



# **SOUTH SUDAN CITIZENS ENACTED BUDGET 2018/2019**

**Continuing the necessary reforms to stabilize and recover  
our economy**



# ENACTED CITIZEN BUDGET

## Foreword from the Ministry of Finance and Economic Planning

The Government of the Republic of South Sudan experienced challenges in the execution of the FY 2017/18 national budget due to poor cash flow which led to the delay of salary payments to Government staff for several months. There was no capital budget allocation which made it difficult to execute important Government priorities. However, there are also some successes including suspension of fuel subsidies for the Nile Petroleum Corporation (NilePet), South Sudan's state-owned oil company, in the FY 2018/2019 budget.

There are promising increases in global oil prices which will make it possible for additional resources to be available. Non-oil revenue is projected to increase due to reforms and specifically due to the establishment of the National Revenue Authority. We will therefore have sufficient revenue to execute all our budgeted expenditure for the first half of the fiscal year. We will not be borrowing from the Bank of South Sudan and this will strengthen our currency.

The FY 2018/2019 national budget will enable us to settle certain key expenditure obligations and to pay salaries and salary arrears, transfers to state governments and service our outstanding debts, so that our finances remain on a sustainable footing.

The national dialogue effort for peace revitalization is an important component of this year's national budget. Government priorities are stipulated in the recently formulated National Development Strategy 2018–2021 and are reflected and streamlined in the national budget plans. As a result, we will use our limited resources to bring peace, maintain security, keep Government running smoothly and provide core basic services to our people.

I am pleased to share the approved national budget to be used for FY 2018/2019. I am sure this budget will address our Government priorities and needs in a responsible manner and lay the foundation for economic recovery and sustainable development in the Republic of South Sudan.



**Hon. Ocum Karlo**  
**Undersecretary of Planning**  
**Minister of Finance and Economic Planning**  
**Government of the Republic of South Sudan**

**Contact information:**

The South Sudan Citizens Enacted Budget 2018/2019 is available online via the Ministry of Finance and Economic Planning website <http://grss-mof.org/>

For hard copies of the Citizens Enacted Budget, please contact:

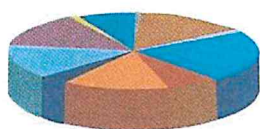
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## Foreword from the Minister of Finance and Economic Planning

It is with a great pleasure that I introduce the approved national budget and context for the financial year (FY) 2018/19 to the citizens of South Sudan. The approved budget includes a macroeconomic overview of Government policy priorities for stabilizing economic growth, as measured by gross domestic product (GDP), and for reducing inflation which has important implications for the Government and society as a whole. The Government is committed to working to maintain macroeconomic and microeconomic stability to achieve sustainable development and broad economic growth.

The approved national budget is based on data collected from the Ministry of Finance and Economic Planning, Ministry of Petroleum, National Bureau of Statistics and the Bank of South Sudan. With the analysis from the Directorates of Budget, Revenue, Macro Planning, and Aid Coordination, in the Ministry of Finance and Economic Planning, we were able to estimate and project our resource envelope for the FY 2018/19 national budget.

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**Hon. Salvatore Garang Mabiordit**  
**Minister of Finance and Economic Planning**  
**Government of the Republic of South Sudan**



# Key messages from the approved national budget for 2018/2019

The total resource available for the approved budget for FY 2018/2019 is estimated at South Sudanese Pound (SSP) 81.590 billion, close to double the FY 2017/2018 budget that stood at SSP 46.277 billion.

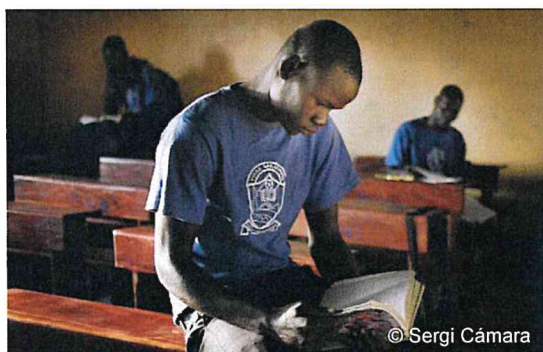
## Effect of inflation on salaries, goods and services

When inflation is considered, the increases in total expenditure and revenue are of a much smaller magnitude than they otherwise appear. The Government has faced major challenges in fulfilling its basic obligations, such as paying teachers' salaries. Instability in the country led to a collapse in government revenue as businesses lost confidence in the economy, and oil prices and production were well below expectations.

In the previous budget, the Government was only able to pay nine months of Government salaries, seven months of transfers to state governments and was not able to pay for any of its obligations to its embassies abroad. To address this, in this current fiscal year 2018/19, the government allocated SSP 17 billion to meet the salary arrears for FY 2017/18.

## Increases in goods and services for education and health

There are large, real increases in the goods and services allocations for the education and health sectors. The objective of these allocations is to ensure that adequate operational costs are provided to enhance better service delivery in the respective sectors.



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### Education:

The education sector registers a noticeable increment from FY 2017/2018: 78 per cent of these allocations are channelled towards goods and services at state level to cater for operational costs such as salaries, allowances of teachers and running of respective educational institutions.

### Gender:

There is a slight increase in the budget for gender, including for goods and services within the gender sector.



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### Health:

The health budget is 2 per cent of the approved national budget which falls below the required 15 per cent of the Abuja Declaration 2001. The budget for use of goods and services has been increased by 23 per cent in the approved budget, an area that has been characterized by overspending as evidenced in the FY 2017/2018.



# What is the national budget?

The national budget is a government's annual plan that provides estimates for revenue and expenditure during the financial year that runs from 1<sup>st</sup> July to 30<sup>th</sup> June. In the budget, the national 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.

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

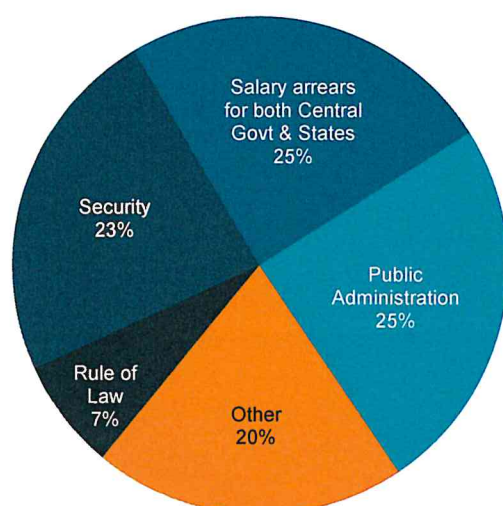
at the national level derive their annual budget submissions through their key programmes and activities, based on the government priorities, sectoral plans and policy statements. At the state level, annual spending priority plans are submitted based on the state strategic plan. Local government sets 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.

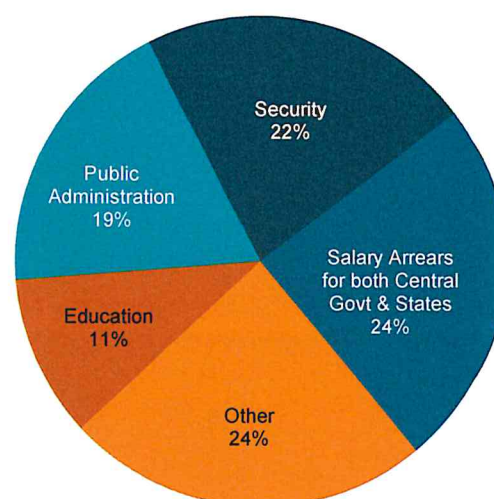




## How was the budget spent in FY 2017/2018?



## How will the budget be spent in FY 2018/2019?



Other	2017/2018	2018/2019
Accountability	5%	5%
Economic functions	1%	1%
Education	3%	
Health	2%	2%
Infrastructure	1%	4%
Interest-related bank charges	1%	1%
Natural resources and rural development	1%	1%
Peace Budget	6%	4%
Rule of law		6%
Social and humanitarian affairs <sup>2</sup>	0%	0%

<sup>2</sup> Gender is one of four sectors that fall under Social and Humanitarian Affairs, the other three including Culture, Youth and Sports, Peace Commission, Humanitarian Affairs and Disaster Management. The budget line is shown as zero due to rounding (budget is less than 0.5 per cent).

# Education

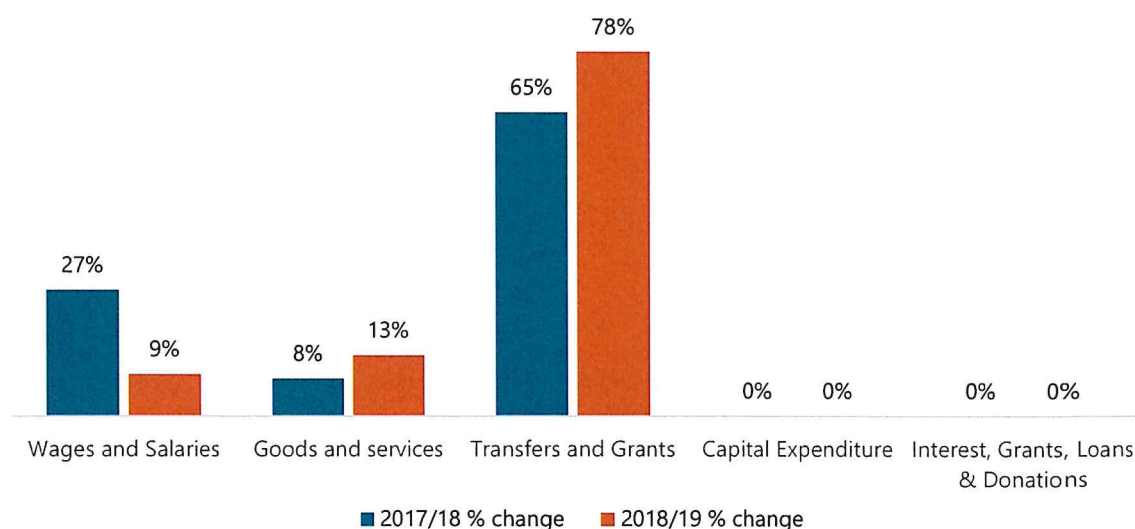
The mandate of the Ministry of Education, Science and Technology is to provide accessible, free, quality education to all children in South Sudan. The Ministry of Education, Science and Technology is divided into two ministries; the Ministry of General Education and Instruction (MoGEI) and Ministry of 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

The budget proposes a 309 per cent real increase for the education sector, with the highest proportion going towards transfers to states and counties for basic education (see below page 14). The Government has provided a new budget for the National Examination Board unlike previous budgets. However, the previous year's budget paid only 87 per cent of the budgeted amount to the relevant institutions in the education sector.

Despite the increment in this year's education budget from 3 to 11 per cent of the approved national budget, overall government spending on education still lies below levels stipulated by national legislation and global standards. MoGEI's budget does not meet the 10 per cent share of the national budget while MoHEST's budget does not meet the 5 per cent share stipulated in the Higher Education Act 2012. Neither does this year's education budget meet the commitment of allocating at least 15–20 per cent of total public expenditure to education as stipulated in the Incheon Declaration 2015.

**Education Sector Budget Allocations  
FY 2017/18 and FY2018/19**





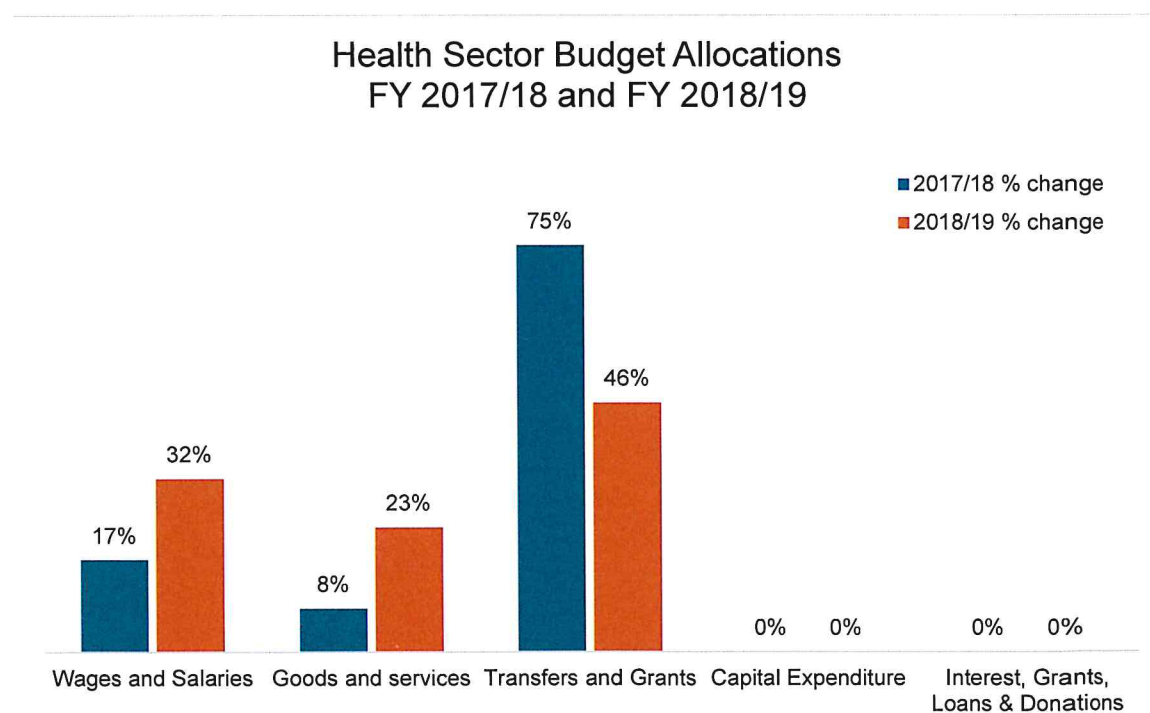
# Health

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.

## Health sector allocations at national level

There has been no increase in the budget for the health sector which is approved at only 2 per cent of national budget funding, as per the previous year. This is significantly lower than the budget for the education sector. The previous year's budget released only 47 per cent of the budgeted amount for the health sector. Two areas remain under-budgeted in the approved budget for FY 2018/2019: 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.

The South Sudan HIV/AIDS Commission remains incapacitated with state offices not operational and training remains under budgeted in the approved budget for FY 2018/2019. The major challenges faced include the need for mobility of health workers and maintenance of health centres and equipment. The Drug and Food Control Authority is mandated to check the quality of pharmaceutical drugs entering the country, however offices at the ports of entry have been closed due to underfunding of the Authority.

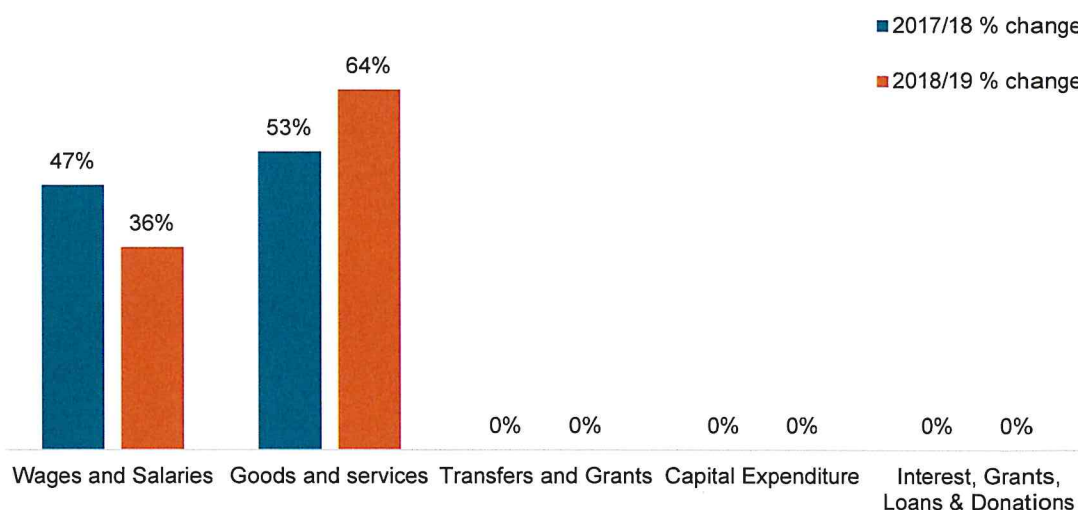


# Gender

The Ministry of Gender, Child and Social Welfare promotes gender equality, social justice and safeguards the rights and welfare of women, children, persons with disabilities and other vulnerable groups. It provides policy guidance and advocates for the mainstreaming of gender equality in all government institutions and ensures the equitable delivery of efficient and effective services to all citizens. The Ministry works closely with the respective state gender ministries to implement its national plan by monitoring activities, and by training state staff to empower women, children and persons with special needs and to advocate for the upholding of their rights.

The 2018/2019 budget approved a 72 per cent increase in funding for the Ministry of Gender, Child and Social Welfare. However, the budget for social and humanitarian affairs under which gender sits, is less than 0.5 per cent of the national budget, and so this increase is not significant. The gender budget provides for some increases in operational costs, but there is no allowance for transfers to ministries at the sub-national level or for capital expenditure allocations. This will impact negatively on the ability of state ministries to provide support to their targeted beneficiaries. There is a decline of 11 per cent in funding for salaries of staff which further hinders the Ministry's ability to deliver its work programme for the 2018/2019 fiscal year.

**Gender Budget Allocations  
FY 2017/18 and FY 2018/19**



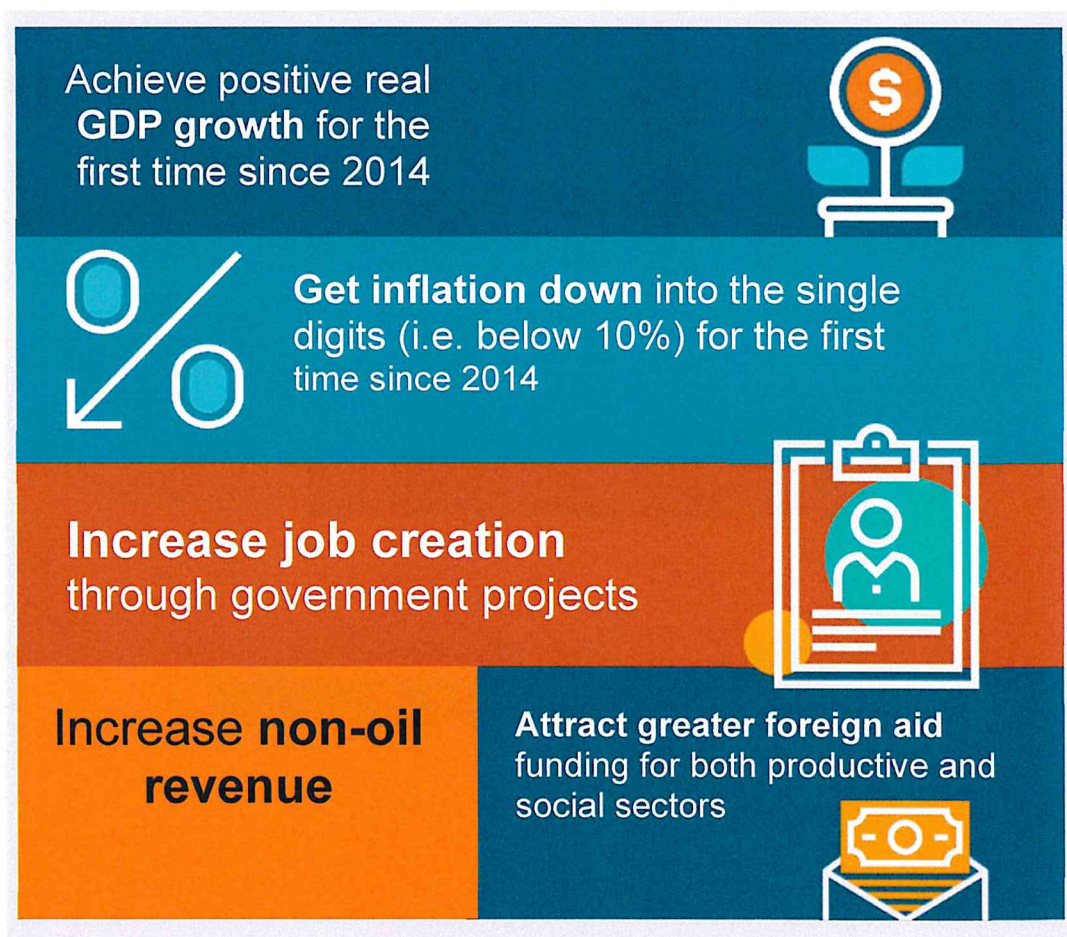


# Oil Revenue Stabilization Account: an Indicator of Prudent Management

In line with the Transitional Constitution of the Republic of South Sudan, the approved Petroleum Revenue Management Bill establishes an Oil Revenue Stabilization Account (ORSA) as one of South Sudan's two reserve funds. An ORSA is an account or a portfolio of investments into which the Government channels all oil revenues received above what is needed to finance the annual budget. When the amount held in the ORSA reaches a level that is half that of the national budget, the excess is then transferred into the Future Generation Fund, which aims to mitigate the inevitable exhaustion of petroleum. The purpose of the ORSA is to build up a protective buffer against market fluctuations. So, if oil prices or total revenues are lower than the government anticipated during the preceding annual budget process, funds in the ORSA can help cover any deficit and ensure South Sudan has enough money to finance the budget until spending is adjusted or oil prices rise.

## Macroeconomic Objectives of the Budget

The FY 2018/2019 budget aims to achieve the following major objectives to stabilize the economy of the country over 2018 and into 2019:





# 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

### Budget Planning

**August**

**Setting of national priorities by:**

- President and Council of Ministers
- Spending agencies

**Preparing a budget calendar**

- Ministry of Finance and Economic Planning (MoFEP) prepares a budget calendar with key dates for budget processes

### Budget Reporting and Monitoring

**January – October**

**Spending agencies submit reports:**

- Monthly financial reports
- Quarterly financial reports
- Mid-year review reports
- Year-end reports

### Budget Execution

**July**

**Funds disbursed to spending agencies**

- Activities implemented

### Budget Preparation

**September – November**

**Estimate resource envelope**

- MoFEP estimates the resource envelope

**Setting of budget ceiling**

- MoFEP determines an indicative budget ceiling for each spending agency and submits this to the Council of Ministers for approval

**Issue budget call circular and organize budget workshop**

- MoFEP issues a budget call circular to spending agencies with guidance on annual budget submissions preparation
- MoFEP conducts workshops with all stakeholders

**December**

**Preparation of budget submission**

- Spending agencies prepare budget submission

**March – May**

**Final budget ceiling and launch of budget process**

- MoFEP compiles all ceilings and submits to Council of Ministers

**Present draft budget to Council of Ministers**

- Draft budget presented to Council of Ministers for review, vetting and approval

**May – June**

**Budget submitted to Legislature**

- Draft budget submitted to legislature for approval



Budget Cycle Phase	Challenges	Recommendations
<p><b>Quarterly and mid-year reviews</b></p> <p><b>“3 months QR – 6 months MYR”</b></p> <p><b>Spending agencies submit reports in order to review how they spend the money allocated to them.</b></p>	<p>Spending agencies in FY 2017/18 have surpassed the budget allocated to them due to lack of published expenditure reports hinders the procedure to follow in applying for supplementary budget.</p> <p>Limited capacity at State levels to report on how funds disbursed have been utilized.</p> <p>Delay in assenting to bills presented to parliament.</p> <p>Inconsistencies in disbursing allowances and remuneration packages among different civil servants.</p> <p>Budget allocations are generally limited to meeting wages and salaries, transfers and grants. Other priority areas are omitted. Allocations do not meet national demands and international standards.</p>	<p>Clear rules and regulations should be shared and articulated to spending agencies on the process of applying for supplementary budget. Spending agencies need to request and justify additional funds for it to be passed by Parliament.</p> <p>Impress upon states the importance of submitting quarterly expenditure reports to ensure funds are spent as intended by the Assembly. In addition to this, the government and other partners should allocate funds towards the training state ministry of finance personnel on funds usage and reporting.</p> <p>Legislators should strongly support the establishment and fully functional National Revenue Authority and enforced to expand its revenue base.</p> <p>There is need for the Emolument Act of 2010 to be amended so that all civil servants' remuneration is harmonized.</p> <p>Funding is needed for other priority areas that contribute to the well-being of South Sudanese citizens and their development. With the advent of peace, more funds should be allocated to meet national demands and to align with international standards.</p>