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A POLICY FRAMEWORK FOR ADDRESSING THE BANKNOTE SHORTAGE IN SOUTH SUDAN

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CASH IS KING: A POLICY FRAMEWORK FOR ADDRESSING THE BANKNOTE SHORTAGE IN SOUTH SUDAN

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SUMMARY

South Sudan's economy has remained predominantly cash-based since its independence in 2011, with persistent banknote shortages exacerbating the instability of its financial system. The rapid depreciation of the South Sudanese Pound (SSP), coupled with high inflation and inadequate currency supply, has disrupted commerce, eroded purchasing power, and increased transaction costs. This policy paper examines the root causes of cash shortages and proposes introducing higher-denomination banknotes as a solution to improve transaction efficiency, reduce printing costs, and alleviate pressure on smaller denominations. While this policy offers significant benefits, it also carries risks, including the potential for misuse of the banknotes in illicit activities, counterfeiting risk, and the psychological signaling effect of larger banknotes on public inflation expectations. Mitigation strategies, such as enhanced anti-counterfeiting and anti-money laundering measures, as well as public awareness campaigns, are essential. Additionally, complementary reforms, including the expansion of digital payments and improved management of the currency supply chain, are recommended to ensure long-term stability of the currency and financial system.

INTRODUCTION

Since achieving independence in 2011, South Sudan has endured persistent structural and macroeconomic constraints that continue to shape its economic performance and financial systems development. Among these challenges is the economy's current overwhelming reliance on cash as the primary medium of exchange. Experiences from many developing countries have shown that limited access to formal banking services, low digital payment penetration and inadequate financial infrastructure, entrench a cash-dominated system. Consequently, physical currency remained the primary medium for both personal and commercial transactions in such environments. This dependence has made such economies vulnerable to shocks in currency availability and management.

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For South Sudan, the situation has worsened, as the demand for physical banknotes continues to outstrip supply, compounded by the history of high inflation and the sustained depreciation of the South Sudanese Pound (SSP). These factors have significantly weakened the currency's purchasing power. With the SSP losing value, individuals and businesses require ever-larger quantities of banknotes to conduct even routine transactions. As the supply of physical cash has not kept pace with the escalating demand, an acute and persistent shortage of banknotes has become entrenched.

The effects of this cash crisis are stark and far-reaching. Daily commerce is increasingly disrupted, with citizens and enterprises struggling to obtain sufficient cash for basic transactions. Long queues at banks, withdrawal limits, and the emergence of informal cash markets with premium charges are visible symptoms of a deeper systemic problem. Moreover, the existing denominations of SSP banknotes, designed for an earlier economic reality, have become grossly insufficient in value, forcing individuals to carry and transact with cumbersome loads of low-denomination notes, further exacerbating inefficiencies and logistical burdens in cash handling. This paper examines the root causes and the cascading economic impacts of South Sudan's banknote shortage, building the case for introducing higher-denomination banknotes. The paper also highlights the attendant risks and trade-offs that are associated with the introduction of higher-denomination banknotes and presents viable recommendations for policy intervention.

BACKGROUND AND IMPLICATIONS OF THE CASH SHORTAGE

The South Sudanese Pound (SSP), introduced in 2011 as the country's national currency, was intended to symbolize South Sudan's monetary sovereignty and anchor its economic transition following independence. Pegged initially to the US dollar at a rate of USD 1 to SSP 2.9, the currency's stability was short-lived. The 2012 oil shutdown deprived the government of its only source of revenue and foreign currency reserves. This development precipitated the first significant devaluation of the SSP and exposed underlying vulnerabilities in the country's monetary framework. This initial shock was soon compounded by the outbreak of conflict in 2013 and persistent political instability in the years that followed. The developments entrenched macroeconomic fragility and set the stage for recurring fiscal and balance of payments crises. These episodes have intensified since mid-2023, as the SSP entered a sharp depreciation spiral (Figure 1), further accelerating inflationary pressures and unprecedented strain on our cash-dependent economy.

Figure 1: Exchange Rate Trend USD/SSP

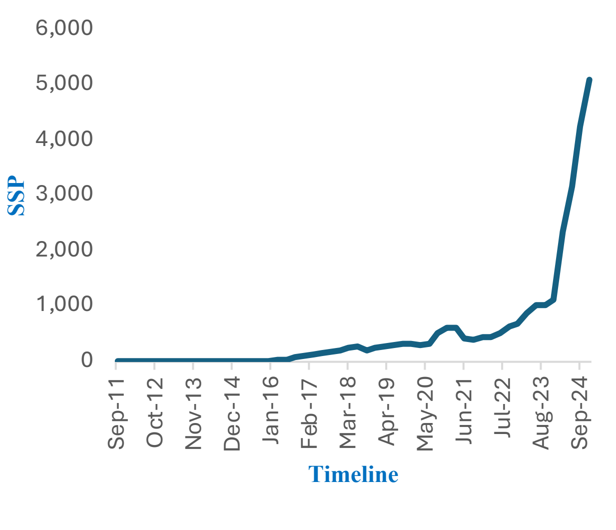
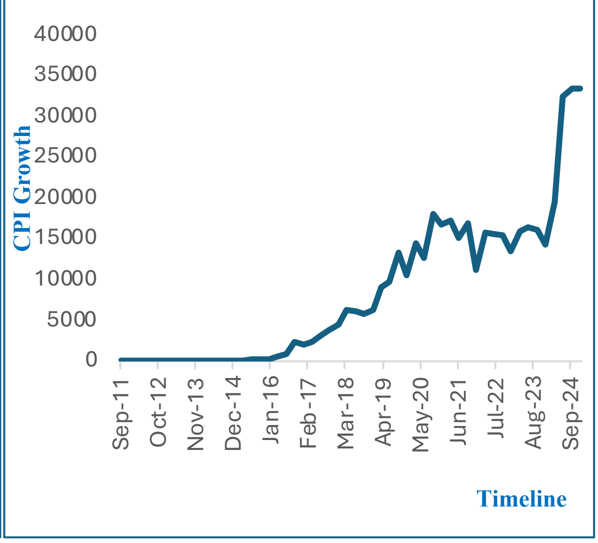


Figure 2: CPI Trend



Source of Data: BOSS Statistical Bulletin, April 2025

Additionally, as a heavily import-dependent country, South Sudan is acutely vulnerable to trade-related shocks. Thus, the rapid decline in the value of the SSP has translated directly into sustained inflationary pressures. Consumer Price Index data from 2011 to 2024 clearly illustrate how inflation has progressively eroded the real purchasing power of the SSP (Figure 2). This erosion has compelled households and businesses to handle larger volumes of cash for even the most routine transactions, thereby amplifying demand for physical banknotes in the absence of widespread digital payment systems.

The Bank of South Sudan's (BOSS) ability to meet this rising demand for cash has been severely inadequate. Data covering the period from 2011 to 2024 reveal a growing mismatch between the volume of banknotes in circulation and the nominal value of deposits in the banking system (Figure 3). This Figure clearly shows that the BOSS's currency production capacity has not kept pace with the exponential decline in the SSP's real value. It also highlights the inadequate forecasting of cash demand, as well as limited currency production capacity, and operational bottlenecks in currency distribution. This structural misalignment lies at the heart of the current cash shortage, which has effectively paralyzed large segments of the economy. In support of this diagnosis, data from the BOSS show a steady decline in the ratio of currency in circulation to banking deposits, which ranged between 34% in December 2011 to 22% in March 2024 (Figure 4). Contrary to public perception, this trend demonstrates that the current episodes of cash shortage are not driven by excessive public withdrawals or hoarding of cash but are rooted in the BOSS's inability to inject adequate liquidity into the economy.

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The consequences of this acute cash shortage are visible in nearly every aspect of daily economic life in South Sudan. Cash rationing and withdrawal limits by banks have become a defining feature of the crisis, with individuals and businesses enduring hours of waiting only to access limited withdrawals. This practice, imposed by both commercial banks and the Bank of South Sudan, has further restricted the ability of businesses to finance operations and meet financial obligations. This liquidity squeeze has also led to the emergence of a parallel cash economy, where physical currency attracts premiums in informal markets. Such practices have inflated transaction costs and eroded household and business purchasing power, forcing many economic actors to further rely on unregulated and informal channels.

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Figure 3: Trend of Currency (C) and Deposits (D)

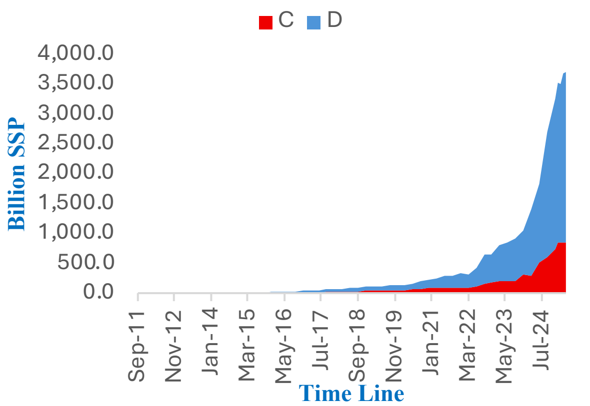

Figure 4: Trend of % Currency to Deposits (C/D)

Source of Data: BOSS Statistical Bulletin, April 2025

The private sector, small and medium-sized enterprises (SMEs), has been disproportionately affected as transaction costs escalate and access to working capital becomes increasingly constrained. Anecdotal evidence suggests that businesses are now devoting significant time and resources to securing cash, with some resorting to costly arrangements in informal markets to obtain liquidity. This inefficiency not only disrupts formal sector activity but also undermines broader economic productivity. The public sector has not been spared either; government operations, including salary disbursements and payments for essential services, have been severely hampered by liquidity constraints.

Perhaps most concerning is the erosion of public trust and confidence in state institutions and South Sudan's formal banking system. The persistent failure of banks to meet withdrawal demands has encouraged a preference for holding cash outside the formal financial sector. This behaviour has accelerated the expansion of informal markets and constrained banks' ability to mobilize deposits, creating a vicious cycle of financial disintermediation. As more transactions migrate to unregulated spaces, opportunities for tax evasion increase, regulatory oversight weakens, and the overall effectiveness of monetary policy is undermined.

The South Sudanese experience is not without precedent. Comparative cases from Zimbabwe between 2007 and 2009, Venezuela from 2016 to 2019, and, more recently, Nigeria in 2023 illustrate similar dynamics, where inflation-induced currency devaluation outstripped the central banks' ability to supply adequate banknotes. In each instance, a lack of timely intervention led to a deepening of financial crises, characterized by public distrust, widespread informalization of the economy, and weakened state capacity. Policy responses in these contexts typically involved recalibrating currency denominations, expanding printing and distribution capabilities, and implementing measures to promote alternative payment systems as short- to medium-term remedies.

These lessons underscore the importance of bold and coordinated currency management intervention, to mitigate the prevailing socio-economic impacts of a cash shortage. Such a response should not merely address operational challenges but also reflect and tackle the structural and institutional weaknesses in monetary management. If left unaddressed, this challenge risks further entrenching economic inefficiencies, undermining fiscal and monetary stability, and eroding public confidence in the state. The following section presents a framework for strategic interventions to address these immediate liquidity constraints while laying the foundation for longer-term monetary and financial sector reforms.

THE CASE FOR HIGHER-DENOMINATION BANKNOTES

The persistent cash shortage in South Sudan underscores the urgent need for a pragmatic and cost-effective response to restore liquidity in the economy, rebuild trust in the South Sudanese Pound, and strengthen resilience in the financial system. In this respect, one critical policy option that warrants serious consideration is the introduction of higher-denomination banknotes. Such an intervention can directly address current inefficiencies in the currency denomination mix and offers both operational and structural advantages. In the context of the spiraling inflation and the exponential growth of nominal transactions, the case for issuing higher-denomination notes is not merely compelling; it is economically imperative.

For South Sudan, higher denominations is any banknotes with a face value significantly above the SSP 1,000 banknote, which is the current highest denomination issued by the Bank of South Sudan. A proposed new higher-denominations structure could include five additional notes: SSP 50,000, SSP 20,000, SSP 10,000, SSP 5,000, and SSP 2,000. Such a revised currency mix could more accurately reflect inflation-adjusted transaction values and align the physical currency supply with the evolving needs of the economy.

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The primary rationale for endorsing the adoption of higher-denomination banknotes is the significant cost efficiencies they offer in currency production and management. Current data on nominal growth in deposits within the banking system, coupled with the sustained depreciation of the South Sudanese Pound (SSP), indicate that maintaining the existing denominations mix is financially unsustainable. A comparative cost analysis of a range of denominations mix clearly demonstrates the magnitude of this challenge. For instance, assuming an optimal currency printing program of approximately SSP 5 trillion, to meet the current demand while maintaining a prudent reserve stock, the unit cost of producing one SSP varies dramatically depending on the denomination. While printing an SSP 50,000 banknote would cost as little as SSP 0.006 for one SSP, producing the same value in SSP 500 notes would drive the cost up to SSP 3.75 for one SSP. (Figure 5). This disparity is even more striking when assessed in dollar terms. For instance, producing SSP 5 trillion exclusively in the SSP 500 denomination would incur a staggering USD 750 million cost, representing a substantial financial burden given the current economic constraints (Figure 6). By contrast, producing the same SSP 5 trillion would only cost USD 8 million if we were to print SSP 50,000 denomination instead. This differential highlights the unsustainable nature of continuing to produce current low-denomination banknotes.

Figure 5: SSP Cost of Printing one SSP from each denomination

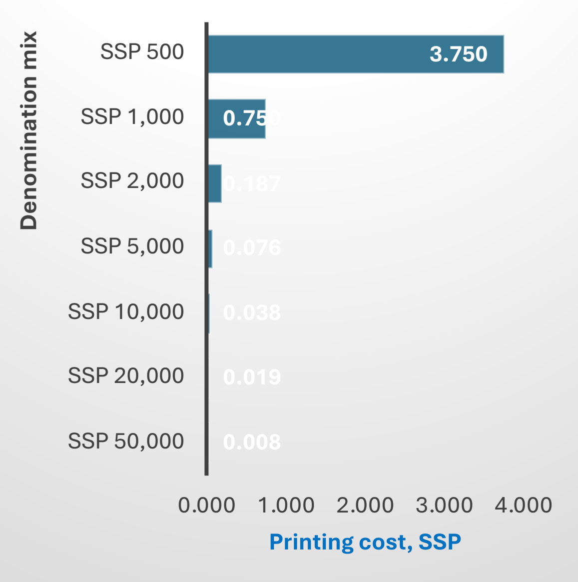
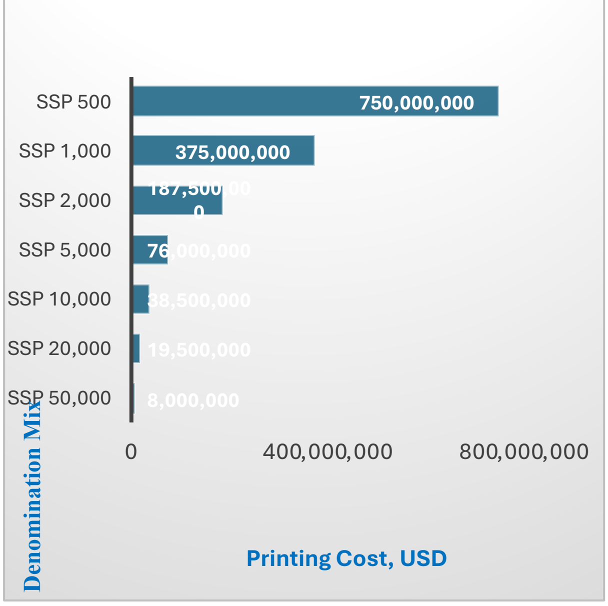


Figure 6: $ Cost of Printing SSP 5 Trillion by Denominations



Source of Data: Bank of South Sudan

The operational benefits of this intervention are many. Higher-denomination banknotes would allow individuals, businesses, and government agencies to conduct large-scale transactions more efficiently by reducing the volume of physical cash required. This reduction in bulk cash would simplify cash handling, lower the costs of transportation, storage, and security risks associated with cash handling. Significantly, it would also alleviate the current strain on lower-denomination notes, which have suffered accelerated wear and tear due to overuse in high-value transactions. By easing

> *"Higher-denomination banknotes would allow individuals, businesses, and government agencies to conduct large-scale transactions more efficiently by reducing the volume of physical cash required."*

demand for smaller denominations, the Bank of South Sudan could extend the circulation life of its notes, further contributing to cost savings and logistical efficiency. Moreover, these cost savings extend beyond currency production to include other substantial savings expected from logistical expenses associated with currency transportation, storage, and distribution. These factors are particularly relevant in a country like South Sudan, given the limited financial infrastructure.

Nevertheless, the introduction of higher-denomination banknotes should not be viewed as a panacea. This policy measure must be complemented by a robust package of supporting reforms aimed at addressing inflationary pressures and strengthening financial governance. Without parallel interventions to stabilize macroeconomic fundamentals and enhance the effectiveness of monetary policy, higher-denomination notes risk becoming a temporary palliative rather than a sustainable solution.

There are also high risks associated with the issuance of higher-denomination banknotes. Among these concerns are the potential misuse of these banknotes in illicit financial flows, the psychological signalling effect of larger notes on public inflation expectations, and the possibility of accelerated cash hoarding if trust in the banking system remains low. These risks necessitate careful trade-offs and mitigation measures, including enhanced regulatory oversight, targeted public communication strategies, and measures to promote digital financial services as complementary channels for transactions.

In balancing these considerations, it becomes evident that the cost of inaction far exceeds the potential downsides of introducing higher denominations. The current policy of relying heavily on low-denomination notes has proven unsustainable both financially and operationally. A strategic recalibration of the currency structure is therefore essential to restore liquidity, support economic activity, and reinforce public confidence in the monetary system.

In short, the introduction of higher-denomination banknotes represents a pragmatic, cost-effective, and technically sound response to South Sudan's deepening cash crisis. While it is not a substitute for broader economic reforms, it provides an immediate operational solution that can stabilize the currency supply and ease liquidity constraints across the economy. Implemented alongside structural reforms to enhance financial governance and monetary policy credibility, this measure can form a critical pillar of South Sudan's strategy to rebuild its monetary system and strengthen resilience against future shocks.

RISKS AND TRADE-OFFS

While the introduction of higher-denomination banknotes offers significant operational and economic advantages, it is imperative to acknowledge the potential risks and trade-offs associated with this policy. In this regard, a key concern with the introduction of higher-denomination notes is the potential for increased opportunities for illicit financial activities. Higher-value notes can facilitate the discreet movement of large sums of money, making it more challenging for authorities to detect and disrupt money laundering and other illicit transactions. Moreover, they may heighten the risk of counterfeiting if robust security features are not incorporated, potentially undermining confidence in the currency. In a context where substantial volumes of cash already circulate outside the formal banking system, these risks are particularly salient. Poor communication around the reform could exacerbate public distrust, trigger anxiety, and prompt cash hoarding behaviours that would further strain the liquidity situation and undermine financial stability.

"Higher-value notes can facilitate the discreet movement of large sums of money, making it more challenging for authorities to detect and disrupt money laundering and other illicit transactions."

Another widespread perception, though largely misplaced, is the belief that introducing higher-denomination banknotes can inherently fuel inflation or signal currency weakness. The issuance of larger denominations, by itself, has no inflationary consequences unless it is accompanied by expansionary monetary policy that tolerates using such notes to finance fiscal deficits. Inflation is fundamentally driven by an imbalance between the growth of the money supply and economic output, rather than by the face value of denominations in circulation. Thus, the face value of a banknote is not, in any way, a reliable indicator of a currency's strength. Countries such as Japan, with its ¥10,000 banknote, and Uganda, with its UGX 50,000 note, maintain high-value denominations without undermining confidence in their currencies. These examples underscore that higher-denomination notes are a pragmatic response to inflation-adjusted transaction needs, rather than a reflection of economic weakness.

To mitigate the risks identified, the Bank of South Sudan must adopt a comprehensive set of safeguards. This includes integrating state-of-the-art anticounterfeiting technologies into the design of new banknotes to preserve their integrity and deter forgery. Equally important is the implementation of a nationwide public communication campaign to explain the rationale and benefits of higher denominations, thereby dispelling any misconceptions and fostering public trust. Finally, complementing this reform with investments in banking infrastructure and digital payment systems will help reduce dependency on cash, strengthening financial inclusion and regulatory oversight.

RECOMMENDATIONS

The analysis presented in this paper underscores the urgency of addressing South Sudan's acute cash shortage as both a monetary and structural challenge. The implications of the crisis extend far beyond limited access to banknotes; they reflect more profound weaknesses in currency management, inflationary pressures, and an underdeveloped financial infrastructure. A strategic and coordinated response is therefore essential, not only to resolve immediate liquidity constraints but also to lay the foundation for a more resilient and inclusive monetary system. In this regard, the following recommendations are proposed to address the cash shortage challenges effectively.

i. **Recalibrate the currency denomination structure to reflect the realities of current inflation and transaction patterns.** It is proposed that the Bank of South Sudan introduce higher-denomination banknotes of SSP 50,000, SSP 20,000, SSP 10,000, SSP 5,000, and SSP 2,000. Such a denomination mix can offer a practical solution to the escalating costs of currency production and the logistical inefficiencies of relying on smaller denominations. This revised structure would reduce the physical bulk of cash required for routine transactions, reduce storage and transportation costs, and extend the lifecycle of lower-denomination notes. A phased rollout, starting with the SSP 2,000 and SSP 5,000 denominations, will enable the Bank of South Sudan to manage public expectations, monitor market responses, and adjust operational plans accordingly.

ii. **Modernize the currency supply chain.** It is important to strengthen the Bank of South Sudan's capacity to manage the currency supply chain, focusing on the capacity for cash demand forecasting, as a foundational step. By leveraging robust economic indicators and transaction-level data, the Bank can more accurately anticipate cash needs and ensure timely currency production and distribution. Investments in regional cash distribution infrastructure are also vital. Upgrading the capacity of existing branches and operationalizing the Rumbek Currency Centre will improve the efficiency and equity of currency circulation nationwide, reducing disparities between urban and rural access to cash.

iii. **Accelerate the development and adoption of digital payment systems.** While cash will remain a critical medium of exchange in the near term, reducing reliance on physical currency is essential for long-term monetary resilience. The Bank of South Sudan, in collaboration with mobile network operators, financial institutions, and other stakeholders, should champion policies that promote mobile money, electronic transactions, and other digital financial services. Expanding access to these platforms will not only relieve pressure on cash but also enhance financial inclusion and improve economic efficiency.

iv. **Address public perceptions and potential risks mitigation**. As the introduction of higher-denomination notes may trigger concerns about inflation or currency weakness, proactive and transparent communication is imperative. Public education campaigns should clearly articulate the rationale for the currency reform, emphasizing that higher-denomination notes are a response to operational challenges rather than a signal of monetary instability. Additionally, robust anti-counterfeiting technologies must be embedded in the design of the new notes to preserve their integrity and mitigate illicit use.

v. **Ensure effective institutional coordination.** The Ministry of Finance, the Bank of South Sudan, and commercial banks must align their strategies and establish a robust implementation framework. The urgent rollout of the long-overdue National Payment System should be prioritized to modernize payment infrastructure and build public confidence in the financial sector.

CONCLUSION

The persistent cash shortage in South Sudan has placed severe constraints on economic activity, eroded public trust in the financial system, and exposed structural weaknesses in currency management. This challenge can no longer be overlooked. As this paper has argued, the introduction of higher-denomination banknotes represents a coherent and pragmatic roadmap for solving South Sudan's cash shortage. The intervention also provides a pragmatic and technically sound solution that addresses both immediate liquidity needs and the structural underpinnings of the cash shortage crisis. It will further reduce currency production costs and enhance the efficiency of cash transactions. However, the success of this intervention depends on robust risk mitigation measures, including advanced anti-counterfeiting technologies, proactive public communication, and sustained collaboration among key institutions. By aligning efforts between the Bank of South Sudan, the Ministry of Finance, and financial sector stakeholders, it is possible to rebuild confidence in the monetary system and create the fiscal space necessary for long-term currency reforms. Addressing this crisis decisively is not only vital to stabilizing the financial sector but also to positioning the country on a path toward monetary stability, enhanced financial sector performance, and inclusive economic recovery and growth. With careful implementation, South Sudan can transform its currency management into a pillar of economic resilience and restore public trust in the nation's financial future.

ABOUT THE AUTHOR

Dr. Dier is a seasoned central banker and economist with over three decades of experience in financial governance, banking supervision, and economic policy formulation. He is a former National Minister of Finance & Planning of South Sudan and a two-time Governor of the Bank of South Sudan. He has deep expertise in monetary policy, currency management, and institutional reform. Dr. Tong also has strong leadership skills in both national and international finance roles, supported by a robust academic background.

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