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SOUTH SUDAN CITIZENS DRAFT BUDGET 2019/2020

**Consolidating Peace and Continuing the Necessary Reforms to
Stabilize our Economy**

FIRST DRAFT



Consolidating Peace and Continuing the Necessary Reforms to Stabilize our Economy

This budget brief has been written to inform different stakeholders of the proposed government spending for the Fiscal Year (FY) 2019/20. It presents key messages to assist in public financial decision-making processes of the stakeholders and does so by analysing budget data from recent years that resulted in comprehensible outputs. It looks at the size and composition of budget allocations in general, and in particular to social sectors vital to children, and compares this to budget allocations in priority sectors such as security and public administration. All data used has been provided by the Ministry of Finance and Planning (MoFP), unless indicated otherwise.

This report is prepared by Charlie Goldsmith Associates, South Sudan, with support from the Ministry of Finance and Economic Planning, Government of the Republic of South Sudan, and UNICEF South Sudan.

Contact information for citizen feedback:

The South Sudan Citizens Draft Budget 2019/2020 will be available online via the Ministry of Finance and Economic Planning website <http://grss-mof.org/>

For hard copies of the Citizens Draft Budget, please contact:
Ministry of Finance and Economic Planning
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Ministries Area
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Remarks on the FY 2018/2019 National Budget



The FY 2018/2019 budget of SSP 81.590 billion was passed as a balanced budget where projected expenditure equaled projected income, thus **without a funding gap**.



The budget speech mentions the **total over expenditure** by **Q3** to have reached **SSP 14 billion**, and was projected to reach **SSP 43 billion in Q4**, what was the final budget deficit?



Budget speech 2018/19 indicates a national debt of SSP 24 billion at the end of FY 2017/18, budget speech 2019/20 indicates a debt of almost SSP 178 billion at the end of FY 2018/19. How come the **national debt increased with over SSP 150 billion** when the projected national budget deficit at Q4 FY 2018/19 is only SSP 43 billion?

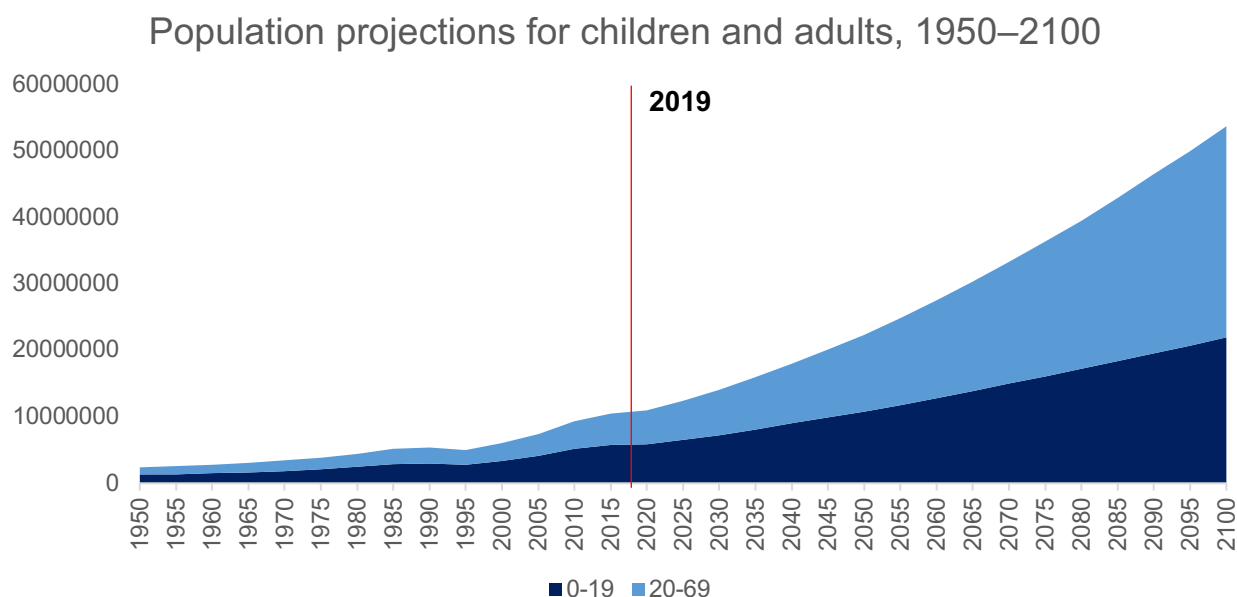


36%

Salaries of civil servants, organised forces and state transfers

Salaries of civil servants, organised forces and the state transfers amounted to almost SSP 30 billion which is 36% of the national budget by the third quarter, while 47% was budgeted for the whole FY, does this mean increasing arrears?

Demographic challenges



(Source: UNICEF Eastern and South Africa Regional Office (ESARO), based on United Nations Department of Economic and Social Affairs (UNDESA) World Population Prospects: 2019 Revision)

South Sudan's population grows at a remarkable pace which presents both opportunities and challenges. The demographic transition that is at hand causes the economically active population to increase as opposed to the non-working population. The trend places an increasing pressure on basic social services provided by both Government and development partners. If the government would dedicate adequate resources to social sectors and strategically invest in children and youth, this may well facilitate a sustained boost of economic growth, help eradicate poverty and lead to long-term peace. In contrast, when children are neglected, current vulnerabilities are likely to deepen, thereby exacerbating levels of poverty, inequality, crime, violence, social and political instability, emigration etc.



Investments in social sectors that benefit children and women will facilitate economic growth, poverty eradication and peace.



In case of absence of proper investments in social sectors, current vulnerabilities are likely to deepen, thereby exacerbating prevailing levels of poverty, inequality, crime violence, social and political instability, emigration etc.

Key take-outs from the proposed national budget 2019/2020

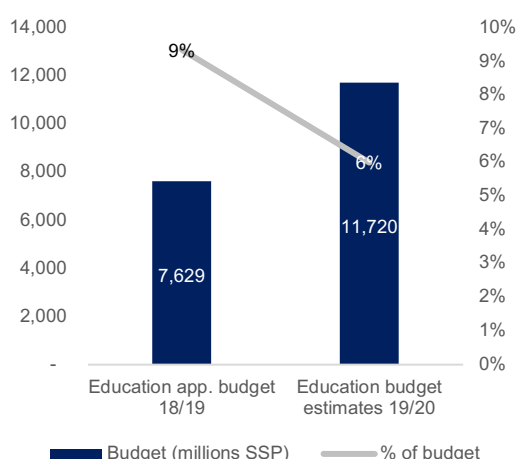
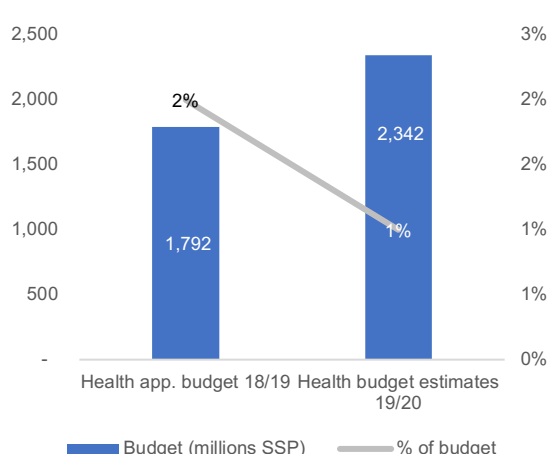
The total resource available for the draft budget for FY 2019/2020 is estimated at South Sudanese Pound (SSP) 208,155 billion, more than 2.5 times the FY 2018/2019 budget that stood at SSP 81,590 billion.

Effects of inflation

A budget 2.5 times higher than the FY 2018/19 is impressive, but when taking into account the inflation and the increase in total expenditure and revenue the increase is smaller than it appears at first sight. Annual increases in nominal spending figures and a decrease in real figures, show the weak status of the SSP and the effects of the inflation. As such, the increases in total expenditure and revenue are of a much smaller magnitude than it appears.

Reduced share of the budget for Health, Education and Gender

There have been nominal increases in the allocations to education, health and gender. Especially the ministry of Gender saw a surge in goods and services within the sector. However, even though the total allocations to the names sector are higher, their overall share of the budget decreased.



Health

The Health sector registers an increment of 31 percent, however, sees its allocation reduced to 1 percent of the national budget. This falls below the required 15 percent of the Abuja Declaration in 2001.

Education

The Education sector register an increment of 54 percent, however, sees its allocation reduced to 6 percent of the national budget.

Allocations for the sectors of education and health have dropped. Lower investments in the social sectors make it harder to gain from the growing human workforce in the country. Moreover, it directly negatively affects children's and women's welfare.

What is the National Budget?

The national budget is the Government of South Sudan's annual plan that provides estimates for revenue and expenditures during the financial year that runs from 1st July to 30th June. In the budget, the Government plans how it will finance its expenditure estimates and the sources from which it will obtain its income, such as proceeds from oil, tax and grants from donors in the form of revenue.

Ideally;

Three levels of government shape decisions made by the national government in determining its national priorities. In South Sudan, the National Development Strategy 2018–2021 provides guidance in determining the spending priorities of the country. The various spending agencies and departments at the national level derive their annual budget submissions through their key programmes and activities, based on the government priorities, sectoral plans and policy statements. At the state level, annual spending priority plans are submitted based on the state strategic plan. Local government sets spending priority plans based on the county development plan and the annual participatory planning process. The national budget is thus a reflection of the Government's plan to implement its national priorities manifested through allocations to sectors such as education, health and social development, with the objective of spurring economic growth and development.

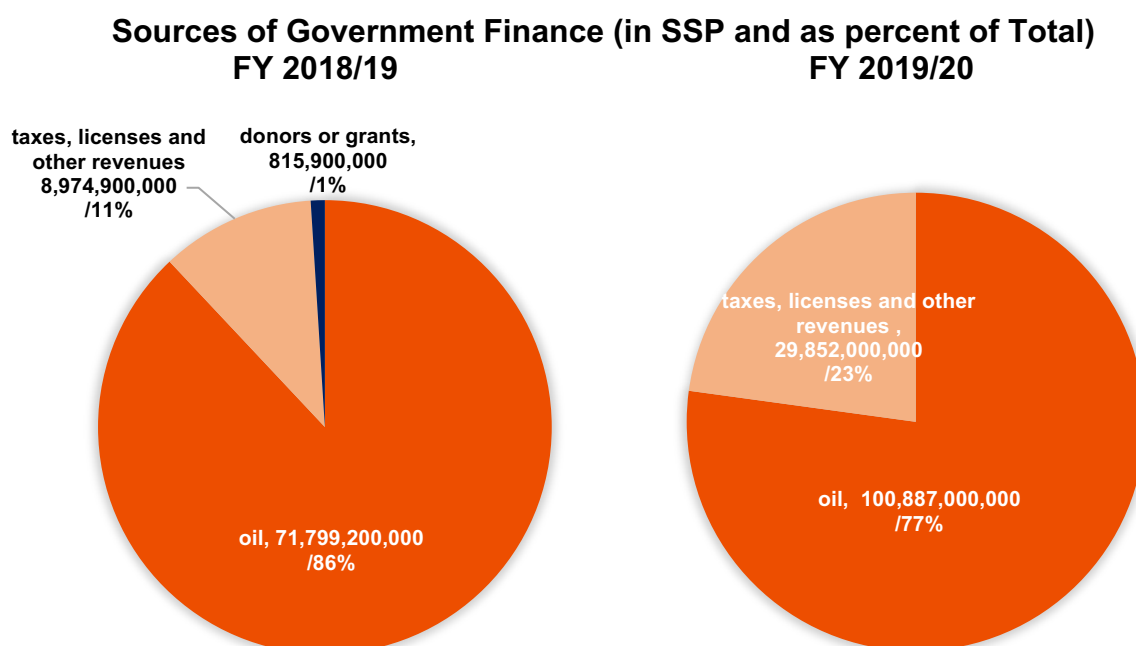
De facto;

At the National level, due to the constraints on available resources and the additional conditions to loans taken out from banks, the Government has limited space to manoeuvre and has more or less given the ceilings that only cater for existing salary commitments and conditional transfers for recurrent costs. As a result, at the sub-National level, there are only funds available for salaries and operational activities

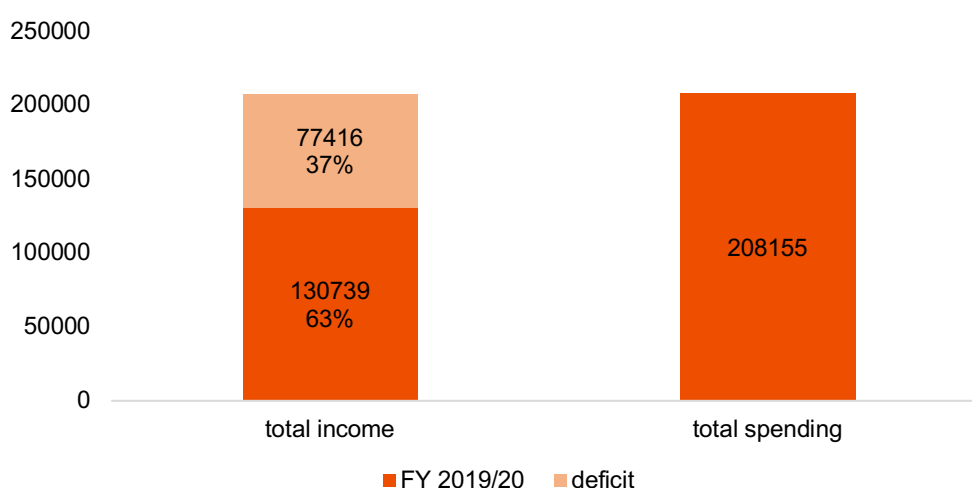


Detailed context for the FY 2019/2020 budget

The resource envelope of the proposed budget (SSP 208,155 million) is based on oil revenues and revenues deriving from taxes, licenses and other sources, both domestic funds, with no grants or donor funds in place yet. The total estimated revenues for the FY is SSP 130,729 million, nearly 50 billion higher than last FY's budget of SSP 81 billion, which means a budget increase of SSP 126,565 million. The draft national budget has a deficit of 77 billion, which the Government proposes to manage through an increase in oil production and prices, and by exploring possibilities of external financing from the international market.

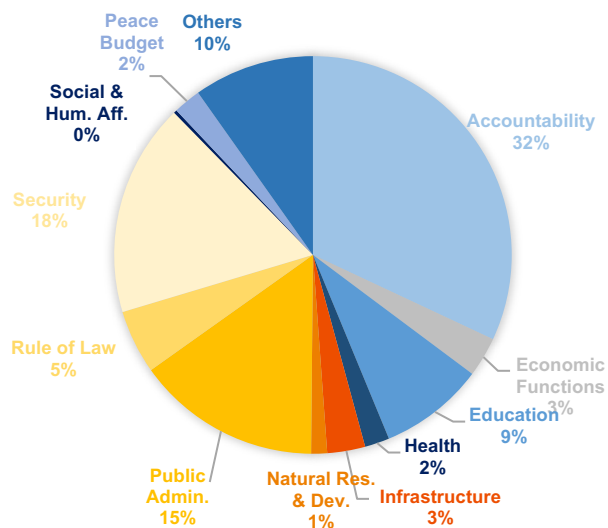


FY 2019/20 - Budget estimates total spending vs. total income. (numbers in Billion SSP)

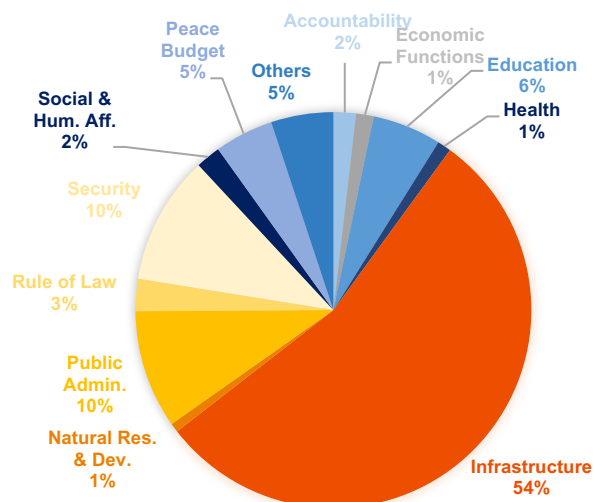


- A budget deficit of over 37% present possible risks regarding the credibility of a smooth execution, and whether the GRSS will be able to close the gap.

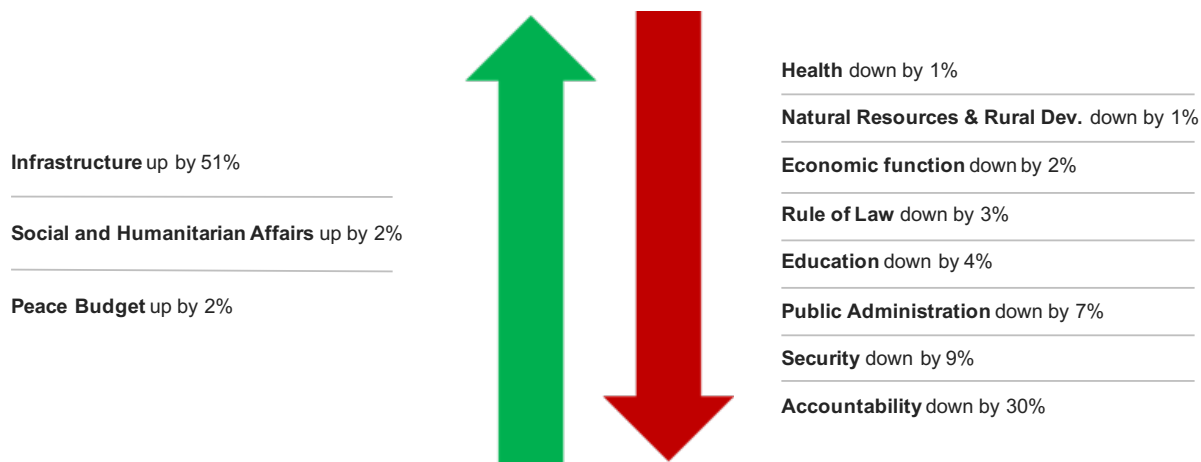
How was the budget allocated in FY 2018/2019



How will the budget be allocated in FY 2019/2020

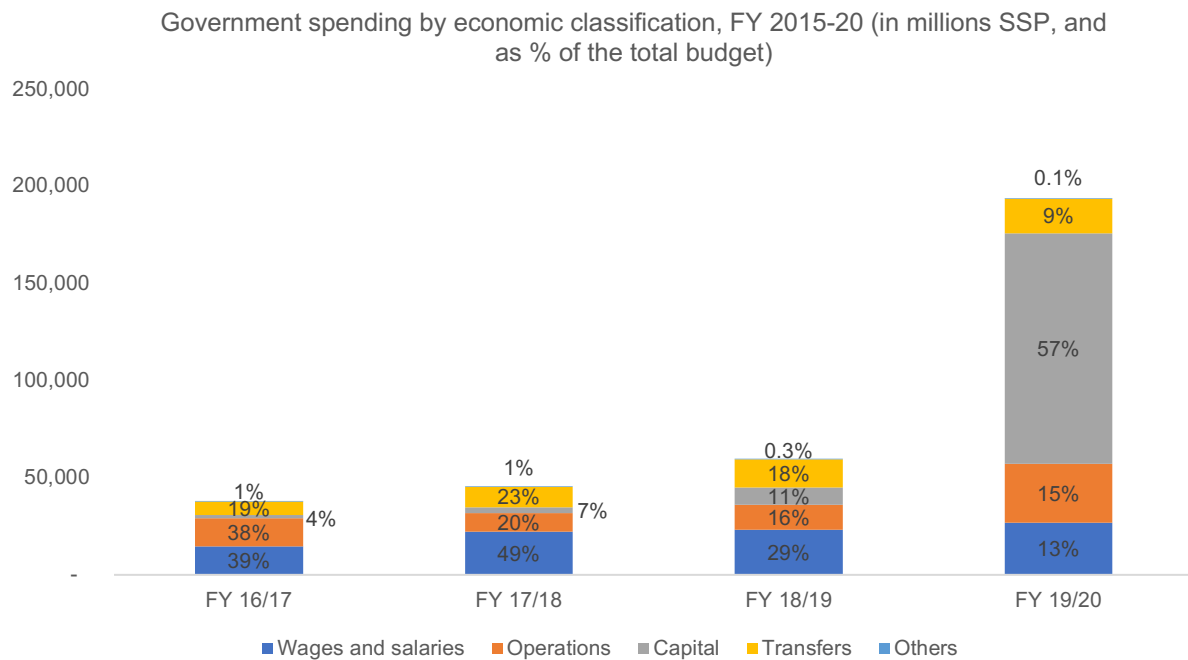


Change in allocated budget/sector in %-points of State Budget, FY 2018/19 to 2019/20



- The two clear winners in the FY 2019/2020 budget are the Infrastructure, Social & Humanitarian Affairs and Peace budget sectors.
- The Minister of Finance has pledged for transparency with regards to infrastructure development transactions, by forming a technocratic committee that monitors these, need for members of Parliament to follow up.
- The Appropriation bill specifies that the Peace Budget funds will be disbursed once detailed indication of specific use has been set, need for members of Parliament to question its disbursement.

The graph below shows the extraordinary increment in capital allocation in FY 2019/2020 as opposed to the previous three years, mainly caused due to the National Budget allocation for the development of Infrastructure.



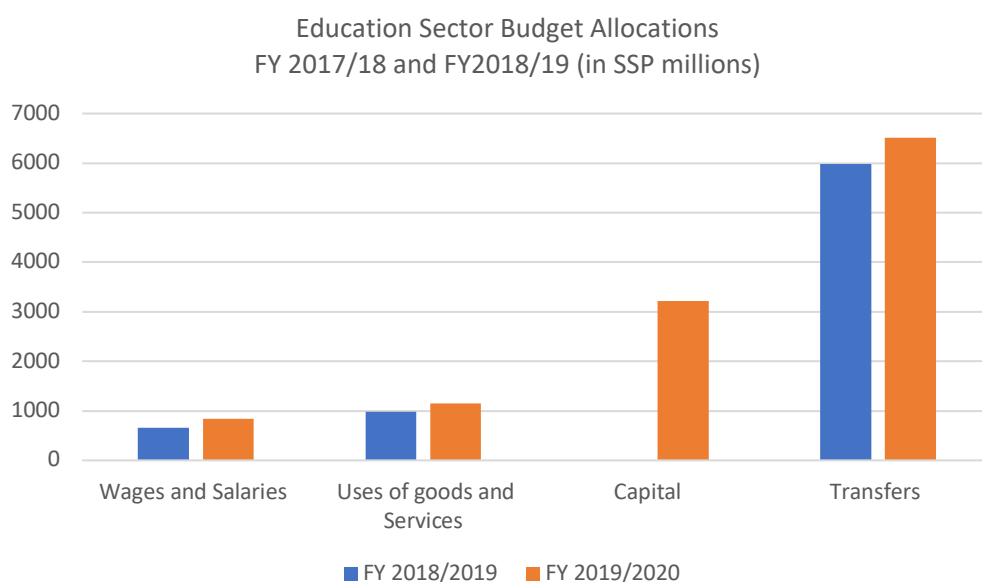
Education

The goal of the General Education sector in South Sudan is to provide free basic education to all children in the country. The General Education sector is divided into two ministries; the Ministry of General Education and Instruction (MoGEI) and the Ministry of Higher Education, Science and Technology (MoHEST). The overall objective of MoGEI is to provide quality education for all children and opportunities of equal access to all citizens of South Sudan; the objective of MoHEST is to produce highly skilled human capital that meets national and international standards, transforming the country into a competitive knowledge-based economy. Funds are disbursed to support the operations of state education ministries in order to realize these goals.

Education sector allocations at national level

Despite the budget proposing a 54 percent nominal increase for the education sector, the share of the national budget decreases from 9 to 6 percent. The highest proportion of the education budget goes towards transfers to states and counties for basic education (see page below). The previous year's budget has only paid out 28 percent of the budgeted amount to the relevant institutions in the education sector.

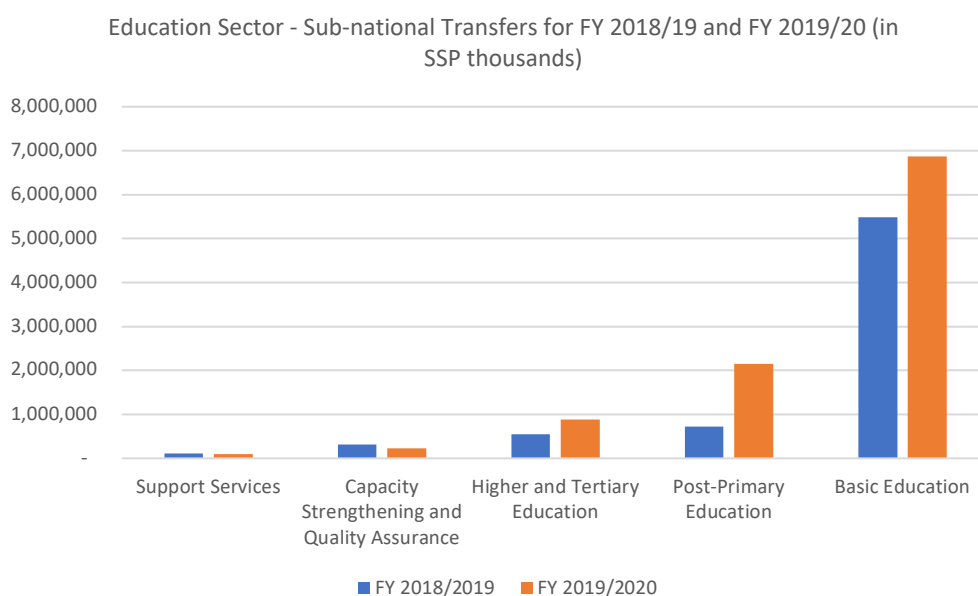
Overall government spending still lies below levels stipulated by the national Government and global standards. At the General Education Annual Review meeting in February 2019, VP Wani Igga announced education allocations of at least 10 per cent of the resource envelope and possibly 15 per cent. However, MoGEI's budget does not meet the 10 percent share (only 8.1 percent of the resource envelope is dedicated to education) and MoHEST does not meet the 5 percent share stipulated in the Higher Education Act 2012. Neither does this year's education budget meet the commitment of allocating at least 15-20 percent of total public expenditure to education as stipulated in the Incheon Declaration 2015.



Transfers to the education sector at sub-national level

MoGEI has a presence at both the national and state level. At the national level, the Ministry is tasked with formulating policies and plans, and coordinating and supervising the implementation of activities at the state level, by working closely with the respective state education ministries. This year's national budget allocates 56 per cent of the MoGEI budget to state transfers, for paying the salaries and allowances for education staff and meet the running costs of the education departments and offices at the county and payam level respectively.

While there has been an increase in the budget allocated to the sub-national level for education, in the last financial year, only 23 percent of the allocated budget for transfers was actually received and spent by states and counties. This year's proposed increase in transfers to states and counties for basic education budgeted for FY 2019/2020 is significant and will help support the retention of teachers in schools, if executed as planned. This increment is still not enough to meet the Government of South Sudan's commitment towards providing quality and easily accessible education services to its children.

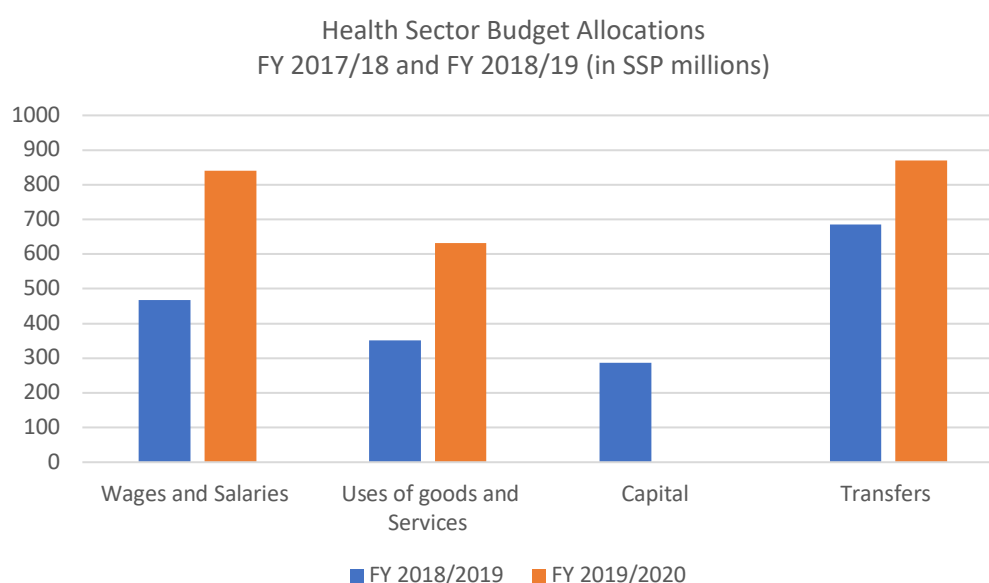


Health

The mandate of the Ministry of Health is to improve the health status of the citizens of South Sudan and provide them with quality health care, with special attention given to children, women and the vulnerable. The Ministry at the national level is responsible for the formulation of national health plans and policies and creating an enabling environment that allows state ministries of health to effectively provide health care to their citizens. As such, its focus is on monitoring health care provision activities; providing the necessary support in financial and non-financial terms, for example through paying salaries and allowances for health workers; meeting medical costs associated with the maintenance of basic primary health care centres and equipping them with drugs and necessary equipment; making sure the country is prepared to respond to possible epidemic outbreaks and.

Health sector allocations at national level

Although the budget proposes a 31 percent nominal increase for the health sector, the share of the National Budget declines from 2 to 1 percent. This proposal is significantly lower than the budget for the education sector. The previous year's budget released only 22 per cent of the budgeted amount for the health sector. Two areas remain underbudgeted in the proposed budget for FY 2019/2020: medical training of midwives and medical assistants which are crucial for reducing unattended child births; and increased access to health facilities, professional development, pharmaceuticals and equipment.

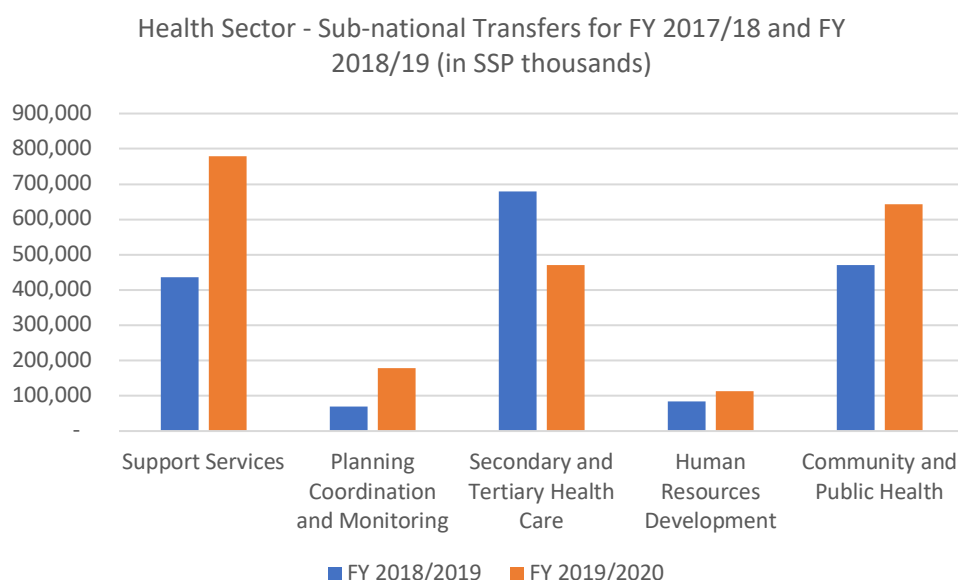


Transfers to the health sector at sub-national level

State ministries of health are tasked with ensuring that all health workers in the state are recruited and paid, and primary health care centres are functional and have the necessary qualified staff, equipment and pharmaceuticals to meet the health needs of citizens. Only 27 per cent of the allocated health budget for transfers was actually received and spent by states and counties in FY 2017/2018.

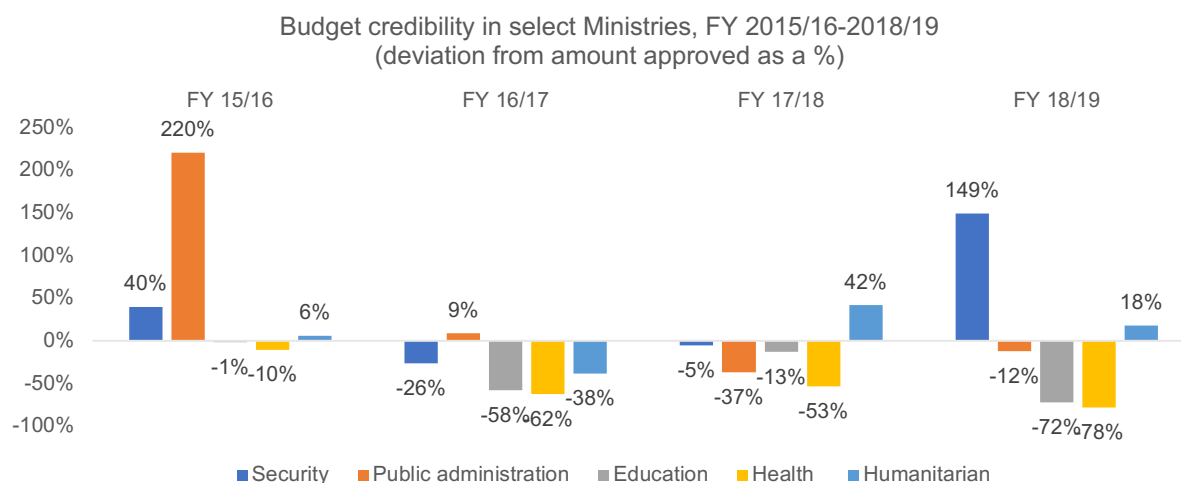
Community and public health see an increase in budget allocations, which may not be sufficient given the heavy health burden in general and put under further pressure by the emergency humanitarian situation, alarming outbreak of Hepatitis B in the country, and outbreaks of Ebola in neighbouring Democratic Republic of the Congo.

There are increases in support services and planning coordination and monitoring, however, these two sectors have received very little allocation for the FY 2018/2019, 21 and 0.8 percent respectively, which will have an adverse effect on delivery of services at the sub-national level. Secondary and tertiary health care has declined by over 30 percent in nominal terms, which will put health service delivery at the sub-national level further under pressure.



Budget credibility

The Health and Education sectors are negatively affected by the budget execution process, which is characterized by low credibility. The graph below shows this trend of overspending and underspending is recurrent at other ministries as well, but it has a disproportionate negative impact on social sector spending, the sectors that directly affect women's and children's welfare.



Transparency & Accountability statements



The budget speech mentions commitments regarding transparency and budget allocation that MPs need to follow-up on.



Improved transparency is promised with regards to the infrastructure development transactions, with the appointment of a technocratic committee that monitors this. MPs can suggest monthly updates?



In line with the appropriation bill, can more details be shared on the planned expenditure of the Peace Budget? It will only be disbursed after detailed indication of use.



The budget speech promises to resolve the arrears, through the establishment of an Arrears Management Committee that should manage the problem. When can the report be expected and can regular updates be shared?



The budget speech mentions the market rate for USD, does this mean there is no fixed official exchange rate, and the SSP fluctuates freely against the USD?

These statements have all made in the appropriation bill or budget speech of the FY 2019/2020.

How is the budget produced?

In general, the budget cycle consists of four phases; budget planning, budget preparation, budget execution, and monitoring and reporting.

National Budget Cycle



* Due to time, capacity constraints or other circumstances, the Government rarely strictly abides to the Budget cycle process sketched above.

Key takeaways

FY 2018/2019

- Based on the Budget Speech and Appropriation Bill there is the need for members of parliament to further scrutinise the final budget deficit and national debt increase in FY 2018/2019.

FY 2019/2020

- The country's remarkable population growth and budget increment both present an opportunity to facilitate sustained economic growth due to a growing working population, if the government dedicates adequate resources to social sectors and strategically invests in children and youth.
- Allocations for the social sectors, Education, Health and Gender, have dropped in comparison to last year despite earlier promises, a larger National Budget and a growing population. Missing out on the demographic dividend is a risk to South Sudan, as a healthier and better educated population will increase and speed up development.
- This FY's budget is more than a 250 percent nominal increase from last year but carries a national deficit of over 37 percent. This creates the risk that cash might not be available when expenditure is planned and hinders a smooth execution. The large deficit also risks further increasing National debt, as the Government could not be able to close the financial gap.
- The large increment in the infrastructure budget causes much of the deficit leaving less funds for other sectors. How this fund allocation will contribute to improving the quantity and quality of services to the people, remains to be seen.
 - Allocating more funds can be an engine to more employment and productivity, but it is questionable whether this will be attained through large-scale contracts. It will need guarantees with regards to how the money will be spent and controlled expenditure.
- The budget execution process is characterized by low credibility including overspending within a few sectors, which has a disproportionate negative impact on social sector spending, directly affecting women's and children's welfare.



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