gap of 8.2% of GDP.

Summary of possible actions to protect lives and livelihoods	
Objective	Means/Measures/Actions
1. Protect lives by reducing spread of Corona virus in South Sudan	1. Social/physical isolation 2. Give sick leave to employees engaged in non-essential functions 3. Close all schools & universities 4. Restrict urban-rural movements 5. Reactivate & strengthen primary healthcare system that was established in 1970s/80s by the High Executive Council (HEC) 6. Establish Community Health Centers (CHCs) 7. Authorize and Mandate both UNICEF & ICRC to use the balance from the World Bank's grant of \$105 million to the health sector in South Sudan to buy PPEs for the healthcare personnel at the frontlines of fighting COVID pandemic war 8. Request the Asian state-owned oil companies (i.e. CNPC, ONG, & Petronas) to provide 2,000 to 3,000 doctors and nurses from their countries 9. Turn the Freedom Hall, Nyakuron cultural center, and some hotels into Intensive Care Units (ICUs), so as to have a minimum capacity of 1,000 ICU beds and request UNMISS and UN system to provide rub halls to be used as ICUs in Juba and in the other nine (9) capitals of our States

	<p>10. Increase testing from the current number of 80 tests/day in Juba to 1,000/day and 100/day in the other 9 capitals of our states</p>
<p>2. Protect livelihoods of people of South Sudan, especially vulnerable people & households from hunger: monetary & exchange rate policy measures</p>	<p>1. Establish community-based & work-based producer & consumer <i>Cooperatives</i> to act as vendors, transporters, distributors, customer service in the supply chain of goods and services, in general, and food supply chain in particular</p> <p>2. Bank of South Sudan (BoSS) to ensure efficient functioning of the supply chain through letters of credit (LCs) issued to qualified vendors (priority to cooperative) strictly managed by the banking sector</p> <p>3. BoSS to recapitalize and restructure Cooperative Bank & South Sudan Agricultural Bank and encourage them to open branches in all 79 counties & Abyei</p> <p>4. BoSS to ensure efficient foreign exchange reserve management system to control capital account and finance essential imports through commercial bank-managed LCs</p> <p>5. BoSS to establish and manage Coronavirus Resilience Fund (CRF) with initial amount of SSP300 billion to provide soft (interest-free) loans to hard-hit businesses and distressed households. Additional funds could come from Rapid Credit Facility (RCF) of the IMF for low income countries and from emergency Development Policy Operations (DPO) of the World Bank for the same countries</p> <p>6. BoSS to suspend current call for increasing paid-up capital of the commercial banks from USD15 million to USD30 million</p> <p>7. BoSS to reduce minimum reserve requirement from 20 to 10%</p> <p>8. BoSS to make it mandatory for the commercial banks to channel 20% of lending through CRF</p> <p>9. BoSS to secure an oil-collateralized \$1.2 billion line of credit</p> <p>10. BoSS must strengthen its supervisory function and oversight of all the financial institutions in general, and commercial banks in particular</p>
<p>3. Protect livelihoods of people of South Sudan, especially vulnerable</p>	<p>1. Ministry of Finance & Planning (MoFP) to implement biometric-based South Sudan</p>

<p>people & households from hunger: fiscal policy measures</p>	<p>electronic payroll system using the national ID numbers issued by the Ministry of Interior</p> <p>2. MoFP to issue irrevocable instruction to BoSS to pay, on time, wages & salaries of all public-sector employees, including those on containment/physical/social isolation and use biometric-based electronic payroll system</p> <p>3. MoFP to reallocate operating cost and capital expenditure in FY2019/2020 toward priority healthcare spending and strategic infrastructure (e.g. roads, river transport, railway, etc.)</p> <p>4. MoFP to establish at the BoSS a Treasury Single Account (TSA) into which all the money (i.e. taxes, oil revenues, grants, loans, etc.) belonging to the Government of the Republic of South Sudan should be deposited</p> <p>5. All spending units/agencies of the Government of the Republic of South Sudan must have sub-accounts as integral part of the TSA and into which their budgetary allocations are deposited quarterly and on advance payment basis</p> <p>6. All payments should be on the approved budget and in cheques and not in-kind. Giving crude oil to suppliers of goods and services should be prohibited by law (and be criminalized)</p> <p>7. Only civil servants should be accounting officers of spending agencies and no constitutional post-holder should be allowed to sign financial forms, cheques, and/or any other financial instruments</p> <p>8. MoFP to apply for support from the IMF and from the World Bank, i.e. from RCF and DPO respectively</p>
<p>4. Protect livelihoods of people of South Sudan, especially vulnerable people & households from hunger: agri-food chain measures</p>	<p>1. Lines of credit (LCs) through both Cooperative Bank and South Sudan Agricultural Bank should be established to support farmers</p> <p>2. The Ministry of Agriculture and Food Security should immediately dispatch a corps of agricultural extension specialists to the ten state capitals to serve as front-line agents for agricultural production and marketing</p> <p>3. There should be established an Emergency</p>

	<p>Express Truck Fleet (EETF) to assure rapid movement of essential goods and agricultural produce to locations in distress</p> <p>4. The Government must launch an emergency program to rehabilitate river transport for rapid transport of grains from Renk to Malakal, Rumbek, Yirol, Bor, and Juba</p>
5. Protect livelihoods of people of South Sudan: making use of national human resource	<p>1. Establish youth empowerment scheme (YES) in 79 counties & Abyei to be engaged in the various components of the supply chain and act as neighborhood/village captains to watch for distress and mobilize aid</p> <p>2. Initiate the establishment of women economic empowerment (WEE) centers in 79 counties & Abyei to support savings circles and act as Neighborhood/village captains to watch for distress, ensure effectiveness of food supply chain, and mobilize aid</p> <p>3. Make use of the army and other organized forces to assist in the production of food</p> <p>4. Launch the Civic Redeployment Program in which soldiers are gradually re-deployed from military duty to civilian functions operating out of the ten regional growth nodes. This new corps of trained individuals can play an important role in mobilizing against the ravages of the virus</p>

I. Introduction



Matt cartoon, March 21

1. These reflections are intended to generate more debates and should not be seen as providing definitive policy measures to tackle the double tragedy of COVID-19 pandemic – health and economic crises. **“What began as a health crisis is now a major global economic crisis. We fear African countries will be swept up in that²,”** concluded the IMF senior staff working on Africa. This warning from the IMF and the above Matt Cartoon of 21 March 2020 are essentially advising Hon. Salvatore Garang Mabiordit, our Minister of Finance and Planning not to put his head in his hands after looking at the latest prices of crude oil (London Brent). The Honorable Minister of Finance and his team should look out for menu of policy options to address the double tragedy from all the available sources, domestically, regionally, and internationally.

2. South Sudan is, in economic terms, a small open economy that is depending on a single commodity (oil) for:

- a) Expert (98% of foreign exchange earnings comes from oil);
- b) GDP (two-thirds come from oil); and
- c) More than 90% of total government revenues come from oil.

² Quoted from **“In It Together: Protecting the Health of Africa’s People and their Economies,”** a blog (31 March 2020) by Karen Ongley and Abebe Aemro Selassie of the IMF

3. Small open economy means that the South Sudanese economy is vulnerable to exogenous (external) shocks, such as those arising from global economic blowback of the Coronavirus. We trade with the rest of the world where we export goods (mostly crude oil) in exchange of imported goods & services from the rest of the world through international trade system. South Sudan is a price-taker and not a price-setter in this trading system and exogenous shocks would likely be severe on small open economies more than others.

4. Countries normally protect themselves, from shocks, through a number of strategies of which reserve (buffers) is one of the most viable. There are two types of buffer/reserve and which are complementary to each other. The first is the commodity buffer or the strategic reserves of food items and fuel. The second is the foreign exchange reserves, which the IMF defines as consisting of: **“official public sector foreign assets that are readily available to and controlled by the monetary authorities³.”** Example of official public sector foreign assets in South Sudan is the government share of oil revenues that is denominated in the United States of America dollar. The IMF further states that: **“Reserve management is a process that ensures that adequate official public sector foreign assets are readily available to and controlled by the authorities for meeting a defined range of objectives for a country or union. In this context, a reserve management entity is normally made responsible for the management of reserves and associated risks⁴.”**

5. Economy-wide shocks are normally felt through supply and demand on the one hand, and via production and consumption on the other. The subsequent impacts on employment and price levels are then assessed in order to determine appropriate policy response (s). This would be clear if we revisit the central purpose of an economy. There is a general consensus that the purpose of the economy is the production of goods and services on one the hand, and their distribution through price mechanism on the other.

6. There is emerging consensus that the COVID-19 pandemic shock is: **“Unlike other economic downturns, the fall of output in this crisis is not driven by demand: it is an unavoidable consequence of measures to limit the spread of the disease⁵.”** That is, **“Covid-19 virus is not ‘just’ a (large) shock on real economic fundamentals; it is a shock on the frictionless of the market; it introduces ‘a wall between demand and supply’ with strong complementary feedbacks in the real economy; contraction in supply, leading to a contraction in demand, leading to contraction in supply ... leading to a large destruction of economic surplus⁶.”** These two views summarize, in my view, this emerging consensus on where to start

³From [Guidelines for Foreign Exchange Reserve Management](https://www.imf.org/external/np/mae/ferm/eng/index.htm)

<https://www.imf.org/external/np/mae/ferm/eng/index.htm>

⁴ Ditto

⁵ See Economic Policies for the COVID-19 War (1 April 2020). By Giovanni Dell’Ariccia, Paolo Mauro, Antonio Spilimbergo, and Jeromin Zettelmeyer

⁶ See The economics of a pandemic: the case of Covid-19, by Paolo Surico and Andrea Galeotti (2020), professors of economics at London Business School

with respect to policy responses.

II. Where to start?

7. I would use the conventional circular flow diagram (**Figure 1 below**) as a conceptual framework for illustrating the economics of the COVID-19 pandemic. The circular flow diagram illustrates the central purpose of the economy, which is the production of goods and services and their distribution in a five-sector economic system comprising of: a) **households**; b) **factor market**; c) **businesses**; d) **product market**; and e) **government** (or public sector). The blue arrows in the circular flow diagram (Figure 1) show the movements of goods and services (G&S), including factors of production in units of measurement (volume, area, number, and so forth). While the red arrows indicate expenditures on goods and services and factors of production in monetary units (payments in currency, e.g. SSP).

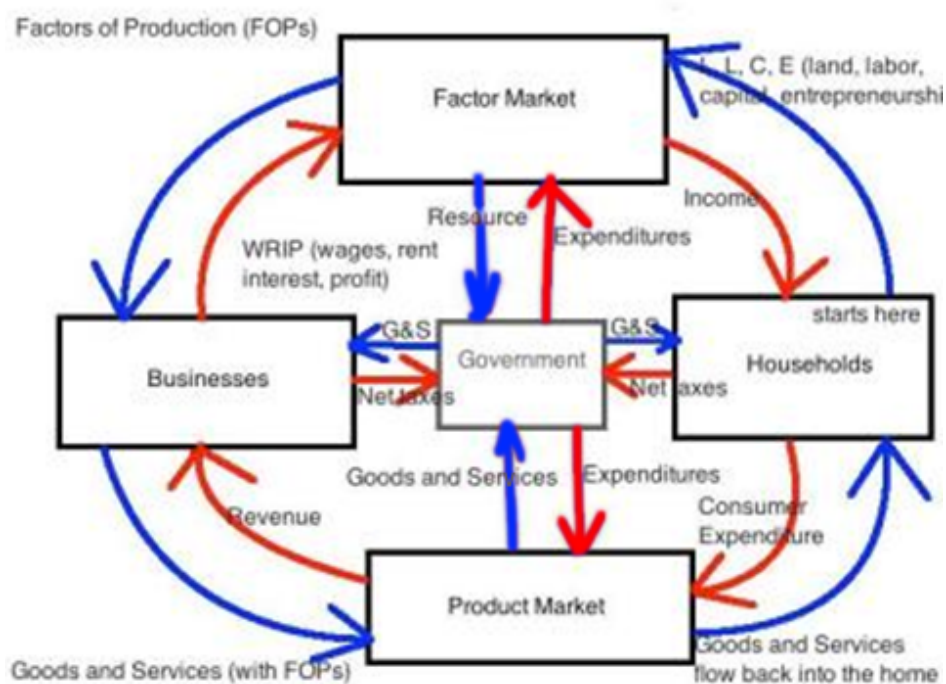


Figure 1: Illustrative View of economy through Circular Flow Diagram⁷

8. Let us start from the **households sector** with a blue arrow; moving anti-clockwise. Households provide (**blue arrow**) factors (land, labor, capital, and entrepreneurship) of production to the factor market and in return receive (**red arrow in clockwise pattern**) income (i.e. money). The households now have income in lieu of the employment of their resources (i.e. factors of production) to pay (i.e. **buy see red arrow**) for goods and services (**blue arrow**) from the product market and pay net

⁷ Copied from

https://classconnection.s3.amazonaws.com/835/flashcards/789835/jpg/circular_flow_of_the_economy1334587654884-thumb400.jpg

taxes (**red arrow**) to the government. Next is the **factor market**, which provides (**blue arrow**) labor, land, capital, and entrepreneurship to the businesses and in turn receives (**red arrow**) income (money) in the form of wages (for labor), rent (for land), interest (for capital), and profit (for entrepreneurship). The **business sector** has now paid for factors of production and is able to produce goods and services and supply (**blue arrow**) the product market, which is in turn able to supply (**blue arrow**) goods and services to both households and government and in turn receives (**red arrows**) income (money) in the form of consumer and government expenditures.

9. The government, as shown in the circular flow diagram, is at the center of the economy - providing goods and services (G&S) mainly in the form of public goods (e.g. roads, security, schools, health facilities, rule of law, etc.) to the households and businesses (**blue arrow**). And it, in turn, receives income in the form of net taxes (**red arrow**) from these two sectors of the economy. Moreover, the government receives (**blue arrow**) on the one hand goods and services from the product market, and on the other resources (i.e. factors of production) from the factor market. The government pays (**red arrow**) for them, which is expressed as expenditures. The government has a direct relationship with all the other four sectors of the economy; a relationship that is represented through eight arrows (4 **red arrows** and 4 **blue arrows**). We will come back to these eight arrows in the sections dealing with the economic costs and appropriate macroeconomic policy measures.

II. The Likely impact on the South Sudan economy

10. I would first present the emerging global consensus on the general economic costs of COVID-19 pandemic. I would then try to outline the likely impact on our economy. The conceptual framework in the form of the circular flow diagram of Figure 1, should help us understand the economic costs of the pandemic.

11. The authors of the “**Economics of pandemic: the case of Covid-19**” have stated that in Africa, South Asia and to a lesser extent Latin America, the following four factors must be at the back of our minds:

- a) There is a much lower health system capacity (e.g. fewer intensive care units and ventilators) in these regions;
- b) People have less possibility to wash their hands with soap frequently;
- c) These countries (i.e. small open economies) “**are more exposed to the world trade cycle because their goods and services are highly dependent on advanced economies demand and thus more vulnerable to the crisis**”; and
- d) Far less access to the Internet and “**therefore working from home will have far more disruptions and unprecedented economic costs than the already very large and heterogeneous costs that it will have in advanced**

economies.”

12. The same authors have identified the following six sectors of the economy to be the one that are severely affected:

- a) Tourism and hospitality;
- b) Aviation;
- c) Oil & gas;
- d) Automotive;
- e) Consumer products; and
- f) Consumer electronics.

13. The authors further articulated the impact of the COVID-19 pandemic in the following five likely vicious cycles:

- a) **“Round 1: supply side disruptions and large death toll generates heightened uncertainty and panic for households and businesses;**
- b) **Round 2: heightened uncertainty and panic leads to drop in consumption and investment;**
- c) **Round 3: large drop in demand dries up corporate cash flows, triggering firms’ bankruptcies;**
- d) **Round 4: layoffs and exiting firms generate sharp rise in unemployment; and**
- e) **Round 5: Labour income fall significantly and non-performing loans spike up, which weakens demand and increases uncertainty further. Back to round 2 for another loop!”**

14. Karen Ongley and Abebe Aemro Selassie of the IMF have observed the following with respect to Africa:

“A decade ago, the region was spared the brunt of the global financial crisis. Lower debt levels meant most countries had room to increase spending and they were able to implement counter-cyclical policies. Countries were also less integrated with global financial markets and that meant being cut off from financing was harmful for only a handful of countries⁸.”

But, **“Neither of those conditions apply today,”** they qualified their observation. The reason they have given is that **“Many countries in sub-Saharan Africa have limited room in their budgets to increase spending. They also rely more on global capital markets.”** South Sudan relies more on crude oil and humanitarian assistance

⁸ Quoted from **“In It Together: Protecting the Health of Africa’s People and their Economies,”** a blog (31 March 2020) by Karen Ongley and Abebe Aemro Selassie of the IMF

from the international community, which make the country extremely vulnerable to the COVID-19 pandemic-induced crises.

15. Their assessment is that **“The pandemic will have a substantial economic impact on sub-Saharan Africa, in three ways.”** These are:

“One: the very measures that are crucial to slowing the spread of the virus will have a direct cost on local economies. The disruption to people’s daily lives means less paid work, less income, less spending, and fewer jobs. And, with borders closed, travel and tourism are quickly drying up, and shipping and trade are suffering.

Two: global hardships will spill over to the region. The slowdown in major economies will see global demand fall. Disruptions to production and world supply chains will weigh more on trade. Tighter global financial conditions will limit access to finance. Countries are likely to also see delays in getting investment or development projects off the ground.

Three: the sharp decline in commodity prices will hit oil exporters hard, compounding the first two effects. The price of oil has tumbled to levels not seen in decades. We don’t yet know where they will settle, but with oil prices already down by more than 50 percent since the start of the year, the impact will be substantial. We estimate that each 10 percent decline in oil prices will, on average, lower growth in oil exporters by 0.6 percent and increase overall fiscal deficits by 0.8 percent of GDP.”

16. Let us revisit the circular flow diagram (Figure 1) to assess the likely economic cost of the **“unavoidable consequence of measures to limit the spread of the disease”** in South Sudan. I will focus on the three major economic agents (or sectors) of our economy: a) households; b) businesses; and c) government (i.e. public sector). Moreover, it is important to state here that the **blue arrows** in the circular flow diagram represent the **supply-side** of the economy, while **red arrows** depict the **demand-side**.

A. The Households

17. **The central role of households as economic agents is on the one hand to supply factors of production to the factor market, and on the other to demand goods and services from the product market.** We have five types of household in South Sudan: a) rural households; b) urban households; c) households in internally displaced persons (IDPs) camps; d) households in UNMISS protection of Civilians camps (PoCs); and e) households in refugee camps.

18. Lockdown and physical/social-distancing measures are, for the time being, confined to urban areas, such as Juba, the capital of South Sudan. There is no a full lockdown yet, but it has already started to hit the supply-side (**see blue arrows in Figure 1**) of our economy. The partial measures have negative impact on

employment and consumption of those households engaged in the **hospitality sector** (i.e. restaurants and lodges/hotels), in **public transport** (i.e. buses, boda-boda, air travel, etc.), in **retail industry** (i.e. supply chain), and in **construction industry**. That is, households have started to face difficulties going (see blue arrow in Figure 1 above) to work in those industries due to physical restriction on movements (i.e. confinement) and thereby affecting their employment negatively. With reduced and/or lost employment, households receive lower income, which will, if it has not by now, reduce their demand (consumption) for goods and services from the product market.

19. I do not yet have concrete data on these households, but one could say that 17% of the population of South Sudan, which lives in the urban areas is facing a very high risk of starvation and threats of death from hunger. Employment is not affected for public sector employees, but their consumption is affected through higher prices of consumer goods and services.

20. Rural households are affected indirectly through rising prices of goods and services. But, there would be no need for physical distancing since population density in the rural areas is very low. As for the other three categories of our households, the economic cost is shielded/borne by the UN system, which provides food and shelter to these households. They are, however, facing higher risk of COVID-19 pandemic contagion due to over crowdedness of IDPs, PoCs, and refugee camps.

B. The Business Sector

21. The supply-side effect of the pandemic is severe on the business for the sector is unable to have people to produce goods and services. Based on the prevailing situation in Juba, where preventive measures are being put in place (e.g. curfew from 8:00pm to 6:00am, reduced number of passengers per a unit of public transport, etc.), the following seven sectors are experiencing difficulties:

- a) **Construction:** Roads and bridges are not yet affected, but there is a slow down in construction of housing due to the fact that some hardware stores have been closed down. Should there be a complete lockdown, this industry would come to a standstill.
- b) **Manufacturing:** There are no factories per se, though there are water-bottling outfits, which are not yet affected. Carpentry, blacksmithing and bricklaying are not yet affected for most of their activities take place outside the curfew hours. Peter Adwok Nyaba has superbly summarized the absence of the manufacturing in the following sentence: “**There is no manufacturing; only extraction and plundering of nature’s resources**”⁹.

⁹ From a rejoinder posted on 6 April 2020 by Dr. Peter Adwok Nyaba under an active thread on: “**This is bigger (far much bigger) than the American 1929~32 Great Depression,**” which is being debated at the DPF digital platform

- c) **Energy:** Power generation is still dominated, in Juba, by diesel-powered households in Juba. Supply of diesel is constrained by the closure of international borders with all the neighboring countries.
- d) **Transport:** Travel agencies are severely affected by the closure of international air travel. Boda-boda and other public transport vehicles are affected through curfew and through measures to reduce the number of passengers being carried.
- e) **Hospitality:** I do not have the statistics on occupancy rates of the hotels and lodges, but it is obvious from the closure of the international air travel that there are few international guests. Tourism has not picked up since the war of liberation and the impact of the pandemic on it is not there. As for restaurants, the partial lockdown would seem to have affected this sector of business by about 40 to 60%! This number will rise to 100% when a total lockdown is declared and observed. And I just got the news (1 April 2020) that the first case of COVID-19 has just been confirmed and the source of the disease is from one of the staff of UNMISS. Given the fact that UNMISS is hosting thousands of people in PoCs, the disease could spread to the communities through UNMISS-managed camps in South Sudan.
- f) **Supply chain:** South Sudan depends mostly on imported goods and services, which are in turn through a network of small retailers spread all over the country. The link between production and consumption is through supply chain. The COVID-19 is rapidly becoming a wall between the demand for, and supply of, goods and services.
- g) **Financial sector:** South Sudan has 30 commercial banks, operating mainly in Juba. Total deposits as % of GDP is only 10.2 percent, while credit constitutes only 10.3% of total deposits. Hence, the rate of financial inclusion is very low in South Sudan, as shown by Dan Bromley, “...we see that in comparison with 42 other countries in sub-Saharan Africa, just over one adult in 1,000 has been served by a commercial bank (compared to 65 adults in the rest of the Continent)¹⁰.” That is, a full lockdown would lead to the temporary closure of commercial banks operating in South Sudan, but this would not have a significant economic impact on the population.

C. Government (public sector)

22. Oil revenues constitute more than 90% of the total annual revenues of the Government of the Republic of South Sudan (GRSS). The benchmark price of the Dar blend in the FY2019/2020 budget is \$55/barrel and the actual price as of March 2020 is \$21/barrel. That is, the price of our crude oil has fallen by 61.8%, leading to 55.6 percentage fall in GRSS’ oil revenue for the last quarter of the FY2019/2020 budget. This is quite a drastic decline in revenues, which will in turn widen the already budget

¹⁰ See **Ebony Policy Brief: EPB#2020/2**

deficit. Moreover, the economic downturn will affect net taxes from both households and businesses (see **red arrows** in Figure 1).

III. The role of economic policy

23. A number of macroeconomic policy measures are being recommended some of which are already being implemented in the United States of America (USA) and United Kingdom (UK). There are also some general recommendations from IMF staff through blogs and other experts are making unsolicited opinions on what is to be done. I present first four general groups of policies that I have gathered from a quick reading of the current literature, before I make my own recommendations.

24. Paolo Surico and Andrea Galeotti of the London Business School, make the first group of policies¹¹:

- “A. Government spending on public health sector.
- B. Tax relieves, tax cuts, tax holidays, tax incentives.
- C. Tax rebates and temporary universal income to households; cash grants to firms.
- D. Cut interest rates, launch QE programmes and lending schemes.”

25. Giovanni Dell’Ariccia, Paolo Mauro, Antonio Spilimbergo, and Jeromin Zettelmeyer of the IMF, make the second group of recommendations. **“The role of economic policy is hence not to stimulate aggregate demand, at least not right away. Rather, policy has three objectives¹².”**

- **“Guarantee the functioning of essential sectors. Resources for COVID-19 testing and treatment must be boosted. Regular health care, food production and distribution, essential infrastructure, and utilities must be maintained. It may even involve intrusive actions by the government to provide key supplies through recourse to wartime powers with prioritization of public contracts for critical inputs and final goods, conversion of industries, or selective nationalizations. France’s early seizing of medical masks and the activation of the Defense Production Act in the United States to ensure the production of medical equipment illustrate this. Rationing, price controls, and rules against hoarding may also be warranted in situations of extreme shortages.**
- **Provide enough resources for people hit by the crisis. Households who lose their income directly or indirectly because of containment measures will need government support. Support should help people stay at home while keeping their jobs (government-funded sick leave reduces movement of people, hence the risk of contagion). Unemployment benefits**

¹¹ See The economics of a pandemic: the case of Covid-19, by Paolo Surico and Andrea Galeotti (2020), professors of economics at London Business School

¹² See Economic Policies for the COVID-19 War (1 April 2020). By Giovanni Dell’Ariccia, Paolo Mauro, Antonio Spilimbergo, and Jeromin Zettelmeyer

should be expanded and extended. Cash transfers are needed to reach the self-employed and those without jobs.

- **Prevent excessive economic disruption.** Policies need to safeguard the [web of relations](#) among workers and employers, producers and consumers, lenders and borrowers, so that business can resume in earnest when the medical emergency abates. Company closures would cause loss of organizational know-how and termination of productive long-term projects. Disruptions in the financial sector would also amplify economic distress. Governments need to provide exceptional support to private firms, including wage subsidies, with appropriate conditions. Large [programs](#) of loans and guarantees have already been put in place (with the risks ultimately borne by taxpayers), and the EU has facilitated direct capital injections into companies by relaxing its state-aid rules. If the crisis worsens, one could imagine the establishment or expansion of large state holding companies to take over distressed private firms, as in the United States and Europe during the Great Depression.”

26. Karen Ongley and Abebe Aemro Selassie of the IMF, make the third group of policy recommendations from which policymakers in South Sudan could benefit from. Here are three general recommendations that could be of interest to us¹³:

- a) **“Fiscal policy will have to play a leading role in mitigating the shock, with fiscal positions reverting to medium-term paths consistent with debt sustainability once the crisis has passed. Targeted cash transfers could also be considered to help individuals and households under strain.**
- b) **Where feasible, governments should consider targeted and temporary support for hard-hit sectors such as tourism. For instance, temporary tax relief through targeted reductions or delays in paying taxes could help address cash flow shortfalls for affected businesses.**
- c) **Easing monetary policy can complement fiscal efforts, especially with inflation in single-digits in the vast majority of countries in the region. Financial measures can help minimize disruptions to much-needed credit and liquidity for businesses, including central bank liquidity provision or temporary credit guarantees. For countries with flexible exchange rate regimes, the exchange rate should be allowed act as a shock absorber.”**

27. The fourth group of policy recommendations is from an open letter to President Uhuru Kenyatta of Kenya by David Ndii in which he proposes the establishment of a “lifeline fund.” He proposes a figure of **“0.5 to 1% of GDP or Sh50b –Sh100b would be sufficient to save the situation.”** This is equivalent to **\$500,000,000 - \$1,000,000,000**, which will be given as a soft loan to support workers and businesses **“with long grace period (6 -12 months) and reasonable tenure (3 – 5 years). The amount should be a fixed sum per employee and disbursed monthly over a fixed term. Should be entirely linked to the number of employees to the**

¹³ Quoted from **“In It Together: Protecting the Health of Africa’s People and their Economies,”** a blog (31 March 2020) by Karen Ongley and Abebe Aemro Selassie of the IMF

loans should be made available to both workers (as check-off loans) and businesses (business loan)¹⁴.” He concludes his open letter with the following five specific recommendations:

1. **“Broaden your leadership team by establishing a national Covid-19 Response Task Force that includes the other arms of government (Judiciary, Legislature, and council of Governors) as well as private sector, private healthcare providers, professional and other leaders in society, with you as Chair. The task force should meet at least twice a week, daily if necessary and update the public on a weekly basis. May I propose you personally take charge of this by way of a weekly press conference.**
2. **Establish an independent scientific advisory panel, along the lines of the UKs Scientific Advisory Group for Emergencies (SAGE) to advice you and the National Response Task Force. You need doers (the taskforce) and thinkers (the advisory panel). What we don’t need is provincial administration enforces donning fatigues and issuing edicts like the have done since colonial times. If we don’t adapt, we will die.**
3. **Task the health authorities to mount an aggressive testing effort of high exposed people and clusters (airline and international hotel staff, tourism centres e.g. Malindi and Diani etc.) to establish the extent, if any, of local transmission. This is imperative because may urban Kenyans have travelled back to rural homes, and they, as well as the government, needs to know whether they and their families are at risk so that the appropriate response can be mounted.**
4. **Task the Treasury, Central Bank and Kenya Bankers Association to set up a lifeline fund along the line proposed, Task the cabinet to craft an austerity plan within the next seven days with a target of identifying (a) development projects that will be frozen and (b) non-essential functions that can be mothballed with immediate effect.**
5. **In addition to the lifeline fund, it may become necessary to provide a social safety net at the community level in the nearby future. In this regard, may I propose that ward level response team comprising of political (MCA), county and relevant government officials (ward administrators, chiefs, social workers) and community leaders be established, and tasked the responsibility of identifying vulnerable households that may need assistance, if and when that time comes.”**

28. I started these reflections before the confirmation of the first case of the COVID-19 pandemic in the Republic of South Sudan. We knew it was coming and the question was when and not if the new enemy will hit us. It was, however, a known fact that South Sudan is highly vulnerable to exogenous shocks, especially of the type triggered by the coronavirus. The country is now on the top of the list of African

¹⁴ From “Open Letter to President Uhuru Kenyatta,” by David Ndii, <https://www.theelephant.info/topic/david-ndii/>

countries according to a composite chart of nine risk factors prepared by a US-based Africa Center for Strategic Studies, which states:

Examining the compiled list of nine risk factors considered reveals that a handful of countries—South Sudan, the DRC, Sudan, and Nigeria—are at or near the highest category of risk for nearly all of the risk factors. This multilayered risk portfolio underscores the vulnerability these countries face and the importance of trying to identify and limit the spread of the virus at the early stages before it becomes entrenched in the high density urban or displaced person areas¹⁵.

29. South Sudan has confirmed its first case of the COVID-19 pandemic at the time when the world has learned some lessons. The most important is that “health, isolation has positive externalities.” While for “the economy, isolation has negative externalities.” This seemingly dilemma will be resolved by the South Sudanese policymakers if they adopt a strategy of **protecting both lives and livelihoods**. Measures to protect/save lives are informed by science and recommendations will focus on health policies and expenditure. While measures aimed at protecting livelihoods are informed by economics and recommendations will focus on economic policy management.

A. Healthcare measures to protect or save lives

30. Dr. Col Dau Ding gave a powerful professional advice (see Box 1 below) on how South Sudan should behave in the light of the COVID-19 pandemic at a Development Policy Forum (DPF) digital platform on 31 March 2020. This advice contains, in my view, sufficient body of scientific knowledge from which guidelines for protecting the health (saving lives) of the people of South Sudan should be drawn from.

Box 1: Recommendations of a seasoned physician to South Sudan on 31 March 2020
Dear DPFers,
I am just going to reinforce what some of you may already know regarding this new and novel infectious Coronavirus disease of humans; or “COVID-19” [as named by the WHO].
The fact that it is global, [all over the world], refers to the pandemic nature of the infection. In other words, the infection has crossed all borders to every country by all methods of human movement - i.e. air, land, and sea/rivers.

¹⁵ Mapping Risk Factors for the Spread of COVID-19 in Africa, by the Africa Center for Strategic Studies, April 3, 2020

The vast majority of viruses infect animals only, and do not cause fatal disease in those animals. But on the odd occasion, a non-fatal viral disease within an animal, is able to move from an animal to humans via a process called zoonosis; causing infection and disease within specific human host cells.

All infections have methods of transmission to humans. In the case of Malaria, it is a parasitic protozoan infection transmitted by the female genus Anopheles mosquito sucking infected blood from one human, and vomiting it into the next human that it stings. Other epidemics like Cholera, result from eating or drinking anything infested by the Vibrio cholera bacteria; whereas the recently dreaded Human Immunodeficiency Virus-1 [HIV-1], is transmitted by bodily fluids during intimate physical contact of infected fluids; more commonly during sexual intimacy.

Coronavirus, on the contrary, is more ubiquitous and is contracted through inhaling or ingesting contaminated droplets from an infectious individual.

DPFers, please do not be naive about this aggressive pandemic. It will kill people especially, when the health services in South Sudan are so fragile. In the absence of a safe and effective vaccine up to now, the only measures to take are all based on "Social/Physical Distancing". By Social/Physical Distancing, that means no physical social gatherings of multiple persons at all; and if two or three persons ever come together, they have to keep distances between themselves of at least 1.5 to two metres apart. The three or more can sit and be together, provided that they maintain 1.5 to two metres apart from each other. This arrangement minimizes the transmission of the virus if anyone of them has the infection in its prodromal or latent stage of incubation.

The other additional method of prevention is simple personal hygiene. It is imperative to adhere to the advice given by competent health professionals. Washing hands with SOAP and water, and then drying your hands thoroughly to dry, is effective. Water alone for washing your hands is not sufficient. The virus can survive under hot and cold conditions, even if frozen, whereas soap with water washing, displaces it. Note that touching surfaces in public places like the airport, shops or offices and banks, can also lead to transmission of the virus to others who also touch the infected surfaces. This is why hand washing with soap is mandatory before and after touching anything that another person may have touched; before you put your hand in your mouth to eat, or wash your face or rub your eyes.

The rural areas' inhabitants of South Sudan do normally live distances apart from one another, so it can be hoped that they are relatively safe from the virus; as long as those that are coming from metropolitan places like Juba, have been tested and quarantined before going to the rural areas. It is those metropolitan people that will take the virus to the people in the villages.

The pathogenesis of the infection, once it has entered its host cells within the respiratory system, is dramatic. This RNA virus replicates so rapidly, leading to an atypical pneumonia which results in varying degrees of respiratory dysfunction. The resulting hypoxia [a lack of, or reduction of, oxygen in the blood], together with the body's auto-immune response to attempt to fight off the infection, is what ultimately leads to death. The hypoxia and the auto-immune response, sets up a cascade of multi-organ failures: respiratory failure, kidney failure, liver failure, and finally heart failure.

The results of the therapeutic management of any infected patient, are variable depending on the immune system's status of the infected individual. In the case of healthy children and healthy and fit young adults, the infection can be asymptomatic or may simply manifest itself just like the common cold or seasonal influenza; these presenting commonly as a "running-nose" and a dry and unproductive cough. However, the Coronavirus Infection of an individual who is vulnerable or susceptible due to advanced age [with a more sluggish immune system] or has other underlying health problems [e.g. Immuno-compromised; malnourishment; cancer; heart disease; diseases of the lungs such as tuberculosis, asthma, cystic fibrosis; kidney disease; active primary or secondary liver disease], all such patients react poorly to the Coronavirus infection, with increased and increase risk of both morbidity and mortality.

The clinical manifestations of the Coronavirus disease include; dry cough; fever; headache; arthralgia [joint pain] and; general malaise and body discomfort with fatigue.

The current method of diagnosis is via nasal swabs in order to detect the virus or any of its components on the respiratory mucosa. Serological [from the blood] diagnosis is available, but the sensitivity of the Chinese version of this test, has been associated with many false negatives, and its reliability is taken with caution by many advanced economies' healthcare systems professionals. An adequate test should be 80% reliable in its diagnostic ability. Other rapid tests are still in the making, and this will make diagnosis quicker and more extensive.

The management of an infected patient requires barrier nursing. The frontline barrier nursing gadgets have to cover the whole face and body of the doctors, nurses and any other attendant of the patient at the time. At the same time, it also protects the patient from contracting any of the diseases that may be carried by any of their attendants. The use of Personal Protective Equipment (PPE) and mouth and nasal masks, should be reserved for medical personnel only, and for highly vulnerable persons and those with suspected infection so as to protect others from them. The effectiveness of the general population all wearing masks on the notion that it will protect them from transmission, is unproven; and may actually lead to a false sense of security.

The main medical therapies currently available are symptomatic; with respiratory support with oxygen, and artificial ventilation if end-stage respiratory failure develops. There are no chemotherapeutic agents yet licensed to treat the viral infection; and all current therapy is supportive, in order to allow the body's own immune system to fight and clear the virus and its infection. The use of immunoglobulins taken from infected and now-recovered/immune individuals, has been proposed, but has yet to be proven effective.

As I've stated above, the Coronavirus disease is one that primarily affects the respiratory system. As it results in pneumonia due to the inflammatory and immune response that it triggers from the infected body, the lung becomes consolidated with a lot of inflammatory exudates; characterised by the infiltration of the lung tissue with white blood cells from the resulting immune system's response. The lungs lose their structure and function as an organ of exchange of essential metabolic gases, and this leads to increasing respiratory failure.

Similarly, the kidneys as the main organ of excretion of the waste products of metabolism, goes into a failing state; with reduced urine output as a consequence of the increasing renal failure.

Concurrently, the main "engine room" of the body, the liver, begins to fail and not function properly; and most of the end-products of protein metabolism, lead to toxicity. The liver is the organ that metabolises anything that goes into our mouths. It is the factory of the body, and all foods are converted into what the body requires, and what the body rejects. The rejects are excreted in the form of urine by the kidneys, if it is liquid in form, or in the stools, in the case of solid wastes. Therefore if the liver fails, the products of metabolism are retained in the body [e.g. ammonia], and these are toxic. In the brain the toxicity manifests itself clinically as a confusional state.

This Coronavirus disease will affect many people despite efforts to mitigate and to contain it. The likelihood of the same patient contracting another Coronavirus infection is also there; as the RNA Coronavirus mutates into a different strain, just as the seasonal influenza virus mutates into a new strain year upon year. An infected and recovered individual will have acquired antibodies to the Coronavirus pathogen, thus imparting a level of immunity against the virus, but it is not clear whether this will be lifelong, or if it shall merely be for a fixed duration of time.

The search for a COVID-19 vaccine is based on the observable results of post-infection immunity amongst recovered individuals; and a vaccine is at least 12 months, if not more, away. Why is it so far away? Because the vaccine has to be shown to be both effective and safe for human use. The vaccine cannot be more dangerous to humans than the Coronavirus infection itself.

With regards to specific drugs and chemotherapeutic agents that can be used to clear the infection, this is always difficult with viral infections; as one is usually having to target one's own cells to kill the virus. That's why so many anti-viral drugs are less effective than antibiotics are for curing bacterial infections. I hear that Hydroxychloroquine - an anti-Malarial/ANTI-PARASITIC drug derived from Quinine, sometimes used in the prevention of PARASITIC Plasmodium species infections - and Azithromycin - a Macrolide ANTIBIOTIC, used to treat BACTERIAL infections - are being touted as chemotherapeutic agents for a VIRAL infection caused by this novel CoronaVIRUS. That's interesting. However, in the haste to find something to help cure, one must be careful not to make things worse again. The potential drug interaction between these two agents, can lead to the development of life-threatening arrhythmias (irregular heartbeats) that can cause sudden death. Always follow good evidence-based medical advice that comes from competent and objective healthcare professionals.

May I advise all the DFPers to take seriously this viral pandemic. It has no respect for anyone from future Kings and current Prime Ministers, to more humble common men or women.

All types of doctors and all the healthcare personnel working in all the health services of the world - i.e. all ranges of nursing staff, medical assistants, theatre attendants, dentists, hospital cleaners and cooks, medical students, etc. - must take care to avoid being infected; and they do not give others the infection. All must wear PPEs.

In conclusion, the only approach to this pandemic is, in principle, to stop the population from getting the infection in the first place. It is good that the South Sudan National Ministry of Health has issued preventative guidelines, but if these guidelines are not followed, then it serves no purpose. South Sudan can overcome the pandemic if they adhere to simple adjustments in lifestyle:

1]. No public gathering of even three people.

2]. Keep physical distances apart from one another when traveling on public or private transport.

3]. Avoid all crowded markets or places.

4]. Avoid touching surfaces that are open to many people in the shops, churches, schools, etc.

My prediction and experience is that South Sudanese are usually quite receptive, and belligerent, when it comes to known challenges that undermine their very own medical health and stability. They fear. And for that reason, I feel that South Sudan has the ability to beat this novel and highly contagious disease; but that's only if those leading the technical aspects of its mitigation, and its containment, are focused and completely honest with themselves and with all South Sudanese everywhere.

Remember: Test! Test! Test! So that you know your true disease prevalence in your country; and you must ensure that you have your very own and fully trusted South Sudanese quality control validation processes in place for each and every test that you conduct. South Sudan cannot afford to have False Negative Coronavirus test results always being reported in this health emergency - it shall only further compound the well-established political and the economic crisis in the country.

Dr. CD Ding

Chairman of the Board of Directors of Ebony Center and Co-chair of DPF

31. To implement the advice in Box 1 above, I recommend the following specific actions:

- a) Construct/erect temporary field hospitals to accommodate Intensive Care Units (ICUs) at the Freedom Hall and the Nyakuron cultural center. Hotels could be added as need arises. But, hotels at the capital cities of the ten States should be made ready now for use as ICUs when that time comes. UNMISS should supply Rub halls to be used as ICUs. I do not know the total number of ICU beds in South Sudan, but it would be prudent that the authorities plan for 5 ICU beds per 100,000 persons. Let us plan for 10 million persons, since more than 2 millions are in refugee camps in the neighboring countries. This means that we should have at least 500 ICU beds. China should be requested to construct/supply 10 ICUs, one for each of the ten capitals of our States with that of Juba having 100 ICU beds. Moreover, China could assist with 2,000 to 5,000 doctors and nurses, given the Chinese business presence in road construction and oil & gas sectors of our economy. India and Malaysia are also involved in the oil & gas sector, specifically in oil blocks: **1, 2, 4, 5A, and 3 & 7**. They can also supply doctors and nurses. Egypt could also contribute doctors and nurses, since there is an Egyptian Medical Center in Juba.
- b) Increase the number of tests performed daily in Juba from the current 80 to 1,000/day and do the same in the other nine (9) capitals of States with 100 tests per day. And as resources become available, this should be extended to the counties and Payams.
- c) Request the World Bank to approve the reallocation of the balance of the existing grant of **USD105 million** to South Sudan, currently being implemented by both UNICEF and ICRC, toward the purchase of PPEs for the health personnel who are at the frontline of this war. In fact, the University of Juba has just released a figure of USD60 million, as a minimum amount required **“for treating COVID-19 cases over 6 months in South Sudan”¹⁶**. This amount could quickly be mobilized through the University of Juba COVID-19 Response Committee.
- d) Distribute masks and other preventive stuff (e.g. soap, hand sanitizers, etc.) to

¹⁶ From University of Juba COVID-19 Response Committee: Preliminary Report, 8th April 2020, Juba, Republic of South Sudan

the general population through community-based as well as work-based cooperatives or engagement centers. **No distribution to be done through private companies and/or government agencies**, so as to avoid their diversion to personal and private gains by corrupt individuals. This calls for the full registration of households in Juba and other towns and create a biometric system for all the households and their occupants that will be used for channeling support for the protection of lives (healthcare) and livelihoods (economic support).

- e) Reactivate primary healthcare system that was established by the High Executive Council (HEC), which was the government of southern Sudan after the Addis Ababa Agreement. Introduce the idea of Community Health Centers (CHCs) at the Boma levels as critical elements of a Primary Healthcare Unit (PHU) at the Payam levels to be served by rural hospitals to provide secondary healthcare at the County levels. The World Health Organization (WHO) defines community health as: “...**environmental, social, and economic resources to sustain emotional and physical well being among people in ways that advance their aspirations and satisfy their needs in their unique environment**”¹⁷.
- f) Apply the above definition of community health by WHO to make use of the Community Health Centers to prevent COVID-19 pandemic from spreading to the rural areas. The American Center for Disease Control and Prevention (CDC) gives the role of CHCs as “**core safety net providers to society’s most vulnerable populations, many of which are at increased risk for HIV/AIDS, viral hepatitis, STDs, and TB, will continue to strengthen and grow**”¹⁸. The donor community and the NGOs should seize the opportunity of the COVID-19 pandemic to assist, in a coordinated manner, the people of South Sudan to put in place an efficient and effective healthcare system.

B. Economic policy management measures to protect lives and livelihoods

32. There is now a general consensus that conventional macroeconomic policy measures aimed at demand management (e.g. stimulating demand) are not the most appropriate to protect livelihoods of the population. The circular flow diagram (Figure 1) clearly shows that the negative externalities of isolation/containment (i.e. lockdown) on the economy are transmitted through supply-side. That is, households are unable to supply factors of production (i.e. labor, land, capital, and entrepreneur) to the factor market from where businesses employ them in the production of goods and services. Only essential goods and services (e.g. healthcare, security, etc.) are being produced; this is because the rest of the mobile factors of production are

¹⁷ From "A discussion document on the concept and principles of health promotion". Health Promotion. 1 (1): 73–6. May 1986

¹⁸ See What are community health centers? At:

<https://www.cdc.gov/nchhstp/preventionthroughhealthcare/healthdepartments/commhealthcenters.htm>

confined to their houses. Hence, **the challenge of economic policy management is how to ensure supply of goods and services to the households.**

33. Let us now look at the components of economic policy management. There are three main elements of economic policy management, which are used to influence the behavior of the economy in the production and distribution of goods and services. They are: **a) fiscal policy; b) monetary and exchange rate policy; and c) debt policy.** It will be recalled that South Sudan economy has been, since mid-2012, witnessing macroeconomic instability characterized by deficit financing, which in turn triggered double-digit inflation rates and volatility in the exchange rate market. One of the major consequences of macroeconomic instability is the erosion of the purchasing power of the income of all the people of South Sudan. The reason for this is the poor nature of economic policy management of our economy.

34. I will use the Country Policy and Institutional Assessment (CPIA) index of the World Bank to give us an idea of the nature and magnitude of the weakness of our economic policy management. The index clearly shows the nature and magnitude of the mismanagement of our economy. A score of 6 gives the highest quality of policies and institutions of a country, while a score of 1 indicates poor quality (i.e. the lowest level) of policies and institutions. The overall CPIA score for South Sudan ranges between 2.1 in 2012, which is the highest so far to a low of 1.5 in 2018 (see Table 1 below). Moreover, South Sudan in 2018 compares poorly to the World Bank's International Development Agency (IDA) eligible countries with a CPIA score of 3.2; Sub-Saharan Africa (SSA) with a CPIA of 3.1; and fragile states with a CPIA score of 2.8. Low scores of CPIA index for South Sudan are indicators of the inappropriate mixture of lubricants for our economic machine.

Table 1: The Nature and Magnitude of Decision-making in South Sudan As Measured by CPIA During the period 2012 – 2018

Cluster	CPIA Scores by Year							Change in CPIA Scores from 2012 to 2018
	2012	2013	2014	2015	2016	2017	2018	
Economic Management	1.8	1.8	1.8	1.5	1.0	1.0	1.0	-0.8
Structural Policies	2.3	2.2	2.2	2.2	2.0	2.0	2.0	-0.3
Policies for Social Inclusion and Equity	2.3	2.2	2.1	2.1	1.8	1.7	1.5	-0.8
Public Sector	2.0	2.0	1.9	1.7	1.5	1.4	1.4	-0.6

Management and Institutions								
Overall CPIA	2.1	2.1	2.0	1.9	1.6	1.5	1.5	-0.6

Source: Constructed by the author from **Assessing Africa's Policies and Institutions, World Bank (2019)**

35. Figures in Table 1 above show that economic policy management has been the lowest (worst) performing category for three years in a row since 2016 with CPIA score of 1.0 compare to 1.8 in 2012 (i.e. before conflict). The CPIA for Sub-Saharan Africa-IDA eligible countries was 3.1 in 2018. All the three elements of economic policy management scored each the same score of 1.0 since 2016. This weakness notwithstanding, **I would recommend that monetary and exchange rate policy should take the primary (lead) role in protecting livelihoods of the people of South Sudan.** Fiscal policy will play a complementary role in our strategy of protecting livelihoods. Even if the policy were to stimulate demand, South Sudan policymakers would face difficulties, since the government is running a financing gap of 8.2% of GDP in the FY2019/2020 budget. In this regard, I would like to make the following suggestions in our determined quest to protect the livelihoods of our people while fighting this new enemy – the COVID-19 pandemic:

B.1 Monetary and exchange rate policy measures for protecting livelihoods

36. **Supply chain** is the lifeline of livelihoods in South Sudan in general, and during the global lockdown in particular. This is because the trading system dealing with the movement of goods and essential services has not been affected by the global policy of isolation/containment (i.e. social/physical distancing). I would like all of us to have a common understanding and clarity about the idea of supply chain. This is imperative given the unfortunate history of “dura saga,” which was initiated to supply grains to areas in Greater Bahr el-Ghazal and Greater Upper Nile that were facing acute shortages in grains (dura) in 2008. So, what is supply chain? According to Investopedia:

A supply chain involves a series of steps involved to get a product or service to the customer. The steps include moving and transforming raw materials into finished products, transporting those products, and distributing them to the end-user. The entities involved in the supply chain include producers, vendors, warehouses, transportation companies, distribution centers, and retailers¹⁹.

37. A supply chain has the following four general characteristics²⁰ that must

¹⁹ <https://www.investopedia.com/terms/s/supplychain.asp>

²⁰ Taken from the same <https://www.investopedia.com/terms/s/supplychain.asp>

inform our debate on some of my recommendations:

- a) **“It is a network between a company and its suppliers to produce and distribute a specific product or service;**
- b) **The entities in the supply chain include producers, vendors, warehouses, transportation companies, distribution centers, and retailers;**
- c) **The functions in a supply chain include product development, marketing, operations, distribution, finance, and customer service; and**
- d) **Supply chain management results in lower costs and a faster production cycle.”**

Further clarification is needed on two terms - the supply chain management and logistics. First the supply chain management:

In the 1980s, the term supply-chain management (SCM) was developed to express the need to integrate the key business processes, from end user through original suppliers. Original suppliers are those that provide products, services, and information that add value for customers and other stakeholders. The basic idea behind SCM is that companies and corporations involve themselves in a supply chain by exchanging information about market fluctuations and production capabilities²¹.

The second term that we need to understand in the context of supply chain is logistics:

Logistics refers specifically to the part of the supply chain that deals with the planning and control of the movement and storage of goods and services from their point of origin to their final destination. Logistics management begins with the raw materials and ends with the delivery of the final product²².

38. We now do have a general understanding of the supply chain and its seven key elements, which are: **a) producers; b) vendors; c) warehouses; d) transportation companies; e) distribution (retailers); f) finance; and g) customer service.** I will treat (or assume) finance as the lubricant, which makes the supply chain move. I suggest that the Bank of South Sudan (BoSS) with technical backstopping from the IMF, be the key provider of this lubricant during the current economic blowback. Let us revisit one more time the circular flow diagram in Figure 1. We start this time around from businesses moving anti-clockwise (**blue arrows**) taking goods and services to households via the product market. Conceptually, the BoSS applies, in making the supply chain to move, a mixture of monetary and exchange rate instruments. That is, BoSS has basically two instruments of monetary policy – nominal money supply and capital account control – for ensuring supply of goods and services during this war against the coronavirus. Here are some specific ideas:

²¹ From https://en.wikipedia.org/wiki/Supply_chain

²² Ibid

- a) Use the **letter of credit (LC) system** to pay the producers of goods and services through the banking sector. It would be recalled that the LC system was operated outside the banking sector in 2014 and 2015; it was managed directly by GRSS' agencies (e.g. ministries of commerce, health, defense, etc.) and **USD1.0 billion** was spent on LCs that never delivered the needed goods and services. To avoid mistakes of the past in which LCs were given to government agencies, it is recommended that vendors first secure goods and services from producers, then present authenticated orders to their respective banks. The banks will then use these authenticated orders to buy the relevant foreign currency from BoSS and on securing approval from the monetary authorities, issue the LCs through corresponding banks. The banks use a system of escrow account, which **"is a legal concept describing a financial instrument whereby an asset or escrow money is held by a third party on behalf of two other parties that are in the process of completing a transaction"**²³. The adoption of escrow account system will ensure that goods and services are delivered. I am, nevertheless, aware of the fact that we have an external account deficit, which is given at the moment by the World Bank to be 6.4% of GDP²⁴.
- b) I recommend that **community-based and work-based producer and consumer cooperatives be formed as soon as possible** and once they are registered and their existence verified by independent bodies, such as credible civil society organizations (e.g. Citizen's Taskforce on COVID-19), chiefs and traditional community leaders; they should be given priority to act as vendors. They will be given credit (i.e. BoSS guaranteed soft loans by commercial banks) to construct cooperative warehouses, cooperative express-truck fleet (ETF²⁵) for transportation and distribution of goods and services to the households. Community-based committees, local authorities and anti-corruption civil society organizations will perform the function of the customer service in the supply chain. The cooperative system would create an economic system that is between command economic system (in which the state/government owns means of production and distribution) and free market economy (in which the role of state/government is confined to regulation). **The new economic system will be premised on social capital**, which will be

²³ An illustration is given as follows: "Consider a company that is selling goods internationally. That company requires assurance that it will receive payment when the goods reach their destination. The buyer, for their part, is prepared to pay for the goods only if they arrive in good condition. The buyer can place the funds in escrow with an agent with instructions to disburse them to the seller once the goods arrive in a suitable state. This way, both parties are safe, and the transaction can proceed."

²⁴ See "South Sudan Economic Update: poverty and vulnerability in a fragile environment," World Bank, January 2020

²⁵ An idea from Prof. Dan Bromley in Ebony Policy Brief: EPB#2020/2

used as collateral in most of the transactions of the financial institutions. I have hinted somewhere the work of Francis Mading Deng, Chinua Achebe, and Julius Nyerere as among the best references for the preparation of a **human-centered economic development** for our country as it starts its second decade of independence. The system **we have created since 2005 is driven by animal spirit underpinned by greed and selfishness**. We should not allow the resurface of the Al-Cardinals, Trinity energies, etc., and so forth of the kleptocratic world at these trying times. Enough is enough.

c) **Put in place an effective foreign exchange reserve management system:**

BoSS has ignored since independence the guidelines for Foreign Exchange Reserve Management, which have been issued by the IMF to guide its member states. Reserves, according to the IMF, “**consist of official public sector foreign assets that are readily available to and controlled by the monetary authorities.**” As I have stated elsewhere, South Sudan (i.e. GRSS) was born with a “**golden spoon**” in her mouth for it received from the sales of crude oil an average of **USD500,000,000** per month during the first six months (July – December 2011) of independence. With a good system of foreign exchange reserve management, BoSS would have accumulated huge reserves, which it could have used to **control capital account**. But, there was no system in place due to our usual recklessness and ignorance underpinned by the culture of “**I know!**” It is not too late for BoSS to make use of the guidelines:

“The Guidelines for Foreign Exchange Reserve Management have been developed as part of a broader work program undertaken by the Fund to help strengthen the international financial architecture, to promote policies and practices that contribute to stability and transparency in the financial sector and to reduce external vulnerabilities of member countries. The guidelines parallel those for Public Debt Management that were developed by the Fund and the World Bank and released in March 2001²⁶.”

As part of building foreign exchange reserves, the balance of Transitional Financial Arrangement (TFA) being paid to the Sudan should be renegotiated immediately. The World Bank estimates our foreign exchange reserves to be equivalent to two months of imports (**or USD72 million²⁷**).

d) **Reduce required reserve ratio and caped capital requirement:** BoSS to suspend current call for increasing paid-up capital of the commercial banks from USD15 million to USD30 million.

²⁶ Revised Guidelines for Foreign Exchange Reserve Management, International Monetary Fund (IMF), 2013

²⁷ See “South Sudan Economic Update: poverty and vulnerability in a fragile environment,” World Bank, January 2020

- e) **BoSS to recapitalize and restructure** Cooperative Bank & South Sudan Agricultural Bank and encourage them to open branches in all 79 counties & Abyei.
- f) **BoSS to establish and manage Coronavirus Resilience Fund** (CRF) with initial amount of SSP300 billion to provide soft (interest-free) loans to hard-hit businesses and distressed households. Additional funds could come from Rapid Credit Facility (RCF) of the IMF for low-income countries and emergency Development Policy Operations (DPO) of the World Bank for the same countries.

B.2 Fiscal Policy Measures

39. The fundamental challenge for fiscal policy in the Republic of South Sudan is the inherent indiscipline in the management of approved budgets. One of the root causes of this indiscipline is the lack of effective oversight from the legislative branch of our government. This has allowed the Ministry of Finance and Planning (MoFP) to marginalize majority of the spending agencies in the execution of the budget. I have stated earlier that fiscal policy will complement monetary and exchange rate policy measures in our fight against the COVID-19 pandemic. I would think the Revitalized Transitional Government of National Unity (RTGoNU) should take advantage of the current situation to embark on improving its Public Financial Management (PFM) system and enforcing stringent discipline in the execution of the budget. The idea of collegiality stipulated in Article 1.9.1 of the Revitalized Agreement on the Resolution of the Conflict in the Republic of South Sudan (R-ARCSS) is opportune, in my view, as it would make the Presidency to take full charge of our “public finances” in the fight against this new enemy – the coronavirus. South Sudanese always unite against external enemy and COVID-19 is definitely an external enemy, which we must fight together as united people. In this regard, the Presidency must rally the country around the **overarching objective of protecting lives and livelihoods**, guided by Article 1.9.1, which states:

The RTGoNU is founded on the premise that there shall be collegial collaboration in decision-making and continuous consultations within the Presidency, between the President, the First Vice President, and the Four Vice Presidents, to ensure effective governance during the Transitional Period²⁸.

40. The Collegial Presidency (CP) will simultaneously fight corruption with COVID-19 pandemic enemy and there are sufficient guidelines to just do that²⁹. Specifically:

²⁸ See page 12 of the Revitalized Agreement On The Resolution of the Conflict in the Republic of South Sudan, Addis Ababa, Ethiopia, 12 September 2018

²⁹ There are good guides, for example from Sarah Steingruber, Monica Kirya, David Jackson, and Saul Mulard. Corruption in the time of COVID-19: A double threat for low income countries. U4 Basic Guide, CHR Michelsen Institute, 27 March 2020

The crisis also provides an opportunity to strengthen leadership and governance in the sector, clean up ghost workers, and improve salaries and benefits for health workers. The COVID-19 crisis has shown that transparency should be strengthened throughout the medical private sector (medical devices, pharmaceuticals, life/science, medical supplies, drug trials, etc.), to ensure that profit-making does not override public interest³⁰.

41. I now make some of the following specific suggestions:

- a) The Ministry of Finance and Planning (MoFP) should establish at the Bank of South Sudan, a Treasury Single Account (TSA) into which all the money (**i.e. taxes, oil revenues, grants, loans, etc.**) belonging to the Government of the Republic of South Sudan should be deposited. This would enable BoSS to accumulate foreign exchange reserves, so as to “**ensure that: (i) adequate foreign exchange reserves are available for meeting a defined range of objectives; (ii) liquidity, market, and credit risks are controlled in a prudent manner; and (iii) subject to liquidity and other risk constraints, reasonable earnings are generated over the medium to long term on the funds invested**³¹.” Example of a defined objective is the importation of goods and critical services during this period using the LC system.
- b) All the spending units/agencies of the Government of the Republic of South Sudan must have sub-accounts, as integral part of the TSA and into which their budgetary allocations are deposited quarterly and on advance payment basis. This would give required flexibility in the light of COVID-19 pandemic for spending units will have to act quickly without going through the long bureaucracy of MoFP. It also requires MoFP to abolish with immediate effect the centralized cash management system at the Ministry of Finance and Planning and make it mandatory for each and every spending unit/agency to establish its own cash management system;
- c) Abolish with immediate effect, the entire roadblocks and checkpoints that illegally collect fees at these points. Such roadblocks and checkpoints could slow down, if not made illegal and criminalized, the supply chain of food and healthcare items during these trying times of the COVID-19 pandemic. Security forces have to be deployed for this purpose and should be assisted by youth and community leaders. In this regard, “**the relevant anti-corruption and criminal justice agencies should issue strong warnings against fraud and corruption in crisis response measures, and prepare to launch investigations against those who are abusing their public positions to profit from the crisis**³².”

³⁰ Ibid

³¹ Revised Guidelines for Foreign Exchange Reserve Management, International Monetary Fund (IMF), 2013

³² From Sarah Steingruber, Monica Kirya, David Jackson, and Saul Mulard. **Corruption in the time of COVID-19: A double threat for low income countries**. U4 Basic Guide, CHR Michelsen Institute, 27 March 2020

- d) Wages and salaries should be made as a critical component of mandatory spending in the remaining quarter of FY2019/2020 budget and in the FY2020/2021 proposed budget. The Minister of Finance and Planning must issue, at the beginning of each and every Fiscal Year, an irrevocable (i.e. irreversible) letter/instructions to the Governor of the Bank of South Sudan, to pay all wages and salaries of public sector employees by the last working day of the month and to immediately deduct this monthly wage bill from the TSA during the first week of the following month. This requires that all public sector employees on salaried posts (i.e. permanent positions) must have personal accounts at the commercial banks operating in the Republic of South Sudan, into which the Bank of South Sudan should deposit their respective salaries. Moreover, this calls for the implementation of a biometric-based South Sudan electronic payroll system using the national ID numbers issued by the Ministry of Interior.
- e) All payments should be on the approved budget and in cheques and not in-kind, giving cargos of crude oil to suppliers of goods and services should be prohibited by law and be criminalized. Only civil servants should be accounting officers of spending agencies and no constitutional post-holder should be allowed to sign financial forms, cheques, and/or any other financial instruments.
- f) Reallocate **USD100** million from infrastructure fund (**30,000bbl/day**) in the FY2019/2020 budget to the proposed budget by the University of Juba Response Committee for treating the potential COVID-19 cases over 6 months period. It could be a window in the CRF, but payment to qualified and eligible entities, e.g. U of J teaching hospital will be on grant basis.

B.3 Sector specific policies for protecting livelihoods

42. The CP should take this opportunity to implement the SPLM strategy of making agriculture the engine of economic growth and use the oil sector to fuel this engine. The following proposals are meant to generate more debate within the DPF digital platform as well as within the general development policy community with stakes in South Sudan:

- a) The Ministry of Agriculture and Food Security should immediately dispatch a corps of agricultural extension specialists to the ten state capitals to serve as front-line agents for agricultural production and marketing. Special attention should be paid to agri-food chain starting from Renk (grains production), Aweil (rice production), Thiet, Rumbek, Wau, Nasir, Akobo, Pibor, Kapoeta, Trekeka, Yirol, Bor (for livestock production), Malakal, Trekeka, and Bor (fisheries), and the whole green belt in Greater Equatoria (for maize, groundnuts, cassava, tea, coffee, horticulture, etc.).

- b) The Ministry of Transport to quickly rehabilitate the Juba-Renk river transport and Aweil-Wau railway. The Ministry of Roads and Bridges to refocus on roads that connect food production areas with the main urban consumption areas.

IV. Conclusion

43. I strongly believe that there are opportunities in crises, such as COVID-19 pandemic, to do good things. We have seen from those countries and communities battling the coronavirus, the human spirit towering over the animal spirit of greed and selfishness. As I conclude these reflections, I am impressed by the creativity of Prof. John Akec, VC of the University of Juba in quickly responding to the crisis by establishing the University of Juba COVID-19 Response Committee. He has demonstrated beyond doubt the role of the university in the society. But, above all I have been impressed and encouraged by the powerful professional advice of Dr. Col Dau Ding (popularly known within the DPF digital platform as Chairman Dr. CDD) to the people of South Sudan. I have known since 1972 the dedication and professional conviction of Chairman Dr. CDD to the service of our people. He has inspired me to start these reflections and I want to encourage all the members of the DPF digital platform to join Chairman Dr. CDD in providing menu of options containing practical solutions in the protection of lives and livelihoods of our people. I want to leave with this quotation from Julius Nyerere, former President of Tanzania:

Our first step, therefore, must be to re-educate ourselves; to regain our former attitude of mind. In our traditional African society we were individuals within a community. We took care of the community, and the community took care of us. We neither needed nor wished to exploit our fellow men³³.

³³ Julius K. Nyerere. 1962. Ujamaa: The basis of African Socialism, Dar es Salam, April 1962