



Ministry of Finance and Planning



South Sudan

Draft Citizens' Budget

2022/2023

Informing citizens how Government plans to spend tax money
and improve transparency in governance

unicef  | for every child

This Citizens' Budget was prepared to support citizens' understanding of the government's planned expenditure in 2022/2023, based on the projected resource envelope and indicative ceilings shared by the Ministry of Finance on 27th September 2022. The budget is yet to be approved by the National Legislative Assembly. The Citizens' Budget was produced by the Ministry of Finance and Planning (MoFEP) with the support of UNICEF. It aims to create awareness on the budgetary process and encourage the participation of citizens.

All data has been provided by the MoFEP unless indicated otherwise.

Contact information for citizen feedback:

The South Sudan budget Process Update for Citizens 2022/2023 is available online via the Ministry of Finance and Planning website <http://grss-mof.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

Forward

It is with great pleasure that I introduce the draft National Budget for fiscal year (FY) 2022/2023. Through this budget and related policies, the Government aims to stabilize the economy, reduce inflation which has implications for the Government and society as a whole, and facilitate recovery from numerous shocks including COVID-19. The Government is committed to achieving and maintaining macro and micro-economic stability to achieve sustainable development and broad economic growth, Combating COVID-19, and consolidate peace as well.

The Citizen Budget is generated based on data collected from National Institutions such as; the Ministry of Finance and Economic Planning, Ministry of Petroleum, the National Bureau of statistics, and the Bank of South Sudan with the analysis from the Directorate of Budget and Revenue, Macro Planning and Aid Coordination, from where we are able to estimate and project the Resource envelope for the FY 2022/2023 National Budget.

The Government experienced challenges during the execution of FY 2021/2022 due to some shortfall in its financial position which was aggravated by the global pandemic (COVID-19) and the tremendous impact on trade and the prices of oil. However, there were some successes from Government level as well, including continued construction of the Interstates roads as a promise to the South Sudanese people, reduction in salary arrears, reduced borrowing from the Bank of South Sudan (Overdrafts), and the ability to contain Government spending on salaries within collections from several local taxes.

The significant global recovery from the Covid pandemic and the Ukraine-Russian war has led to an upwards trend in oil prices and global trade recovery. The Government of South Sudan can now meet some important national projects, such as roads and infrastructure projects. Tax revenue has shown a substantial improvement, estimated at SSP 117 billion due to the reform policy action implemented by the Government through the establishment of the National Revenue Authority.

The estimated national revenue will fund the planned Government expenditures for the FY 2022/2023. Currently, we are managing the long-accumulated salary arrears to ensure it is brought to a minimum and since we have stopped borrowing from the Bank of South Sudan, we will scale down the rate of inflation.

Plans are underway to reduce National debt, we will avoid circumstances that compel us to borrow both internally and externally. Fellow citizens, the FY 2022/2023 draft national budget I present to you today has placed an important focus on stabilizing the economy, revitalized transitional peace agreement, vital infrastructure projects and is a reflection of key issues as stipulated in the National Development Strategy which addresses issues of concern to the nation of consolidating peace, maintain security and stabilizing the economy.

In addition, we are working extra harder to broaden our tax base and tax administration as the basis of financing Government expenditures.

Agak Achuil Lual

The Minister

Ministry of Finance and Economic Planning

Government of the Republic of South Sudan

1. What is the National Budget?

The national budget is the government's revenue forecast and expenditure plan for the financial year from 1st July to 30th 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 Revised National Development Strategy (R-NDS) 2021-2024 which expresses national aspirations to transition from dependence on humanitarian aid to a development path using the humanitarian, development and peace nexus approach and has adopted a comprehensive implementation framework anchored on collaboration with development partners. The R-NDS is 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.

This year's budget cycle has experienced a delay due to multiple factors, set out in the next section. Apart from a slow budget cycle, this year's planned government expenditure is limited to the resources available and conditions on loans taken out from banks, which limits financial space for the government to maneuver and restricts ceilings on urgent expenditures.

2. The proposed 2022/23 Draft National Budget?

The South Sudan economy is likely to slow in FY 2022-2023. The provisional estimate is to grow by 3.3 percent which is at a 0.9 percent higher than the previous fiscal year 20221-2022 (4.5 percent). We see three headwinds facing the South Sudan's economy the coming years: firstly, we expect investment in South Sudan to slow due to high commodity prices. South Sudan is a net importer of almost everything including energy and commodities-higher commodity prices will lead to higher import bill and weigh on savings and therefore investment. Furthermore, higher inflation induced by higher commodity prices has pushed central banks around the world to tighten their monetary policy.

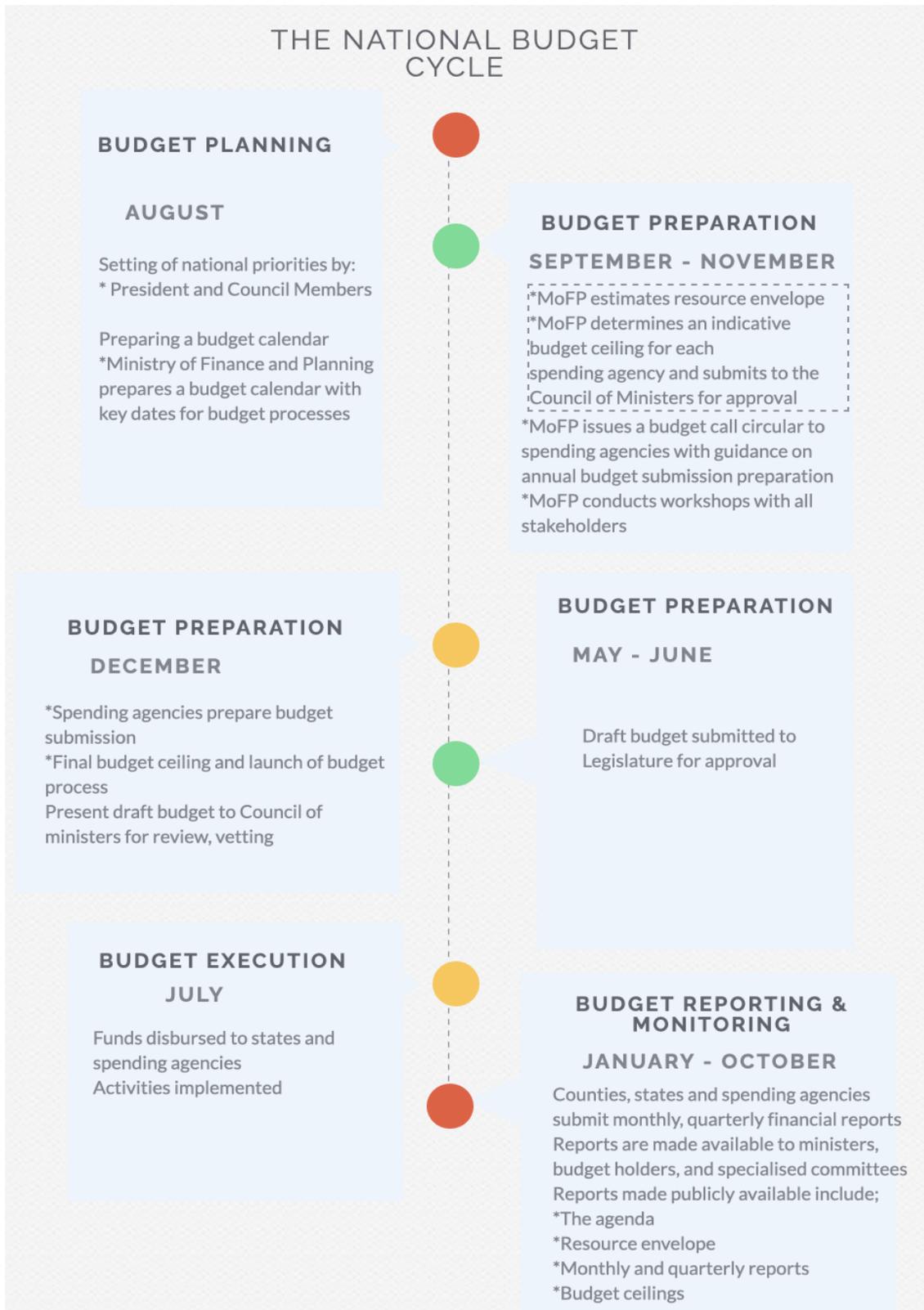
Secondly, we believe that the slowing global economic back drop will also weigh on South Sudan's economy, though the impact of growth is less significant on the other export-oriented economies.

Lastly, the outbreak of the Russian-Ukraine war will lead commodity prices to surge. We expect prices to stay elevated through the end of 2022 before moderating slightly in FY 2023-24. This will put upside pressure on inflation globally and will erode consumer purchasing power. The impact is more acute in South Sudan than in developed markets as food and energy account for 72.0% of it CPI basket.

The total expenditure outlay for the current FY 2022-23 as per the approved budget is SSP 1.4 billion, of which Other Mandatory Expenditures is SSP. 545.349 million and SSP. 664.393 million is the recurrent expenditure and Capital expenditure is SSP 120.733 million.

On the resources front, total resource is estimated at SSP 832.8 billion as per the approved budget for the FY 2022-23 accounting for 29 percent growth rate from the previous estimate FY 2021-22. Of which, the government oil revenues is SSP 715.8 billion contributing a growth rate of 21 percent; the government non-oil revenues (Taxes) is estimated at SSP 117 billion while the remaining is from external grants.

3. How is the Budget Produced?



4. Macroeconomic situation

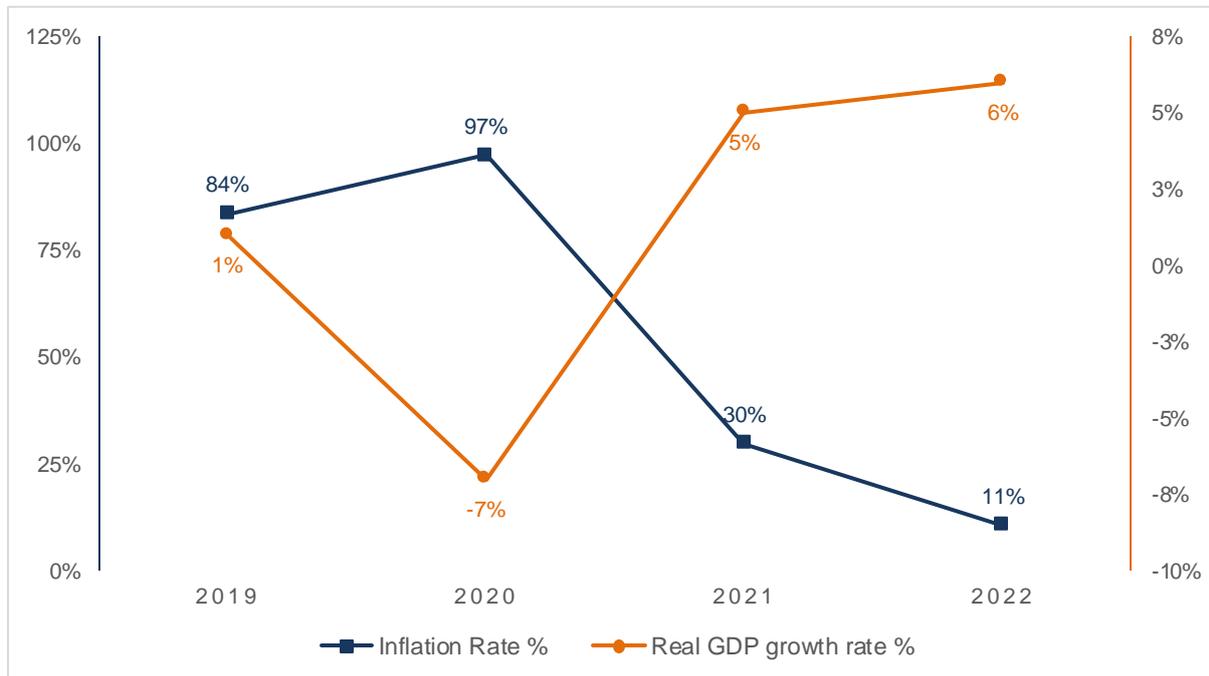
South Sudan is rich in natural resources, including oil, water and fertile soils, which are to unlock investments. Non-oil revenue is increasing significantly due to the formation of the National Revenue Authority with unified and an improved tax administration system, improved tax collection and an increased tax base. The South Sudan economy is highly reliant on oil. In 2021, the economy suffered from a big drop in oil prices, devastating floods and the COVID-19 pandemic. In 2022, global oil prices have recovered which has helped to improve economic conditions and growth in South Sudan.

- Gross Domestic Product (GDP) is an international formula which calculates the value of everything a country produces through manufacturing, private and government income and spending, investments, construction, and foreign trade. For 2023, this is projected to be 17.79 Billion USD
- Nominal GDP growth does not take inflation into account. For 2023, this is projected at 5.6%



Credit: Health Link South Sudan

5. Real GDP growth and inflation rate, annual percent change 2019-2022



Source: World Bank 2022

6. Debt

Outstanding debt in FY2021-22 stood at USD2.05 billion representing a debt-to-GDP ratio of 64.4% as of 2022. The debt-to-GDP ratio is the metric comparing a country's public debt to its gross domestic product. The government will prioritize borrowing from external concessional windows to lower the financing cost, while meeting balance funding needs from the domestic market if need be and therefore, the government will continue managing public debt in such a manner that the public sector's financing needs and debt service obligations are met in a timely manner, at the lowest possible cost to ensure that the financing decisions are prudent and public debt is maintained at a sustainable level.

Repayment of debt is very costly, reducing how much money the government can spend on citizens and threatening long-term economic sustainability. The government is trying to improve their debt management by no longer borrowing from commercial banks, improving the management of oil sales and developing better debt management skills into the Ministry of Finance and Planning (MoFP).

7. Impact of Covid-19 on Social Sectors

Education

COVID-19 has resulted in the disruption of learning. Approximately 2.1 million children, currently enrolled in primary and secondary levels, were deprived of education as schools have been shut down. This is in addition to the 2.2 million children that are estimated to be out of school ('out of school' implies that children have stopped attending school permanently or semi-permanently as they are not enrolled).

International research shows that closing schools can have a permanent effect on vulnerable children, who are at higher risk of forced early marriage and pregnancy. It can increase drop-out rates which will largely affect adolescent girls, who already experience limited access to education.

In order to partly mitigate the impact of school closures, the Ministry of General Education and Instruction (MoGEI) in partnership with development partners, including the UNESCO, have launched the 'Education on Air' Radio programme targeting primary and secondary levels to continue offering learning opportunities for children and youth, targeting 800,000 children (UNICEF, 2020). The programme was signed for a duration of 6 months. This partnership programme is implemented under UNESCO's Capacity Development for Education (CapED) Programme supported by Finland, Iceland, Norway, Sweden and Dubai Cares.



Credit: WFP/Gabriella Vivacqua

Health

Up to and including 21st November, 18,339 COVID-19 cases and 138 deaths have been recorded. This is low, but limited testing and social stigma obscure the true magnitude of the virus. Additional pressure on the health system, is disrupting vaccinations, maternal health services and treatment for curable diseases like malaria, diarrhea, and pneumonia, which can result in an increase in preventable deaths.

The response to COVID-19 of the Government of South Sudan has focused on awareness raising efforts and prevention, so everyone knows about COVID-19 and how to stay safe. Flights have since resumed to South Sudan from countries that had been affected by the Coronavirus, schools and

universities have since re-opened and the imposed night-time curfew lifted.

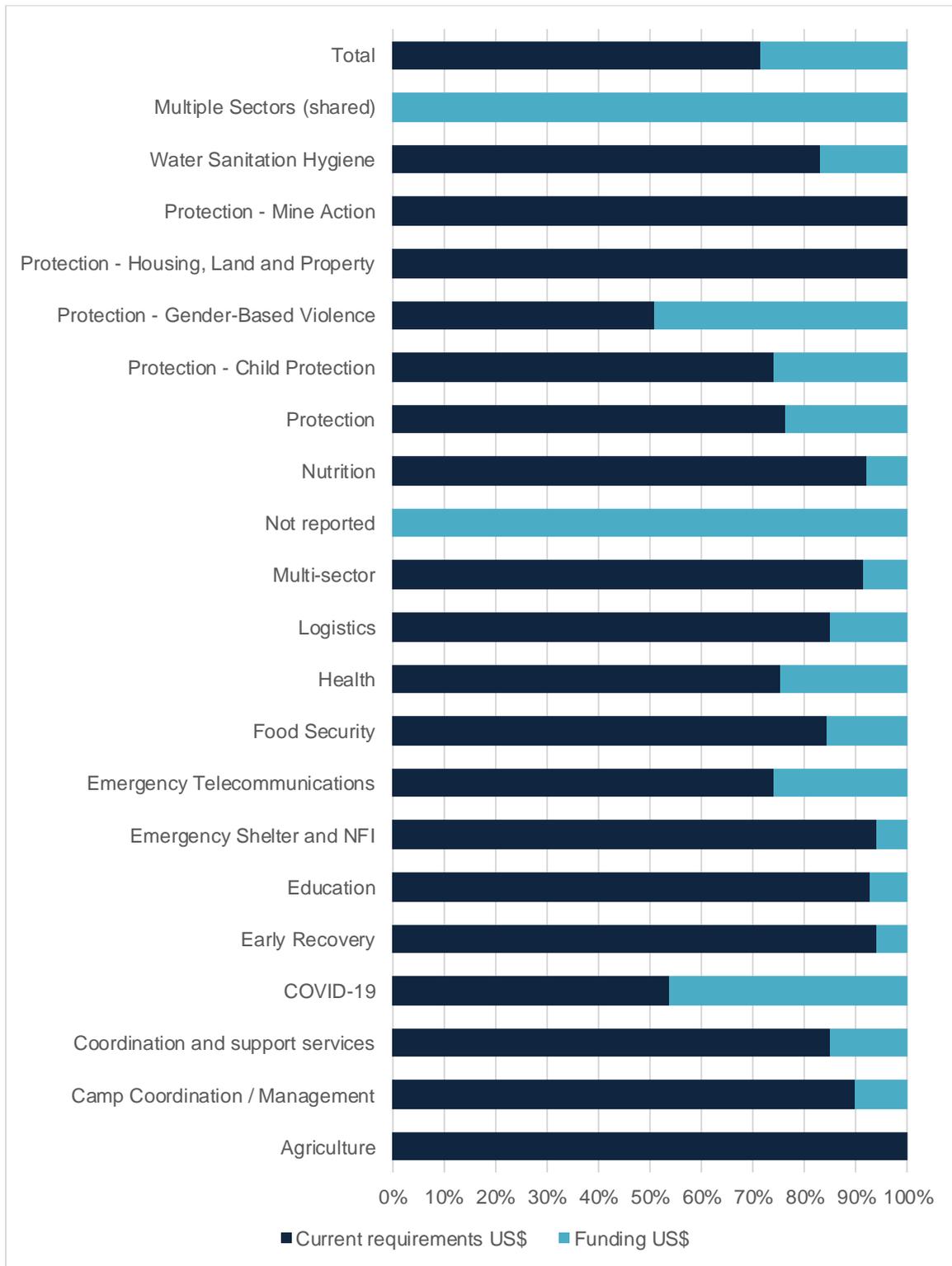
The international community has supported the government in its COVID-19 response, committing an additional USD200 million to mitigate COVID-19 related risks and consequences, across sectors and the country. Read more about international support to mitigate COVID-19 affiliated risks in the next section.

Donor Support to mitigate COVID-19 risks for FY 2021/22

By Cluster/Sector

Agriculture	Current requirements US\$	Funding US\$
Agriculture	\$282,000	\$0
Camp Coordination / Management	\$90,548,448	\$10,157,254
Coordination and support services	\$69,852,162	\$12,251,695
COVID-19	\$376,000,000	\$322,600,497
Early Recovery	\$165,958,980	\$10,676,605
Education	\$342,015,713	\$27,644,186
Emergency Shelter and NFI	\$348,198,153	\$22,958,317
Emergency Telecommunications	\$3,521,952	\$1,230,012
Food Security	\$2,373,237,611	\$437,754,221
Health	\$2,437,931,924	\$794,030,040
Logistics	\$119,461,570	\$21,097,651
Multi-sector	\$1,538,587,642	\$147,270,424
Not reported	\$0	\$1,198,235,873
Nutrition	\$247,809,338	\$21,937,229
Protection	\$341,646,830	\$105,725,660
Protection - Child Protection	\$39,314,262	\$13,736,171
Protection - Gender-Based Violence	\$50,609,371	\$48,808,106
Protection - Housing, Land and Property	\$250,000	\$0
Protection - Mine Action	\$1,120,000	\$0
Water Sanitation Hygiene	\$845,478,766	\$173,548,426
Multiple Sectors (shared)		\$360,695,483
Total	\$9,391,824,722	\$3,730,357,850

Source: UNOCHA Financial Tracking Survey, 27 November 2022



Source: UNOCHA Financial Tracking Survey, 27 November 2022

By Donor

Donor	Funding
United States of America, Government of	\$766,369,277
European Commission's Humanitarian Aid and Civil Protection Department	\$112,542,819
Central Emergency Response Fund	\$42,098,594
Germany, Government of	\$35,415,372
United Kingdom, Government of	\$35,408,118
Canada, Government of	\$33,179,234
Sweden, Government of	\$19,175,585
Private (individuals & organizations)	\$15,137,830
Japan, Government of	\$11,492,851
Netherlands, Government of	\$9,733,005
Norway, Government of	\$9,615,058
France, Government of	\$7,715,368
Office for the Coordination of Humanitarian Affairs	\$7,047,411
Denmark, Government of	\$6,312,782
Ireland, Government of	\$6,134,450
Switzerland, Government of	\$4,738,871
World Food Programme	\$2,683,363
World Bank	\$1,925,715
GAVI Alliance	\$1,879,517
Qatar, Government of	\$1,079,403
Luxembourg, Government of	\$1,059,632
Austria, Government of	\$1,050,420
Education Cannot Wait Fund	\$1,000,000
UN Multi-Partner Trust Fund	\$797,322
International Development Association	\$790,288
UN Peacebuilding Fund	\$616,818
UNICEF National Committee/Germany	\$534,642
UNICEF National Committee/France	\$422,386
Jersey Overseas Aid	\$264,086
Medici con l'Africa CUAMM	\$240,000
United Nations Children's Fund	\$163,923
United Nations Joint Programme on HIV/AIDS	\$136,964
Corus International	\$135,000
Intergovernmental Authority on Development	\$95,578
Food & Agriculture Organization of the United Nations	\$65,355
International Organization for Migration	\$65,355
UNICEF National Committee/Iceland	\$30,649
UNICEF National Committee/Denmark	\$13,849
UNICEF National Committee/Norway	\$3,816

Source: UNOCHA Financial Tracking Survey, 27 November 2022

Significant donor support that is not captured by the UNOCHA FTS includes, but is not limited to:

- The Global Partnership for Education, who supports the Education sector with a USD 7 million grant to support continuity of learning during closure of schools for the period 2020 to 2022 and support the reopening of schools (www.globalpartnership.org).
- The World Bank, who supports the health sector with a USD 200m grant to strengthen Health Systems and Accelerate COVID-19 Vaccination (www.worldbank.org)

8. The 2022/2023 indicative ceilings at a glance

The proposed government expenditure budget of SSP 1.39Trillion is based on projected revenue from oil, taxes, licenses, donors, grants and other revenues. It does not include any overseas development assistance (ODA) channeled through the government.

This is SSP 590.4B more than last year's budget of SSP 802.4B. While the indicative ceilings show a planned expenditure that is slightly higher than last year, it does not account for the effects of inflation, as prices rose. In real terms, the budget will shrink by SSP 1.55 Billion. The annual growth of inflation rate is targeted to be 2.4 percent for the FY 2022-23 and 6.3 percent growth rate is being expected by the end of period by June 2022-2023. Inflationary pressure has been building up in recent months as domestic and imported food prices continue to rise due to limited supply and higher transport costs.

The near-term inflation is expected to remain elevated for three reasons. First, prices temporarily depressed by the pandemic will continue to rise as COVID infections unwind and the economy recovers. Second, supply-chain bottlenecks are likely to persist well into 2022. Third, significant labor shortages will continue generating upward pressures on wages and thus goods and services prices. In the longer term, as supply-chain disruptions subside, inflation within some consumer price categories is expected to ease. Shifts of spending back toward services should also ease demand for goods and restrain goods inflation. Meanwhile, the dollar is likely to strengthen as the Federal Reserve tightens monetary policy, putting downward pressure on the cost of imports and indirectly on the prices of domestic goods. In addition, energy prices are expected to recede from their multi-year highs, becoming a drag on inflation.

Total estimates of resource envelope amount to SSP 832.8Billion, which is SSP 185.4B higher than revenue in FY 2021/22 which was SSP 647.4B. The indicative ceilings have a projected deficit of SSP 560B or a funding gap of 67%.

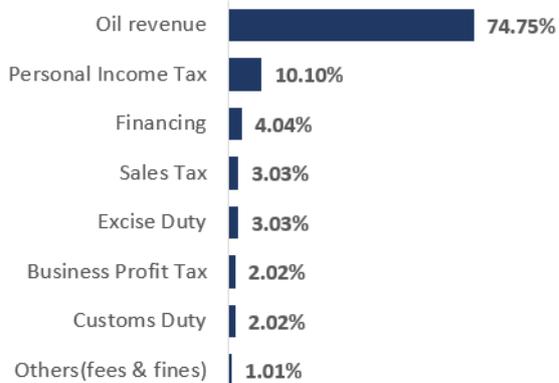
9. Sources of Government Finance for FY 2020/21 and 2021/22

In Millions SSP and %

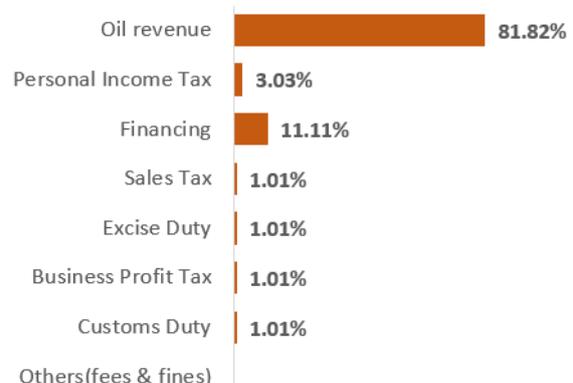
Resource envelope

	2020/2021	2021/2022
Oil Revenue	589 132	152 677
Personal Income Tax	22 558	21 015
Sales Tax	9 371	5 676
Excise Duty	10 568	6 787
Business Profit Tax	5 390	4 916
Customs Duty	7 612	4 416
Other (fees and fines)	2 750	1 599
Financing	77 400	8 891
Total	724 781	205 977

Where did the money come from in 2020/21?
numbers in million SSP



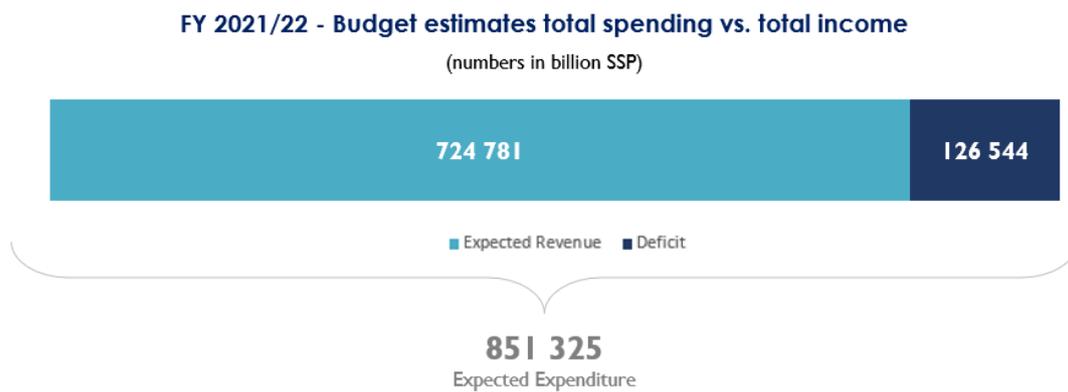
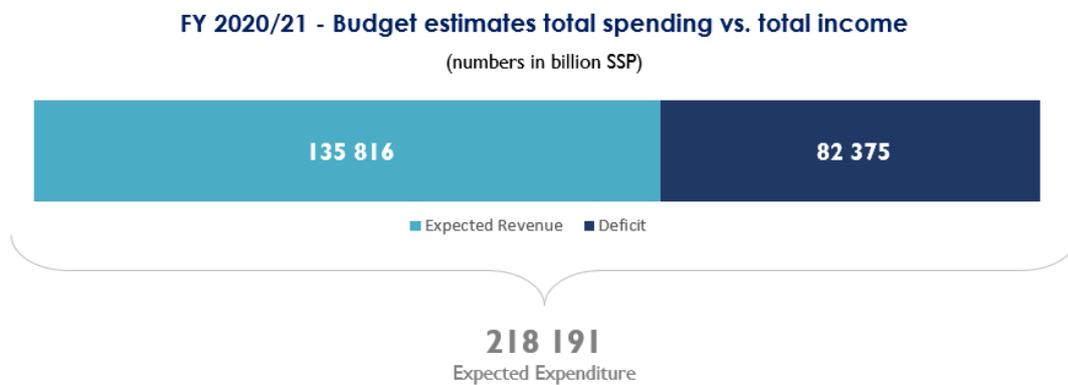
Where will the money come from in 2021/22?
numbers in million SSP



The government is still heavily reliant on Oil revenues with over 70% of internal revenues coming from oil. The sector has rebounded following the containment of the COVID-19 pandemic that had adversely affected the Oil prices globally.

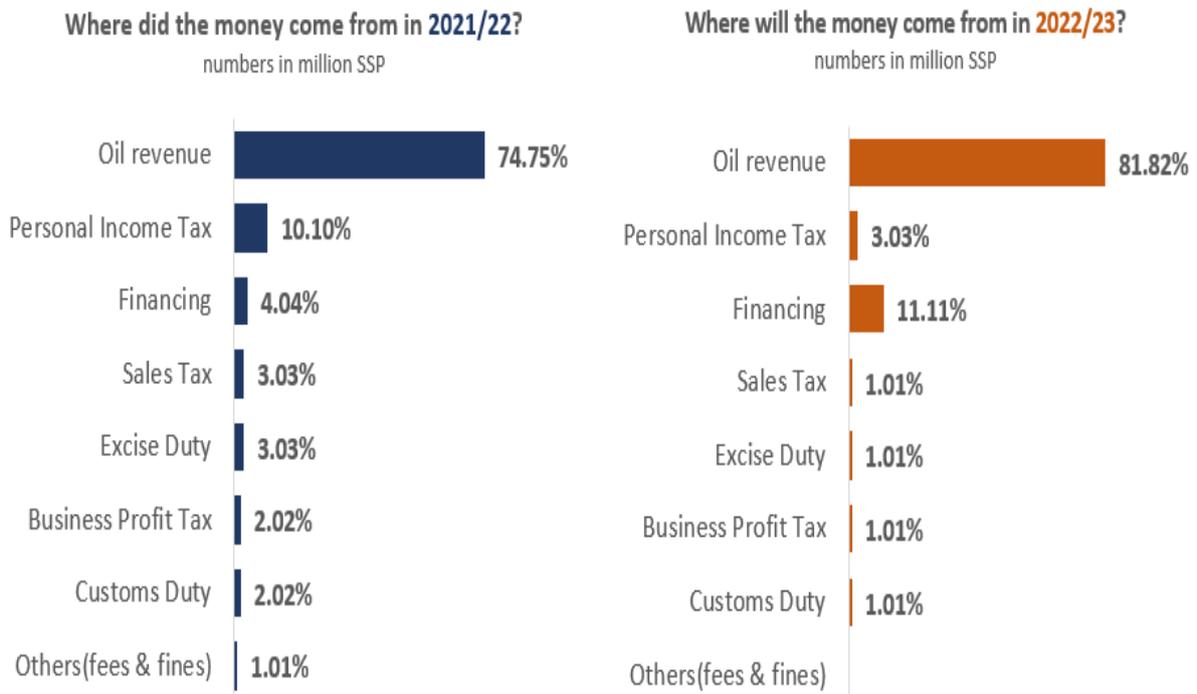
10. Budget estimates total spending vs. total income

(numbers in billion SSP)



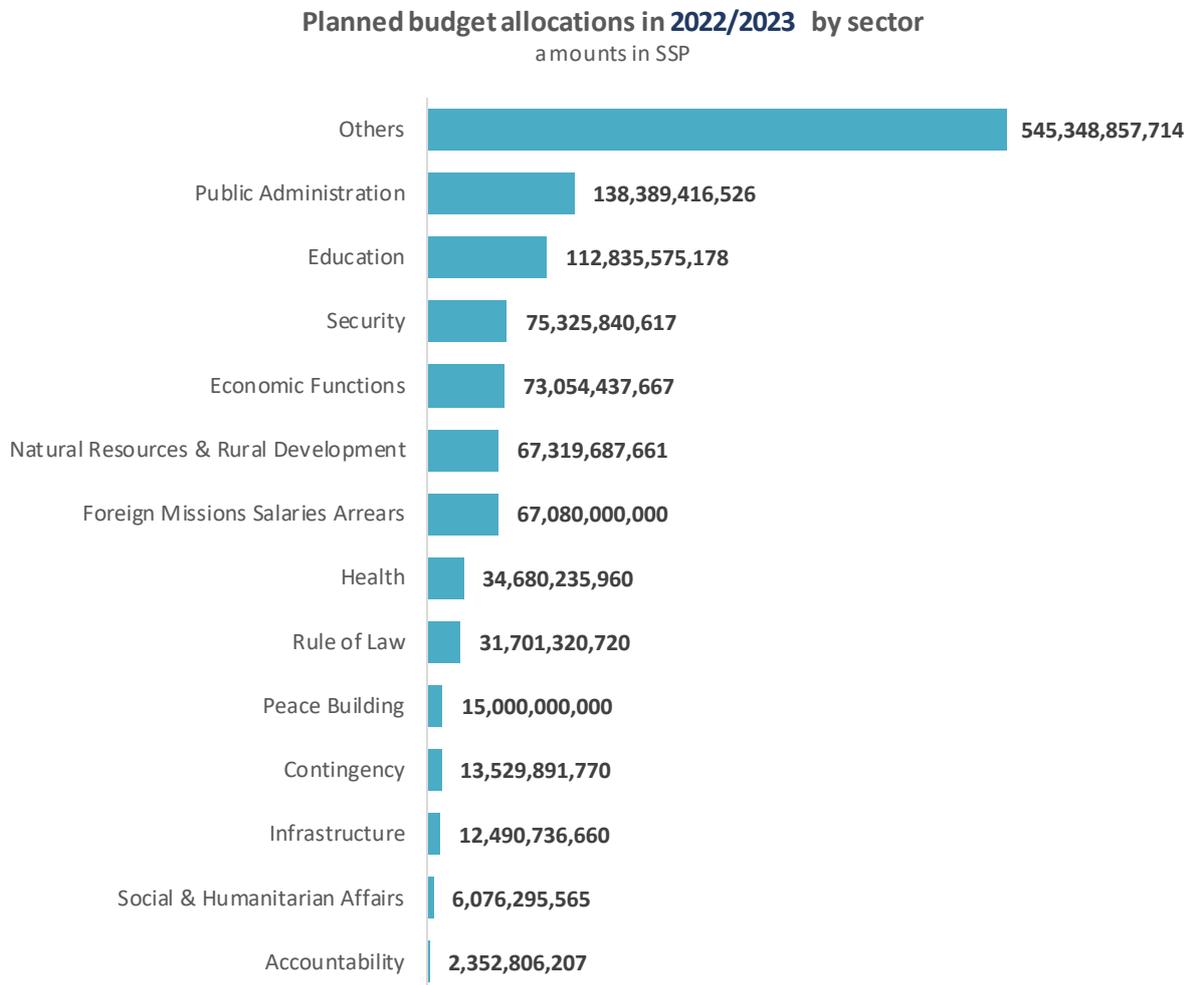
This comparison between the ratio of Government spending and income of FY 2020/2021 and FY 2021/2022 shows that the budget deficit has decreased from 37% to 17%. This is attributable to the increase in oil revenues following a recovery of the market that had been adversely affected by Covid-19 pandemic. The global oil demand has increased/bounced back.

11. Where did the money come from



The resource envelope has become bigger this year. This is largely due to the recovery of the global oil markets and prices following the containment of the COVID-19 pandemic and the adverse effects it had on the national economy. The government plans to increase its non-oil revenue especially through the levying and collection of taxes. In these two illustrations, it can be seen that oil revenue made up 74% of total government income last FY, while for this FY it makes up 81%. The collection of non-oil revenue has increased across all non-oil revenue sources

12. Planned budget allocations in FY 2022/2023 (amounts in SSP)



Total Government Spending

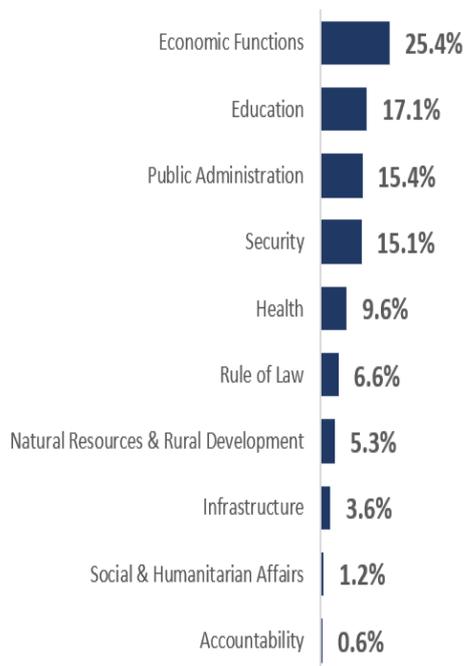
1 389 889 894 403



Credit: Health Link South Sudan

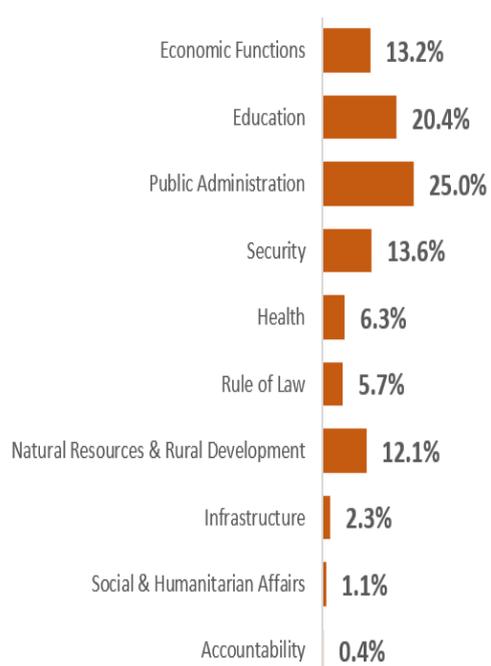
How the budget was allocated in 2021/22?

numbers in million SSP



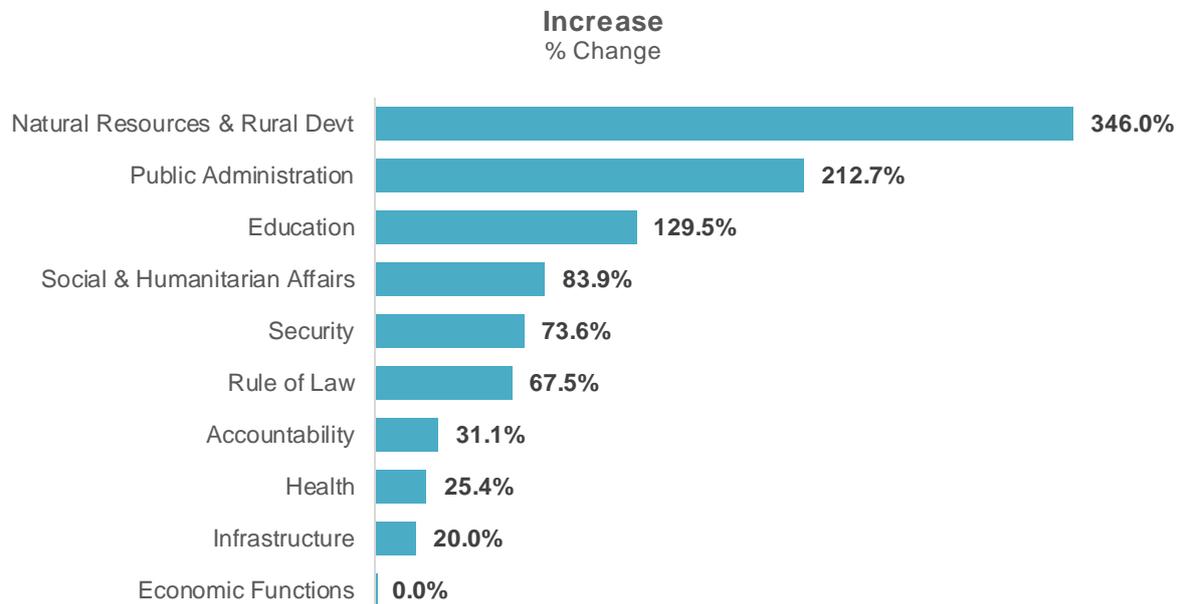
The planned budget allocation in 2022/23?

numbers in million SSP



13. Change in allocated budget per sector FY 2020/21 to FY 2021/22

in % points of National Budget



The share of the budget for Natural Resources and Development, Rule of Law, Public Administration, Accountability Security, Education and Health will likely increase in FY2022/2023, according to the indicative ceilings.



Credit: Peter Caton for Action Against Hunger

14. Planned Government expenditure by economic classification

FY 2019-23 (in millions SSP, and as of the total budget)



15. Changes in budget for Health and Education

Allocations to the health sector increased in nominal terms, as well as its share of the overall budget. Allocations to the education sector have also increased, and its share of the overall budget has increased as well.

Health

The projected national budget for the health sector will increase by 25% in nominal terms compared to the FY 2021/22 budget. This is largely attributable to the Covid-19 pandemic response funding. This does represent 6% of the national budget, which is still short of the government's commitment to the Abuja Declaration whereby 15% of the national budget should be allocated to the health sector.

Education

The national budget for the education sector is projected to increase by 129% in nominal terms compared to the FY 2021/22 budget. This represents 20.4% of the budget, which is an increase in allocation share compared to last year's budget. This is a positive development in the allocation share which ensures the government's commitment to the Incheon Declaration 2015 whereby at least 15-20% of total budget goes to education.

Approved Health & Education Budget

Percentage change



Health & Education Budget Estimates

Percentage change

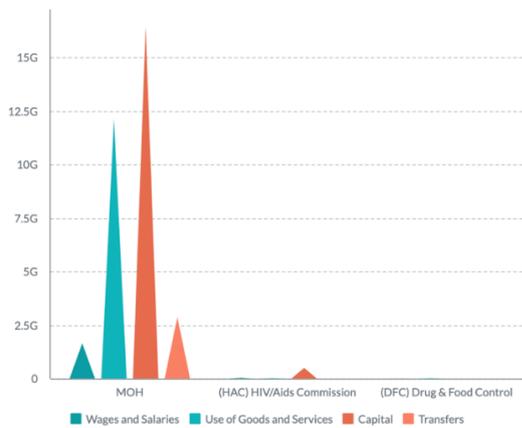


16. Breakdown of the Health and Education ceiling FY 2022/2023

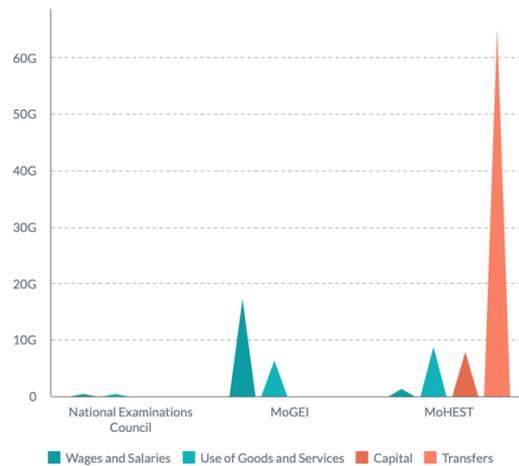
The breakdown of the health ceiling (below) shows that most of the budget has been allocated to Uses of Goods and Services. These are the costs made for the health facilities. For the education budget in the indicative ceilings of FY 22/23 shows a surge in wages/salaries for the Ministry of Higher Education, Science and Technology. In FY 2021/22, SSP 366M was allocated, which means an increase of almost SSP 1.29B. The high allocation to transfers for the Ministry of Higher education, Science and Technology are the salaries for the front-line teaching staff as a result of resumption of

physical classes after the COVID-19 pandemic.

HEALTH



EDUCATION



Unless specified otherwise, the figures that have been discussed in this document are based on planned government expenditure. This graph shows that there is often a discrepancy between the planned expenditure for a sector, and the actual expenditure for the sector in the FY. The graph shows a recurrent trend of underspending, where the social sectors are hit disproportionately.

17. Transparency and Accountability Measures

In July 2021, the Council of Ministers approved the Public Financial Management Reform Strategy (PFMRS). Public Financial Management is critical in supporting not only good governance and transparency but also to effectively and efficiently deliver essential goods and services to our citizens. Furthermore, the Government will work with the stakeholders to implement an Immediate Action Plan for reforms in this area consistent with Chapter (IV) of the Revitalized Agreement for Resolution of Conflict in South Sudan.

South Sudan's Ministry of Finance and Economic Planning has also established public consultations during budget formulation. Furthermore, the Transitional National Legislature of South Sudan has established public hearings related to the approval of the annual budget. Other activities have included the development of a transparency dashboard showing transfers to each State for different sectors and training on PFM at the Sub-National Level.



Ministry of Finance



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Informing citizens how Government plans to spend tax money
and improve transparency in governance

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