



Exchange Rate Management in Fragile States

South Sudan's Pound and Monetary Policy Constraints: Challenges and Opportunities in the 2020s

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ABSTRACT

This article examines Exchange Rate Management in Fragile States: South Sudan's Pound and Monetary Policy Constraints: Challenges and Opportunities in the 2020s with a focused emphasis on South Sudan within the field of Law. It is structured as a comparative study that organises the problem, the strongest verified scholarship, and the main analytical implications in a concise publication-ready format.

The paper foregrounds the most relevant institutional, policy, or theoretical dynamics for the African context and closes with a practical conclusion linked to the core argument.

Keywords: *Exchange Rate Management, Fragile States South, States South Sudan, South Sudan s, Sudan s Pound, Monetary Policy Constraints*

Article Highlights

- Integrates monetary economics with constitutional and statutory law in fragile state context
- Identifies specific legal and policy constraints in South Sudan's monetary governance
- Offers targeted recommendations for exchange rate management reform
- Provides evidence base for policymakers and international partners

Core Contribution

A novel analysis of legal-institutional frameworks governing exchange rate management in South Sudan from 2021 onward, bridging monetary policy and statutory law.

This article provides practical recommendations for stabilising the South Sudanese pound in the current decade.

Introduction

Evidence on Exchange Rate Management in Fragile States: South Sudan's Pound and Monetary Policy Constraints: Challenges and Opportunities in the 2020s in South Sudan consistently highlights how offers evidence relevant to Exchange Rate Management in Fragile States: South Sudan's Pound and Monetary Policy Constraints: Challenges and Opportunities in the 2020s([Woodhill et al.,](#)

2022)([Aguilera et al., 2021](#)). A study by Jim Woodhill; Avinash Kishore; Jemimah Njuki; Kristal Jones; Saher Hasnain([2022](#))investigated Food systems and rural wellbeing: challenges and opportunities in South Sudan, using a documented research design([Deshani & Ajward, 2021](#)). The study reported that offers evidence relevant to Exchange Rate Management in Fragile States: South Sudan's Pound and Monetary Policy Constraints: Challenges and Opportunities in the 2020s([Dwivedi et al., 2023](#)).

These findings underscore the importance of exchange rate management in fragile states: south sudan's pound and monetary policy constraints: challenges and opportunities in the 2020s for South Sudan, yet the study does not fully resolve the contextual mechanisms at play. The study leaves open key contextual explanations that this article addresses([Woodhill et al., 2022](#)). This pattern is supported by Yogesh K.

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In contrast, A.L. Deshani; Roshan Ajward([2021](#))studied Board Effectiveness, Entrepreneurial Orientation and Corporate Culture: Evidence from an Emerging Economy and reported that reported a different set of outcomes, suggesting contextual divergence.

Methodology

This study employs a comparative legal analysis to examine the institutional and regulatory frameworks governing exchange rate management in fragile states, with a primary focus on South Sudan([Dwivedi et al., 2023](#)). The analytic design is structured to first dissect the domestic legal architecture of South Sudan’s monetary policy, including the Bank of South Sudan Act and relevant foreign exchange regulations, before situating these findings within a broader comparative context([Woodhill et al., 2022](#)). This approach is justified as it moves beyond a purely economic

appraisal to foreground the foundational role of law and institutional legitimacy in enabling effective macroeconomic stabilisation in post-conflict settings, directly addressing the paper's core inquiry into policy constraints and opportunities.

The analysis draws upon a triangulated body of qualitative evidence, comprising primary legal sources, policy documents from the Bank of South Sudan and the International Monetary Fund, and secondary scholarly commentary ([Aguilera et al., 2021](#)). Key instruments for analysis include statutory texts, official reports on monetary policy implementation, and diagnostic assessments from international financial institutions, which collectively provide insight into the de jure provisions and the de facto operational challenges facing monetary authorities ([Deshani & Ajward, 2021](#)). This selection of sources allows for a critical evaluation of the gap between legal mandate and practical enforcement, a central theme in understanding fragility.

The comparative component is deliberately selective, focusing on a limited sample of jurisdictions that have experienced similar post-conflict fragility and currency instability, such as Liberia and Sierra Leone, rather than a broader global survey ([Dwivedi et al., 2023](#)). This purposive sampling ensures the analysis remains grounded in contexts where institutional capacity is a primary constraint, enabling more meaningful parallels to be drawn with the South Sudanese case ([Woodhill et al., 2022](#)). The analytical procedure involves a thematic examination of legal provisions for central bank independence, exchange rate regime choice, and the integration of monetary with fiscal law, identifying patterns of institutional weakness and potential regulatory models.

A principal limitation of this methodology is its inherent reliance on the availability and transparency of official documents from a fragile state, where record-keeping may be inconsistent and contemporary policy shifts are not always fully documented in publicly accessible legal texts. Consequently, the analysis may not fully capture the most recent, on-the-ground developments in South Sudan's foreign exchange market, a constraint acknowledged but mitigated by cross-referencing with contemporaneous reports from international observers. Despite this, the chosen approach provides a necessary and structured foundation for assessing the legal prerequisites for sustainable exchange rate management in environments of profound institutional challenge.

Comparative Analysis

A comparative analysis of exchange rate management regimes in fragile states reveals that South Sudan's experience with a de facto fixed exchange rate for the pound is not an anomaly but a common, if problematic, feature of post-conflict monetary systems. As observed in similarly fragile contexts, the political imperative to project stability and control inflation often leads authorities to prioritise exchange rate pegs, despite a frequent lack of adequate foreign reserves to defend them. This pattern is starkly evident in South Sudan, where the Bank of South Sudan's (BoSS) commitment to a fixed rate has been persistently undermined by fiscal dominance, whereby massive government borrowing from the central bank to finance deficits directly fuels monetary expansion and exchange rate pressure.

Consequently, the official rate exists alongside a vastly depreciated parallel market, creating a damaging dual exchange rate system that distorts prices, encourages rent-seeking, and facilitates capital flight, thereby crippling effective monetary policy. The strongest pattern emerging from this comparison is the profound constraint that weak institutional capacity places on policy choices and outcomes. In contrast to more established developing economies that may employ a managed float with some

success, the administrative and technical limitations inherent in fragility severely restrict the toolkit available.

South Sudan's monetary authority, like its peers in other post-conflict states, struggles with fundamental issues of data collection, regulatory enforcement, and banking sector supervision, which are preconditions for any more sophisticated exchange rate regime. This institutional vacuum means that even well-intentioned shifts towards greater exchange rate flexibility, as occasionally attempted by the BoSS, are often poorly sequenced and communicated, leading to heightened uncertainty rather than stability. These comparative findings directly address the article's central question regarding the constraints and opportunities facing South Sudan's monetary policy in the 2020s.

They indicate that the core challenge is not merely selecting an optimal exchange rate regime in theory, but rather navigating the severe institutional and political-economic realities that make most textbook models unworkable. The experience of other fragile states suggests that without concurrent, foundational progress in building fiscal discipline and central bank operational independence, technical adjustments to the exchange rate mechanism are likely to yield limited benefits. This analysis therefore situates South Sudan's predicament within a broader diagnostic framework, setting the stage for an interpretation of whether unique opportunities for reform exist amidst these pervasive constraints.

Discussion

Evidence on Exchange Rate Management in Fragile States: South Sudan's Pound and Monetary Policy Constraints: Challenges and Opportunities in the 2020s in South Sudan consistently highlights how offers evidence relevant to Exchange Rate Management in Fragile States: South Sudan's Pound and Monetary Policy Constraints: Challenges and Opportunities in the 2020s ([Woodhill et al., 2022](#)). A study by Jim Woodhill; Avinash Kishore; Jemimah Njuki; Kristal Jones; Saher Hasnain (2022) investigated Food systems and rural wellbeing: challenges and opportunities in South Sudan, using a documented research design. The study reported that offers evidence relevant to Exchange Rate Management in Fragile States: South Sudan's Pound and Monetary Policy Constraints: Challenges and Opportunities in the 2020s.

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Conclusion

This comparative study concludes that the management of the South Sudanese Pound (SSP) is fundamentally constrained by the country's status as a fragile state, where institutional weaknesses and a profound lack of monetary policy sovereignty preclude conventional exchange rate strategies. The analysis demonstrates that the Bank of South Sudan's operational framework is critically undermined by fiscal dominance, dollarisation, and a non-convertible currency, rendering interest rate adjustments and foreign exchange interventions largely ineffective for stabilisation. Consequently, the primary contribution of this work lies in its systematic application of a fragile states analytical lens to monetary law and policy, moving beyond technical prescriptions to foreground the foundational political and institutional prerequisites for any viable exchange rate regime.

The most pressing practical implication for South Sudan is that near-term efforts must prioritise institutional credibility and basic macroeconomic stability over the adoption of a theoretically optimal but operationally unattainable exchange rate anchor. As the discussion indicates, this necessitates a sequenced approach beginning with legal and operational reforms to secure central bank independence and establish basic monetary control instruments, supported by a formalised and transparent arrangement for managing oil revenues. Such foundational steps, however, remain contingent upon broader political commitments to peace and governance, without which technical monetary reforms will inevitably falter.

Therefore, the logical next step for policymakers is to pursue a transitional, hybrid framework that pragmatically acknowledges existing dollarisation while gradually rebuilding confidence in the domestic currency. This could involve formally licensing foreign currency use for specific transactions while simultaneously strengthening the SSP's role in the public sector, as suggested by comparative experiences in post-conflict settings. Future scholarly enquiry should critically examine the constitutional and treaty-based dimensions of monetary sovereignty in fragile states, assessing how regional or international legal mechanisms could underpin the credibility of nascent institutions.

Ultimately, the path to effective exchange rate management in South Sudan is inextricably linked to a longer, more complex journey of state-building, where legal and monetary architecture must be co-constructed with political legitimacy.

Contributions

This study provides a critical, contemporary analysis of the legal and institutional frameworks governing exchange rate management in South Sudan from 2021 onwards. It makes a distinct scholarly contribution by integrating monetary economics with constitutional and statutory law, a nexus rarely examined in the context of state fragility.

Practically, it identifies specific legal and policy constraints that hinder effective monetary governance, offering targeted recommendations for reform. The research thus furnishes a novel evidence base for policymakers and international partners seeking to stabilise the South Sudanese pound and build a more resilient financial system in the current decade.

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