BUDGET 2014/15

Responding to the crisis by fostering peace and stability, without delaying necessary reforms

The 2014/15 budget was prepared as the security situation required additional spending and caused a reduction of the government's revenue base. To respond to this difficult situation, the main focus of the budget lies on fostering stability and keeping government running. But the 2014/15 budget has also been prepared with the ambition to overcome the challenging circumstances, continue fiscal decentralisation and improve budget management and fiscal sustainability.

Recognition of the effects of the crisis is reflected partly in oil revenue projections (SSP 8,899 million) far below full capacity. Non-oil revenue projections are more positive at a level of SSP 2,654 million. Grants from donors (SSP 158 million), as well as new commercial and concessional loans (SSP 3 billion and 278 million, respectively) are lower than last year as a result of the crisis and the shift in support by development partners. The government will be required to make loan repayments in the amount of SSP 3,711 million in 2014/15. As such loan payments will exceed new loans by SSP 433 million. These projections imply an overall resource envelope available for spending of SSP 11,279 million for 2014/15.

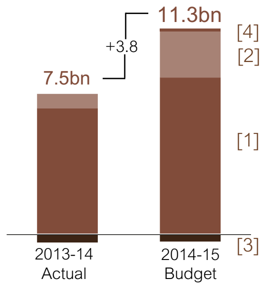
On the expenditure side the budget has been conceived around six building blocks. The first three building blocks ensure government is kept running and stable. The hardship faced by government employees following consecutive austerity budgets in 2012/13 and the first half of 2013/14 has become untenable, and therefore allowances have been restored to their pre-austerity levels. The restoration of allowances will increase salary expenditures by 24% to SSP 4,413 million [building block 1]. Similarly, block transfers will be fully restored to pre-austerity levels, and recently introduced service delivery transfers will be continued. Continuing these transfers in the current circumstances emphasizes the governments commitment to advance fiscal decentralisation and improve service delivery at the local level. In all, transfers will increase by 9% to SSP 2,475 million [building block 2]. Increased salary and transfer budgets are complemented by a rise in the budget for operating expenditures by 21% to SSP 2,346 million [building block 3].

Building Blocks 4 and 5 acknowledge the difficulties South Sudan has experienced in executing previous budgets and the added degree of uncertainty about revenue projections in the current situation. Building Block 4 establishes an Arears Fund of SSP 800 million to catalogue and begin to pay off contractual obligations that were entered into before July 1st 2014 and meet a number of eligibility criteria. Further acknowleding the fact that the current instability may result in spending pressures which

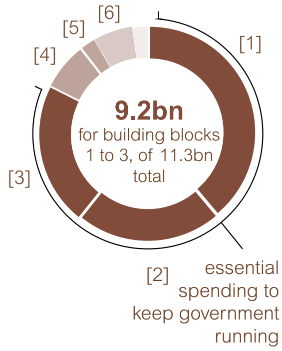
In response to the crisis the budget was conceived around six building blocks:

1	Salaries	KEEP GOVERNMENT RUNNING
2	Transfers	
3	Basic Operating Costs	
4	Arrears Fund	IMPROVE BUDGET EXECUTION
5	Emergency Contingency Fund	
6	Investments in Peace and Reconstruction	PEACE BUILDING

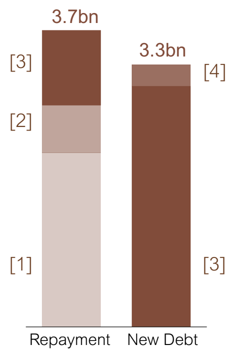
Where resources come from	SSPm
[1] Net Oil revenue	8,899
[2] Non-oil revenue	2,654
[3] Net Financing	(433)
[4] Grants from Donors	158
Total resources	**11,279**



How resources are spent		SSPm
1	Salaries	4,413
2	Transfers	2,475
3	Basic Operating Costs	2,346
4	Arrears	800
5	Emergency Contingency	250
6	Priority capital investments	727
	Interest Payments/ Other	268
	Total Spending	**11,279**



Total Debt Operations 2014/15 (SSPm)	Repayment	New debt
[1] BSS Loans	2,186	0
[2] Treasury Bills	573	0
[3] External Loans (commercial)	952	3,000
[4] External Loans (donor projects)	0	278
Total	**3,711**	**3,278**



Ageny spending by sector and chapter (SSPm)	Salaries	Operation	Capital	Transfers/ other	Total	Share
Accountability	91	195	5	0	**291**	3%
Economic Functions	95	141	128	27	**391**	3%
Education	110	158	0	335	**604**	5%
Health	58	228	2	151	**439**	4%
Infrastructure	27	35	356	0	**418**	4%
Natural Resources	67	82	7	210	**367**	3%
Public Administration	398	423	54	8	**884**	8%
Rule of Law	387	301	76	783	**1,546**	14%
Security	3,140	724	100	5	**3,969**	35%
Social / Humanitarian	38	60	0	0	**98**	1%
Contingecny/ Arrears/ Interest	0	250	800	260	**1,310**	12%
Block transfers	0	0	0	964	**964**	9%
Agency spending	**4,413**	**2,596**	**1,527**	**2,743**	**11,279**	**100%**