



South Sudan Citizens Enacted Budget 2019/20

Informing citizens where their tax money goes
and improving transparency in governance



Ministry of Finance and Planning

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Prepared by the Ministry of Finance and Planning (MoFP) and the Government of the Republic of South Sudan in partnership with UNICEF to support citizens' understanding of the government's 2019/20 spending budget passed by legislature on the 21 August 2019.

All data provided by the MoFP unless indicated otherwise.

Contact Information

The South Sudan Citizens Draft Budget 2019/2020 is available online via the Ministry of Finance and Planning website <http://www.mofep-grss.org/>

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

Ministry of Finance and Planning
Office of the Undersecretary of Planning
Ministries Area
or P.O. Box 80 Juba, Republic of South Sudan

Photographs by Andreea Câmpeanu

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Foreword from the Ministry of Finance and Planning



Ministry of Finance and Planning

Enacted Budget FY 2019/2020

Consolidating and Continuing the Necessary Reforms to Stabilise our Economy

It is with great pleasure that I introduce the approved citizens budget for the fiscal year (FY) 2019/20 to the citizens of South Sudan. It presents messages to assist in public financial decision-making processes. It does so by looking at budget data from recent years, focusing at the size and composition of budget allocations in general and in particular to social sectors vital to children.

The Government of the Republic of South Sudan experienced challenges in the execution of the FY 2018/19 due to poor cash flow which led to the delay of salary payments to Government staff for several months. A lack of capital budget allocation made it difficult to execute important Government priorities. However, promising increases in oil prices create hope for covering this year's deficit. Non-oil revenue is also projected to increase due to reforms and ongoing efforts of the National Revenue Authority.

The national budget will enable us to consolidate our peace efforts and continue the necessary reforms to stabilise our economy. The ongoing peace process is an important component of this year's national budget. Government priorities are set out 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 and provide core basic services to our people.

This citizens budget is part of our pledge to increased budget transparency in the future, and I would like to thank UNICEF and all our other partners for supporting the Ministry of Finance and Planning in this endeavour. Although significant steps remain to be taken to create real transparency, this can only be done when trust in our Government is fully restored.

I am pleased to share the approved citizens budget to be used for FY 2019/2020. I am sure this budget will address our Government priorities and needs in a responsible manner and lay the foundation for peace, economic recovery and sustainable development in the Republic of South Sudan.

Hon. Ocum Genes Karlo
Undersecretary of Planning
Ministry of Finance and Planning
Government of the Republic of South Sudan



What is the National Budget?

The national budget is the Government's revenue forecast and expenditure plan for the fiscal year from 1 July to 30 June. In it, the Government shows how it will raise finances, such as proceeds from oil, tax and grants from donors in the form of revenue, and how it will spend those finances on achieving its priorities and spurring economic growth and development.

Spending priorities are guided by the National Development Strategy 2018–2021 and shaped by three levels of government. National government agencies and departments determine their annual budget submissions on key programmes and activities, which are based on Government priorities, sectoral plans and policy statements. At state level, annual spending priority plans are submitted based on state strategic plans. Local governments set spending priorities based on county development plans and an annual participatory planning process.

However, Government expenditure is limited to the resources available and conditions on loans taken out from banks, which limits financial space for the Government to manoeuvre and restricts ceilings on urgent expenditures.

How is the budget produced?

Each Ministry drafts a budget which is reviewed by the Council of Ministers and then presented to Parliament for its first reading. MPs can propose adjustments and realignments to the budget before voting to pass it. After passing three parliamentary readings, the budget is considered enacted and is ready to be signed by the president.

The National Budget Cycle

Budget Planning

August

Setting of national priorities by:

- President and Council Members
- Spending agencies

Preparing a budget calendar

- Ministry of MoFP prepares a budget calendar with key dates for budget processes

Budget Reporting & Monitoring

January - October

Spending agencies submit reports:

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

These reports should be made available to Ministers, Budget holders and Specialised committees.

Reports which should be made publicly available include:

- The Agenda
- Resource Envelope
- Monthly and Quarterly reports
- Budget Ceilings

Budget Execution

July

Funds disbursed to spending agencies:

- Activities implemented

Budget Preparation*

September – November

Estimate resource envelope

- MoFP estimates the resource envelope

Setting of budget ceiling

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

Issue budget call circular and organise budget workshop

- MoFP issues a budget call circular to spending agencies with guidance on annual budget submission preparation
- MoFP 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

- MoFP 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



* Due to time, capacity constraints or other circumstances, the Government does not always abide to the schedule sketched above. This year the draft budget was presented to parliament in mid-July, there is then a period of 45 days where Parliament has the chance to further discuss and read the budget. Therefore, budget could not have been expected to be enacted before the end of August.

Highlights of the Budget for FY 2018/2019

The FY 2018/19 budget was balanced with both income and expenditure expected to equal SSP 81.590 billion, with no funding gaps.



By Q3, the budget was overspent by SSP 14 billion and was projected to reach SSP 43 billion in Q4. The final budget deficit has not yet been confirmed.



At the beginning of the 2018/19 fiscal year, national debt was SSP 24 billion. In FY 2019/20, national debt is projected to reach SSP 178 billion, placing increasing pressure on the country's finances.



Although the Education sector received a nominal increase in its budget of 410%, in budget execution it experienced an underspending of 72%. This has put pressure on service delivery in the Education sector.



Although the Health sector received a nominal budget increase of 173%, during budget execution it experienced an underspending of 78%. This has put pressure on service delivery in the Health sector

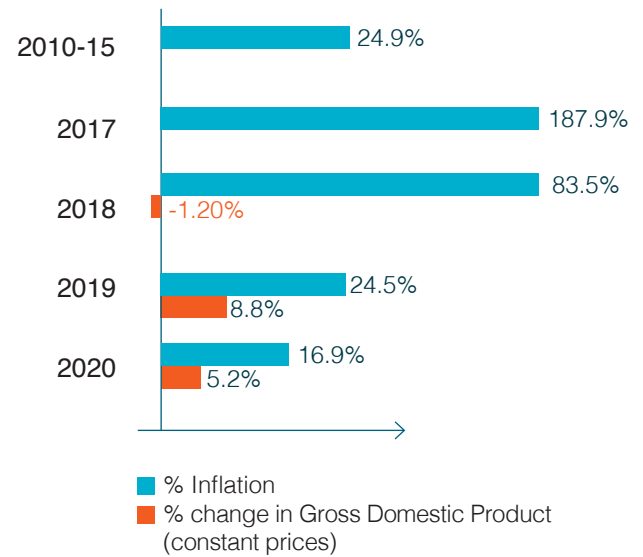


Macroeconomic Situation – Opportunities and Challenges

South Sudan is rich in natural resources, including oil, water and fertile soils, which are ripe for investment to unlock their potential. After several years of conflict, the economy is growing and inflation has gone down. Non-oil revenue is increasing significantly due to the formation of the National Revenue Authority with a unified and improved tax administration system, improved tax collection and an increase in tax base.

However, the country is also facing several short to medium term challenges. The transfer of civil servants under the peace deal, reallocation of students and universities, reallocation of displaced persons and the movement of organised armed forces will put pressure on consumption, accommodation and basic services and will lead to a rise in cost of living within the country.

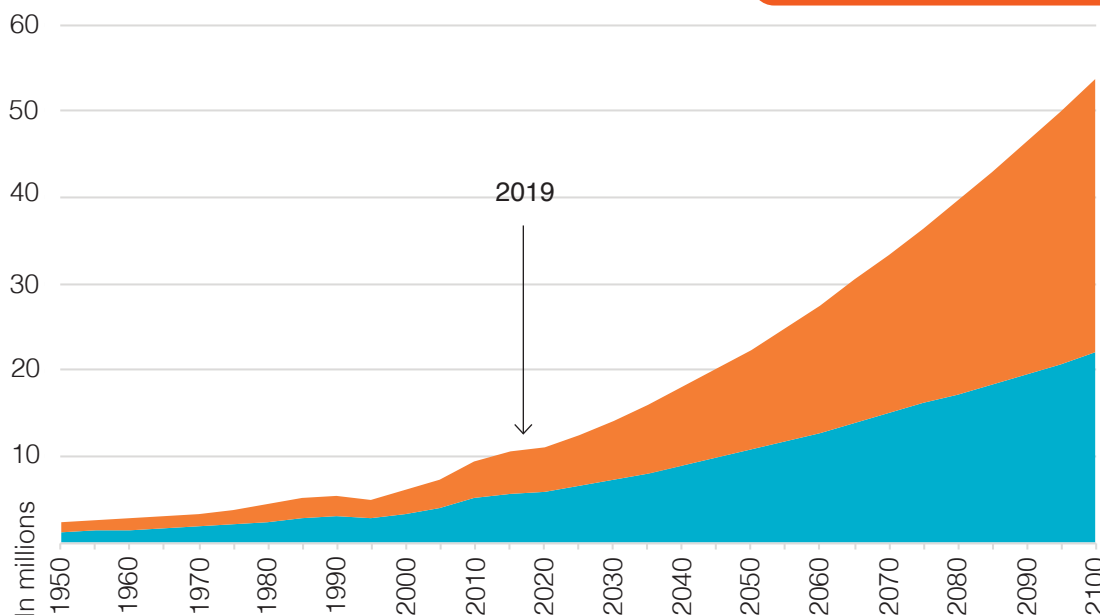
While financing the budget deficit through foreign loans may reduce the need for cuts in public expenditure now, the servicing of debt may impose costs in terms of lower consumption in the future.



Demographic Challenges

South Sudan's rapid population growth presents both opportunities and challenges. The number of new-borns each year is increasing (around 350,000 in 2019) as is the size of the working age population, putting increasing pressure on basic social services provided by the Government and development partners.

Population projections for children and adults 1950-2100



Age 20-69

Age 0-19

(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)

The FY 2019/20 Budget

Highlights



Total available budget has been forecasted at SSP 208 billion, more than 2.5 times last year's budget of SSP 82 billion.



While the budget is significantly higher than last year, it does not account for the effects of inflation where prices have risen as well.



Most of the incremental budget increase has been allocated to infrastructure with limited rises in other sectors by comparison.

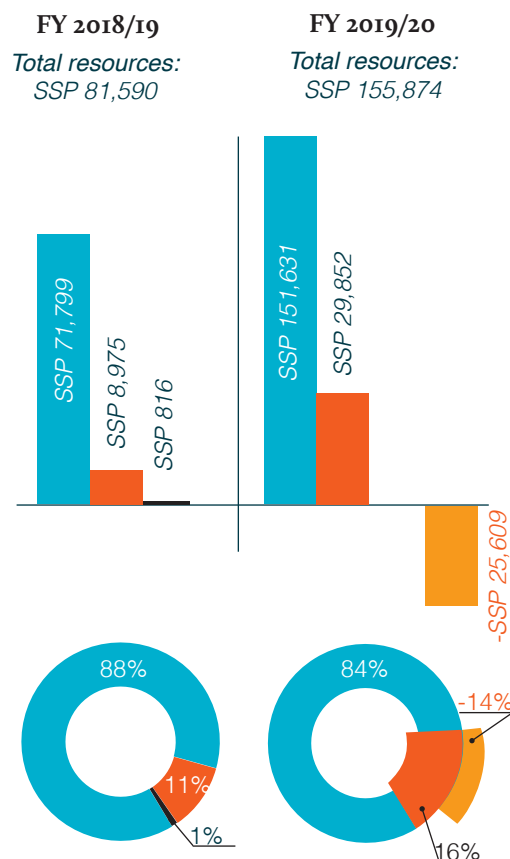
Context

- The proposed budget (SSP 208 billion) is based on projected revenue from oil, taxes, licenses and other sources. It does not include any overseas development assistance (ODA) channelled through the government.
- Total estimates of resource envelope amount to SSP 155.8 billion, which is 74 billion higher than revenue in FY 2018/2019.
- The draft national budget has a projected deficit of 52.283 billion. This is due to oil revenue being reflected differently in the budget to previous years. The Government aims to increase revenue this year through greater oil revenues by increasing production, higher prices and borrowing on international markets rather than forward sales, as previously relied upon.

Where the money comes from compared to last year - in SSP & %

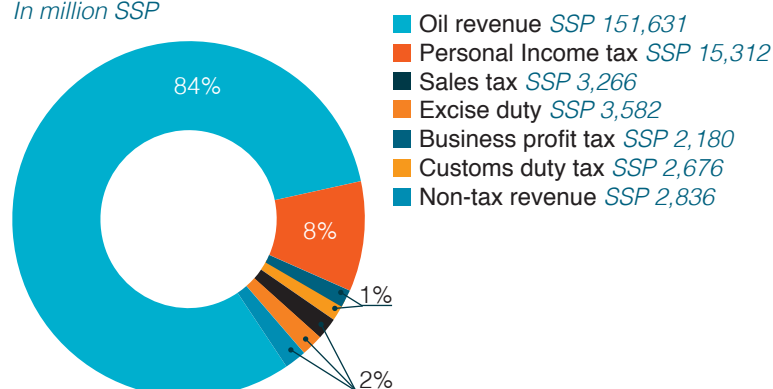
In million SSP

Oil Revenue Donors & Grants
Taxes, Licenses & Other Revenue Loan Repayments



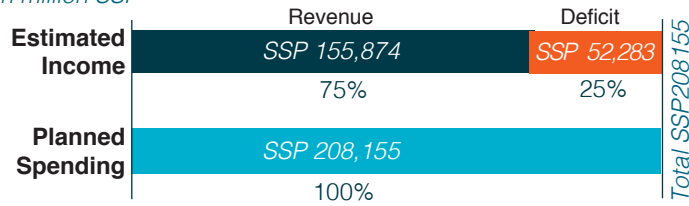
Detailed sources of revenue FY2019/20

In million SSP

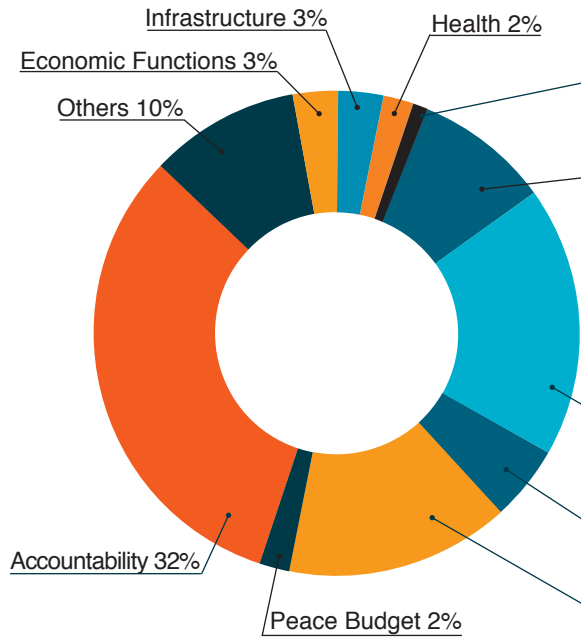


Estimated income vs planned spending FY2019/20

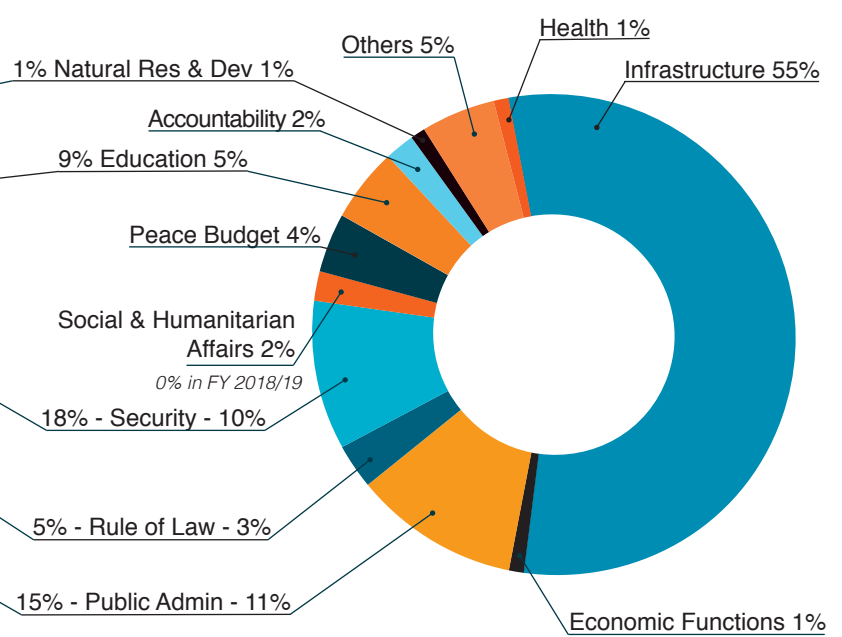
In million SSP



How was the budget allocated in FY 2018/2019

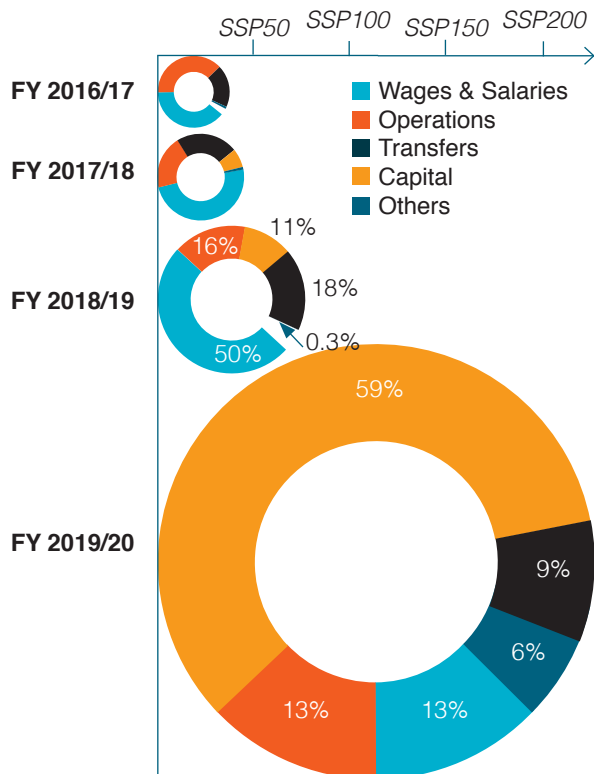


How will the budget be allocated in FY 2019/2020



Government spending by economic classification FY 2016-20

(in billions SSP, and as % of the total budget)

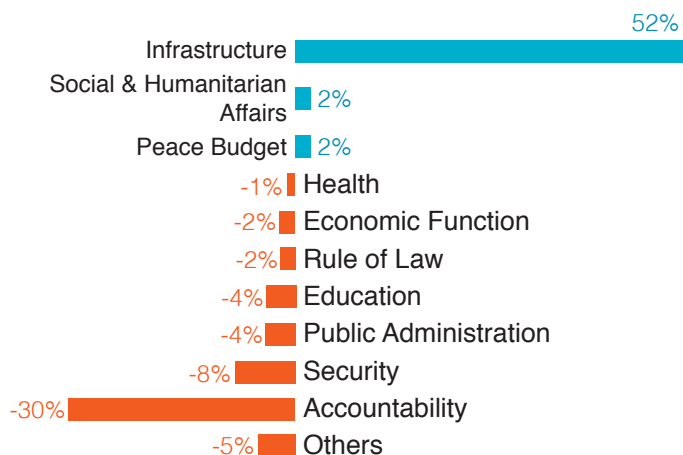


* Percentages for each year do not equal 100% as budgets for 'contingencies', the 'peace budget' and 'interest and related bank charges' do not fall within classification.

Sector Analysis



Change in allocated budget by sector FY 2018/19 to 2019/20



- Infrastructure, Social & Humanitarian Affairs and Peace Budget all received increases in their allocated budget for FY 2019/2020.
- The Minister of Finance has pledged for transparency with regards to infrastructure development transactions by forming a technocratic committee to monitor them.
- The Appropriation Bill specifies Peace Budget funds will be disbursed when details of their specific use is set.
- The FY 2019/20 budget places a very strong focus on capital spending.

Reduced share of the budget for health, education & gender

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



Education



The national budget for the education sector increased by more than 50% in nominal terms compared to the FY 2018/19 budget. This represents 5% of the national budget, which is a reduction from 9% last year. This falls short of the government's commitment to the Incheon Declaration 2015 whereby at least 15-20% of total public expenditure should be for the Education sector.

FY 2018/19
App. budget

SSP 7,629

9%

FY 2019/20
Est. budget

SSP 11,548

5%

In SSP millions

% of budget



Health



The national budget for the health sector increased by 31% in nominal terms compared to the FY 2018/19 budget. However, this only represents 1% of the national budget, which is short of the government's commitment to the Abuja Declaration whereby 15% of the national budget should be for the health sector.

FY 2018/19
App. budget

SSP 1,792

2%

FY 2019/20
Est. budget

SSP 2,247

1%

In SSP millions

% of budget

The Education Budget in Detail FY 2019/20

The Government's education priority is to provide basic education for all children. Funds are disbursed to support the operations of state education ministries. Rising birth rates will result in an increase in pupils presenting a challenge in future funding of schools.

- The education sector has been allocated SSP 11.5 billion (11,548,155,893), which is a 54 percent nominal increase from last year's budget, and the equivalent to 5 percent of the total National Budget, a decrease from 9 percent of the total National Budget FY 2018/19.
- Within the education budget, 56% has been reserved for actual education services.
- Basic education has been allocated SSP 6,866,680, post-primary SSP 2,148,663 and higher education SSP 986,719,314.

Allocations at national level

Within the education budget, basic education has been allocated SSP 6,866,680 for 2019/20 and higher education has been allocated SSP 887,681.

In FY 2018/2019, 28 percent of the approved budget was paid out.

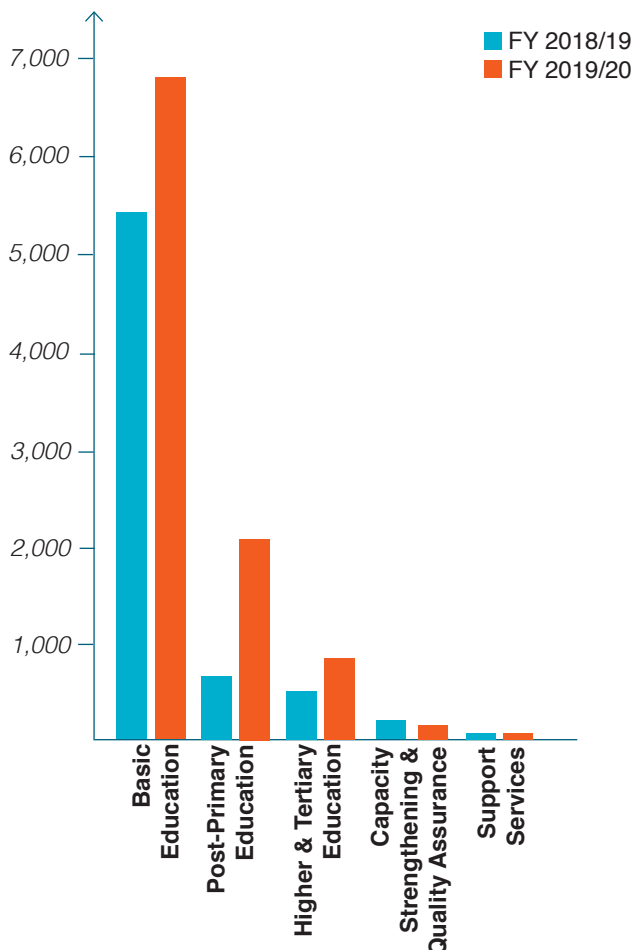
For FY 2019/2020, SSP 6,512,218,263 will be transferred to Counties. This is equivalent to 56 percent of the total education budget, which will be transferred to pay salaries and allowances for education staff and to meet the operational costs of the education departments and offices at the County and Payam levels respectively.

The majority of transfers to Counties go to basic education spending. In the last fiscal year, there was an increase in the budget allocation for sub-national level education but only 23 percent of the allocated budget for transfers was made available and spent.

This year's proposed increase in transfers to states and counties for basic education is significant and will help support the retention of teachers in schools, if executed as planned.

Sub-national transfers FY 2018/19 & FY 2019/20

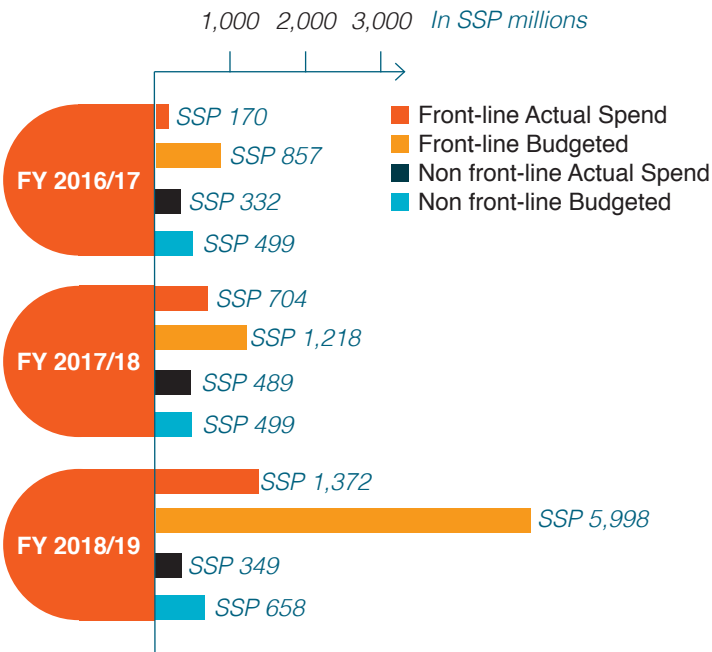
In SSP millions



Wages & salaries

Over the past three years, the actual amount of salaries paid has often been lower than budgeted, with front-line level salaries paid the least of the budgeted amount.

Non-frontline salaries are paid to civil servants that work in central Ministries and frontline salaries are paid to State Ministry staff and teachers, or other people working at the ‘frontline’ of education.



The Health Budget in Detail FY 2019/20

The mandate of the Ministry of Health is to improve the health of the citizens of South Sudan and provide them with quality health care, focusing specifically on children, women and other vulnerable populations.

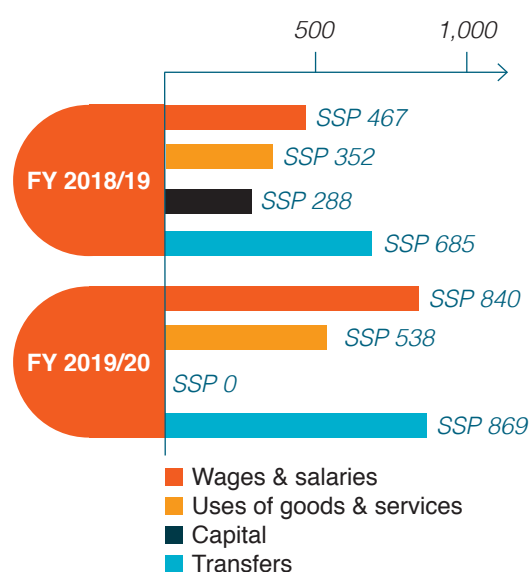


Allocations at national level

The health sector has been allocated a total of SSP 2,246,791,682, which is equivalent to 1 percent of the total National Budget. This is a 31 percent increase compared to last year's health budget in nominal terms. From this total sector allocation, SSP 642,780,389 will go to Community and Public Health, SSP 470,769,144 will go to Secondary and Tertiary Health Care and SSP 1,481,250,555 will be transferred to Counties. Wages and salaries will take up 10 percent of the total budget. In FY 2018/2019, 22 percent of the approved budget was released to the health sector.

Budget allocations FY 2017/18 & 2018/19

In SSP millions



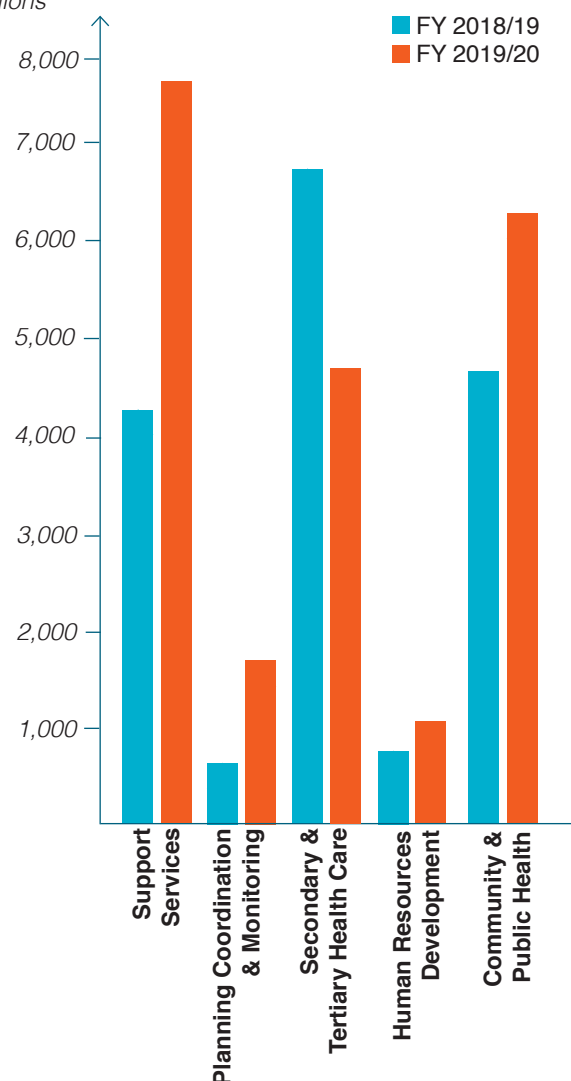
Sub-national transfers

For FY 2019/2020, SSP 1,481,250,555 will be transferred to Counties. 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.

In FY 2018/2019, SSP 684,954,360 was allocated to County Health but due to cash flow problems, only 27 percent was released. Community and Public Health, Support Services, Planning Coordination and Monitoring have all seen increases in their budgets for FY 2019/2020.

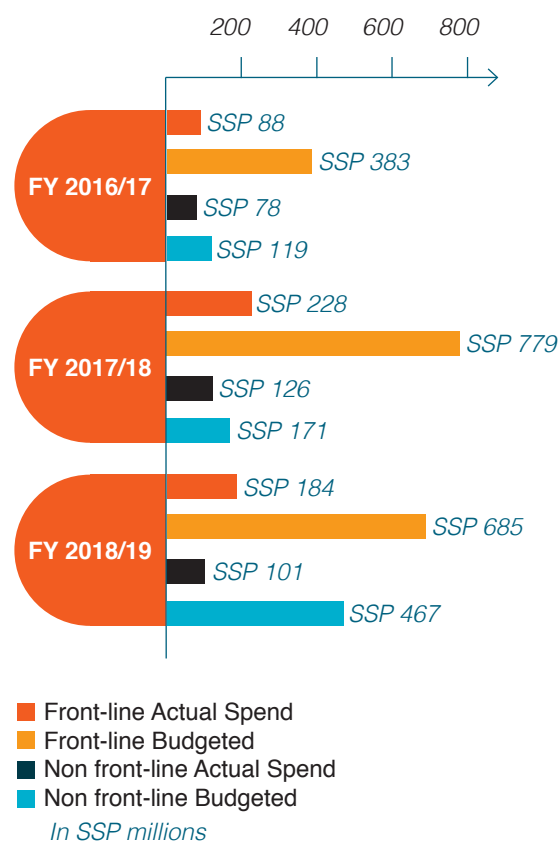
Sub-national transfers FY 2018/19 & FY 2019/20

In SSP millions



Wages & salaries

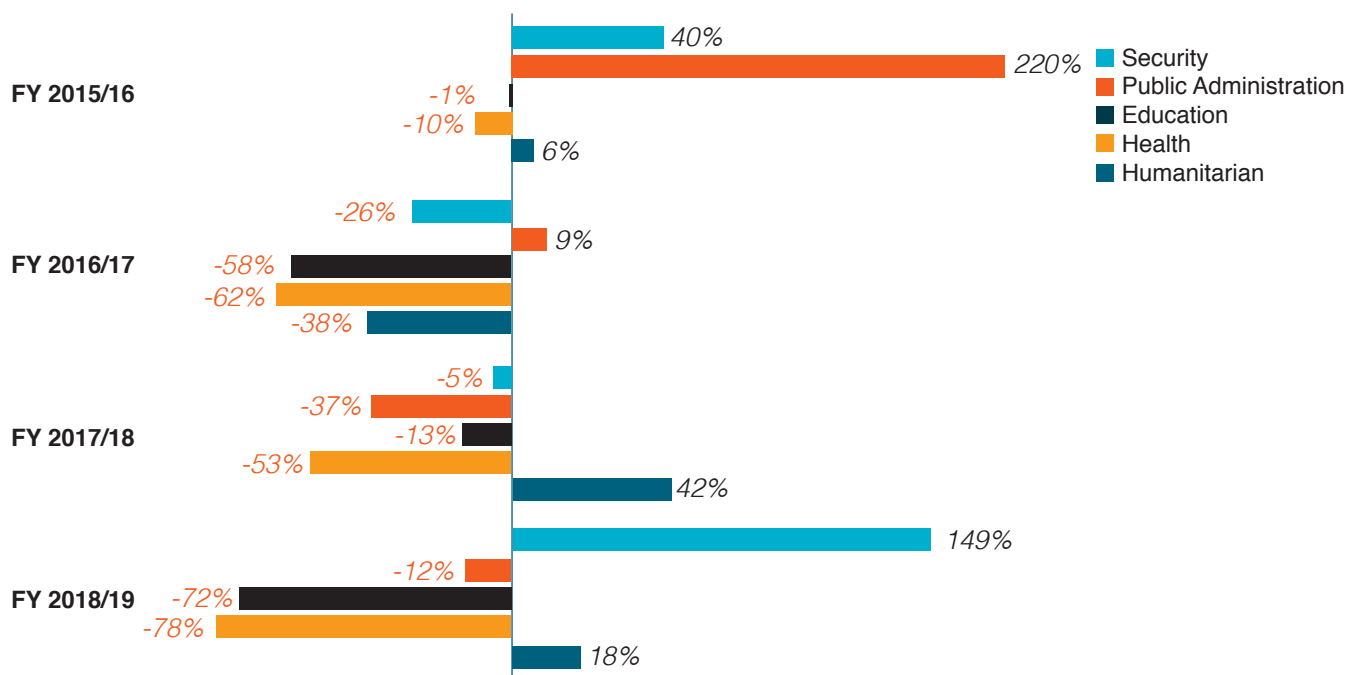
Over the past three years, the actual amount of salaries paid has often been lower than budgeted, with front-line level salaries paid the least of the budgeted amount. Non-frontline salaries are paid to civil servants that work in central Ministries and frontline salaries are paid to sub-State Ministry staff and doctors, or other staff working at the 'frontline' of the Health sector, in health facilities.



Budget Approved vs Revised Spending

The approved budget can be different to what is actually spent during the subsequent fiscal year. The table and graph below show budget overspending and underspending at select Ministries between FY 2015/2016 and FY 2018/2019. The humanitarian sector has seen a trend of overspending in this period while Health and Education have both seen recurrent underspending. The Peace Agreement was signed in September 2018, and this should help to lower spending on the Security budget.

Budget deviation approved & revised spending in select Ministries FY 2015/6-2018/19



Transparency & Accountability - Holding the Government to Account

The budget speech outlined important measures for improved accountability and accountability mechanisms. Citizens can ensure the Government keeps to its budget commitments by following up with their local MPs.

The Government has made a commitment to transparency and budget accountability and will be held to account by MPs.



MPs have approved the development of a technocratic committee to monitor infrastructure development transactions. Committee members will review quarterly financial expenditure and monthly revenue reports.



Under the Appropriation Bill, MPs can request details on the Peace Budget planned expenditure, which will only be disbursed after indication of use.



The Government will establish an Arrears Management Committee to resolve the budgetary deficit. MPs will request a date for the establishment of the committee. Once the committee has been set up, MPs will review quarterly financial reports on the payment of arrears and payment schedule.



In its budget speech, the Government announced a move to FOREX rates which are guided by the market. This means there will be no fixed official exchange rate; instead the rate will fluctuate with the market.





Prepared by the Ministry of Finance and Planning (MoFP) and the Government of the Republic of South Sudan in partnership with UNICEF to support citizens' understanding of the government's 2019/20 national budget.

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P.O. Box 80
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