

CONFLICT AND COMMODITY PRICES IN SOUTH SUDAN

Why commodity prices and conflict?

An armed conflict erupted in South Sudan on 15 December. To-date, over 100 days after the conflict, close to a million people are internally displaced and close to a quarter million crossed to neighboring countries of Ethiopia, Kenya, Sudan and Uganda. In addition to displacement of people, the conflict has resulted in destruction of infrastructure including markets, houses, radio stations, and other community and household infrastructure.

The conflict affected three states in particular – Upper Nile, Jonglei and Unity – and these states stand to lose not only the momentum in their economic and social development, but also the means for people to attain sustainable means of living. And this will likely create regional imbalances and inequalities in development outcomes, which are likely to fuel further conflict.

We use high frequency data to examine the effect of the conflict on prices of basic commodities. We discuss the results in the context of short to long term interventions to return to the development course for the affected states, and for the people to return to a path of sustainable means of living.

METHODS-DATA SOURCES

We use two datasets: the high frequency survey and the internally displaced monitor. **The high frequency survey data** is collected by the National Bureau of Statistics with support from the World Bank. It uses tablet computers to collect real-time data in Juba (Central Equatoria), Rumbek (Lakes), Wau (Western Bahr El Ghazal) and Malakal (Upper Nile). Upper Nile is one of the three states that was and is affected by the current conflict. The rest – central Equatoria, Lakes, and Western Bahr El Ghazal – were either less affected or only indirectly affected. This therefore provides an opportunity to explore the effect of the conflict on price changes.

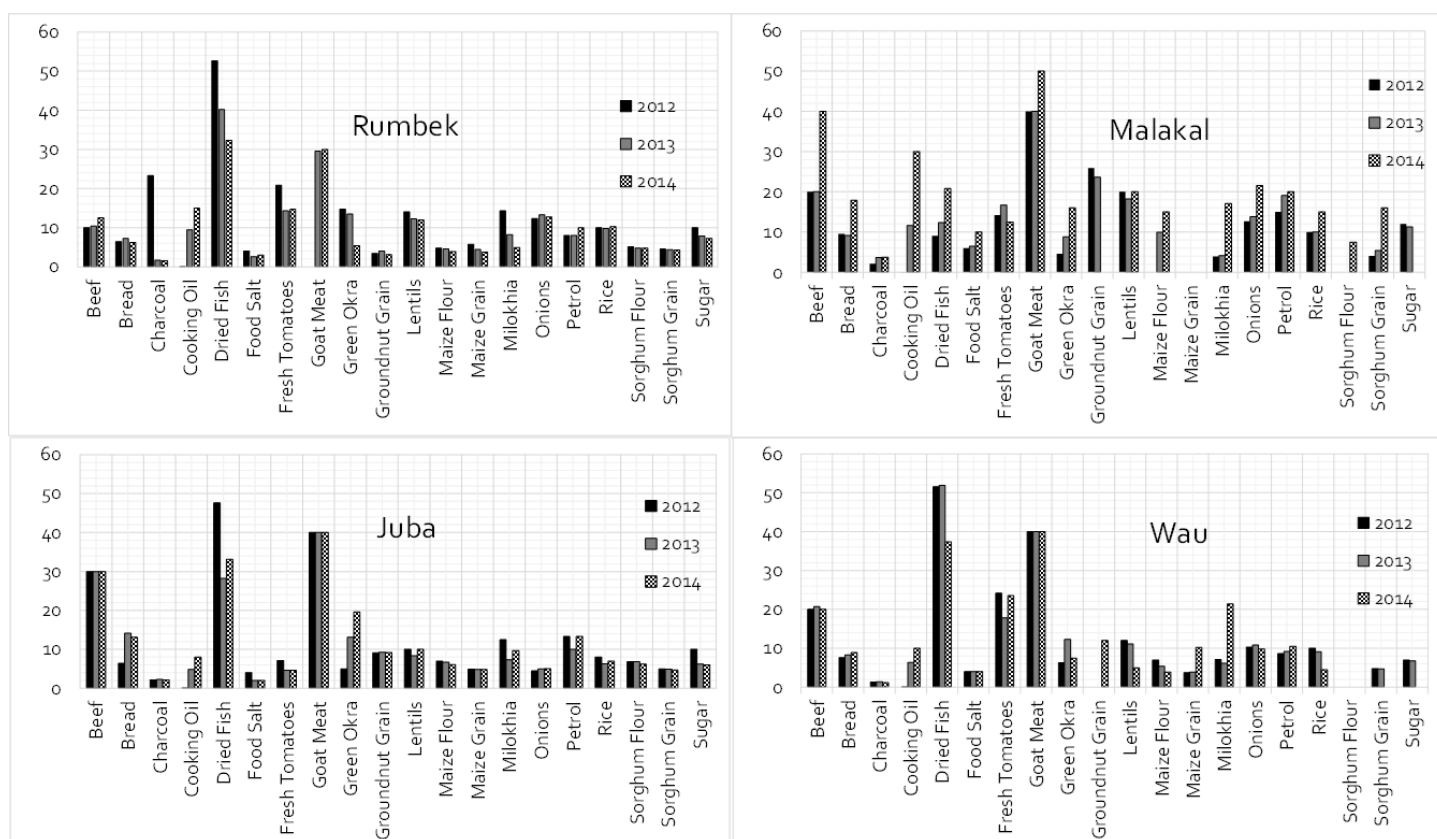
The survey collects data on market prices for twenty retail products and eight wholesale products sold in local markets. These products were selected by the NBS and constitute a subset of products from the South Sudan Consumer Price Index that have high weights and are considered important for household wellbeing. These are primarily food items, petrol and charcoal. Grain, flour, vegetables and fruit are weighed in order to get an accurate price per kilo that can be compared between towns and over time. Enumerators visit these major markets and ask vendors for the price and country of origin of selected products, then weigh them. No products are purchased over the course of this survey.

The internally displaced people's monitor collects information on the number of person in each settlement and it is updated regularly. Its aim is to keep abreast with the movement of the displaced population. The figures are based on reports from partners – the United Nations and the non-governmental organizations – in the settlements. Data are available for a total of 141 settlements.

RESULTS – EFFECT OF THE CONFLICT ON COMMODITY PRICES

Figure 1 shows average prices of 20 commodities in 4 towns over 3 years. Although the number of data points in each year is different, those in years 2013 and 2014 reflect, respectively, periods before and after the conflict. The first data on prices after the conflict was collected in January 2014, after which the market in Malakal was destroyed. Unlike other towns, Malakal did experience significant increase in prices for almost all commodities for which data were collected.

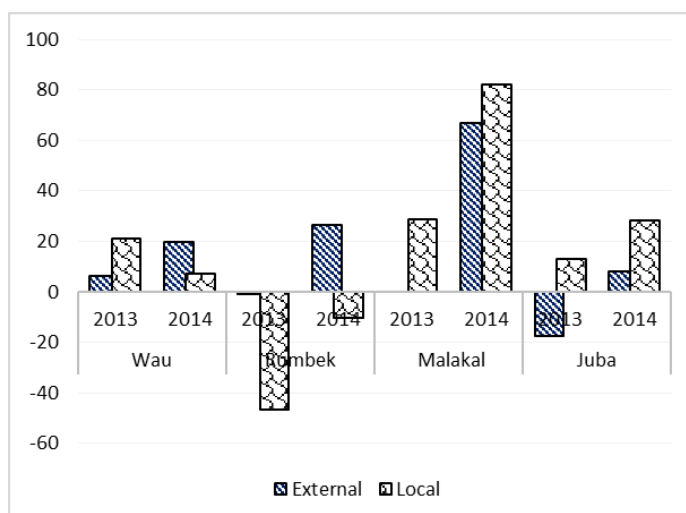
The affected commodities tell a story of disrupted ability of communities to produce for the market and disruptions in trade. One group of commodities – beef, bread, charcoal, fresh tomatoes, goat meat, green

Figure 1: Average prices of 20 commodities in 4 towns and in 3 years in South Sudan

okra, milokhia (local green vegetable), sorghum grain and flour – tells a story of disrupted ability of the communities to produce for the market. Another group of commodities – cooking oil, dried fish, salt, groundnuts, lentils, maize grain and flour, onions, petrol, rice and sugar outside the neighboring communities of Malakal from Uganda, Sudan and other parts of South Sudan – tells a story of a disrupted supply chain.

Figure 2 shows the unweighted average percentage change in prices from the previous year for the commodities locally and externally produced in the 4 markets. Note that, the pattern in 2013 differs in the 4 markets. For example, in Malakal and Rumbek, the prices of externally produced commodities remained unchanged. In Wau, the change was positive but small, and in Juba it was negative. The divergence in price changes is also observed for the locally produced commodities, which were positive in Wau, Malakal and

Juba; but negative in Rumbek (implying an easing of local supply constraints).

Figure 2: Percent change in prices of locally and externally produced commodities in 4 markets before and after the 15th December 2013 conflict

After the conflict, which the 2014 values reflect – a change from 2013 to 2014 – Malakal in Upper Nile experienced the highest increase, signaling sharp supply constraints. Prices shot up by 80 percent for locally produced commodities and by 67 percent for the externally produced ones. Increases are also observed in Juba and Wau for both types of commodities, but nowhere near that observed for Malakal.

CHANGES AND PATTERNS FOR INTERNALLY DISPLACED PERSONS

Seventy seven days into the conflict, there is a sign of a plateau in the number of internally displaced persons, but no significant signs yet of it reducing (see figure 3). Most of the increase in the number of internally displaced persons is a reflection of being better able to document rather than new fighting. After 50 days, there was small and insignificant reduction (largely driven by changes in Malakal) but the number has largely remained constant from day 60 onwards.

Once again, the 3 conflict most affected states (Unity, Upper Nile and Jonglei) host the highest number of internally displaced persons. States where the conflict is less or not active also host large numbers of the displaced (Central Equatoria, Lakes etc).

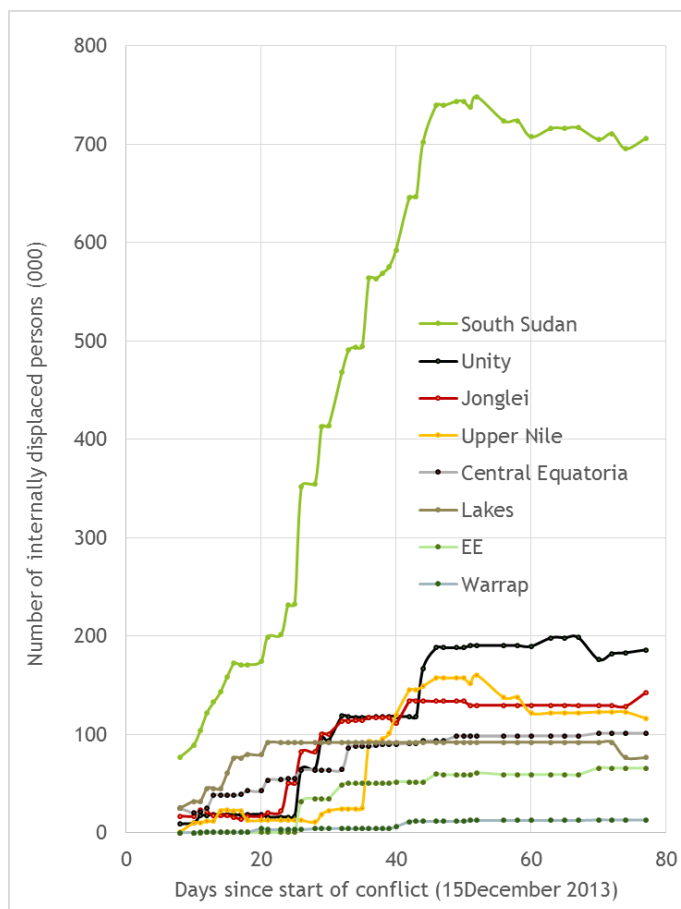
Note that the following states and territories are excluded because the numbers are small - Northern Bahr el Ghazal, Western Bahr el Ghazal, and Western Equatoria; and Abyei, a territory contested between Sudan and South Sudan.

SHORT TO LONG TERM INTERVENTIONS

Short term interventions are important to alleviate the suffering, but they do not necessarily address or enable the affected states to return to a path of development and their people to revive sustainable means of living. It is important that short term interventions should not in any way hinder or damage the chances of success for long term interventions.

In the short term, the optimal response is cessation of hostilities and responding to the humanitarian needs.

Figure 3: Number of internally displaced persons according to state and time



But the response should also include actions oriented toward the longer term that help displaced communities strengthen their abilities and skills that will be critical for returning to sustainable means of living and rebuilding once hostilities cease and return happens.

ABOUT UNDP SOUTH SUDAN

UNDP has been present in Southern, then South Sudan for three decades without a break, and has streamlined its portfolio in light of the crisis. It offers a range of projects directly relevant in many of the areas mentioned above. UNDP builds on strong relationships with communities, civil society, NGOs, county and state governments to deliver, particularly at the subnational level.



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Resilient nations.*