

Citizens' Draft Budget **2020/2021**

South Sudan

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



Ministry of Finance & Planning

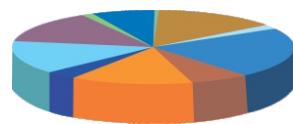
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Citizens' Draft Budget FY 2020/21

Foreword from the Ministry of Finance and Planning



Ministry of Finance & Planning

It is with great pleasure that I introduce the Citizens' Draft Budget for the fiscal year (FY) 2020/21 to the citizens of South Sudan. This year has presented our country with many challenges; the spread of COVID-19 and a fall in oil prices meant the Government of South Sudan lost much of their yearly revenue, making it difficult to fully enact Government priorities.

The COVID-19 pandemic and the slow implementation of the peace process also complicated the Government's efforts in carrying out the legal budgeting process. This means that the Budget for FY 2020/21 has not been formally approved by the Council of Ministers, as they were unable to meet, nor enacted by Parliament, as they were absent due to ongoing discussions regarding the division of Parliamentary seats and actual installation. Due to this the President issued an Order for the MoFP to execute the *Draft Budget*.

We are committed to informing the citizens of South Sudan of the budgeting of Government funds and the different processes and allocations involved to decide this. Therefore, we support the publication of this Citizens' Draft Budget. It explains the Draft Budget for FY2020/21 and compares this to budgets from recent fiscal years, looking at the size and composition of allocations to different areas, in particular the areas of health and education, which are vital to the betterment and growth of our people.

This year has seen Government successes, even in the face of many challenges. This includes the development of a Public Financial Management roadmap and reforms in the National Revenue Authority which have enabled us to increase non-oil revenue. We are committed to public financial transparency, and this publication is the next step in our journey to consolidate peace efforts and stabilise the economy, helping us to bounce back from the effects of COVID-19.

Publishing the Citizens' Budget shows our commitment to transparency and improved public financial management, and I would like to thank UNICEF and all of our other partners for supporting the Ministry of Finance and Planning in this endeavour. Through these methods, we are learning to use our limited resources in a way to pursue sustainable development and broad economic growth, combat COVID-19 and bring peace to the people of South Sudan.



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 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.

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.

How is the budget produced?

The National Budget Cycle



What affects the timeline of the Budget Cycle?

The government does not always abide by the budget cycle outlined above. This year, multiple factors have indirectly or directly affected the timeline of the Budget Cycle, at the National and sub-National level. These are:

- **The COVID-19 pandemic:** affecting, mobility, economic activity and level of political participation.
- **Political factors:** mainly the conflict between the GRSS and IO, which politically affects the constitutional decision and law making processes.
- **Administrative factors:** due to the fact that administrative boundaries change, capacity as well as sub-National budgeting processes are negatively affected.
- **Economic:** a combination of negative effects of COVID-19 on logistics and oil prices, combined with drought which hampers agricultural production.

Two major factors being the political and economic ones. Slow implementation of the peace accord slows down the Budget Cycle, as elective and administrative structures take time to be established, and the economic crisis lowers the budget ceiling in our country.



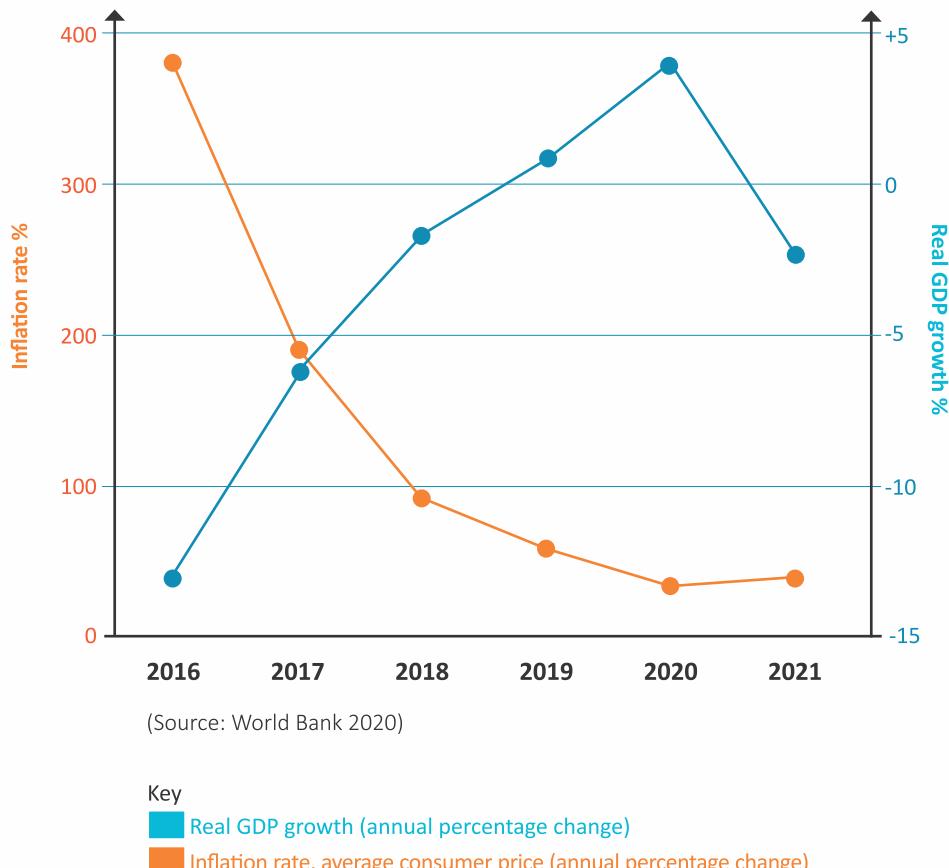
Macroeconomic situation – opportunities and challenges

South Sudan is rich in natural resources, including oil, water and fertile soils, which are ripe for investment to unlock their potential. 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.

Our country is going through an economically challenging period.

- COVID-19 has caused oil prices to drop, which has a negative impact on our Government's resources.
- Our national economy is experiencing the negative effects of the global economy, which has slowed significantly as a result of the COVID-19 pandemic, limiting the demand for SSP by international actors.
- As economic activity has reduced to contain the spread of the virus, the national economy is experiencing the negative consequences of COVID-19.
- The SSP is at its lowest rate ever in our country's foreign exchange history since independence with 1 USD equalling around SSP600 on the black market. Our government is unable to control the depreciating rate against the USD.

Real GDP growth and inflation rate, annual percent change 2016-2021



Impact of COVID-19 on social sectors

Education



2 Million
children are not going to school because of COVID

IN ADDITION TO THE



2.8 Million
children estimated to be out of school children

COVID-19 has resulted in the disruption of learning. Approximately 2 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 2.8 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). In October, the candidate classes, those that require passing an exam to progress onto the next level of schooling, P8 and S4, were re-opened throughout South Sudan.

Health



Up to and including 18th December, 3,222 COVID-19 cases and 62 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.

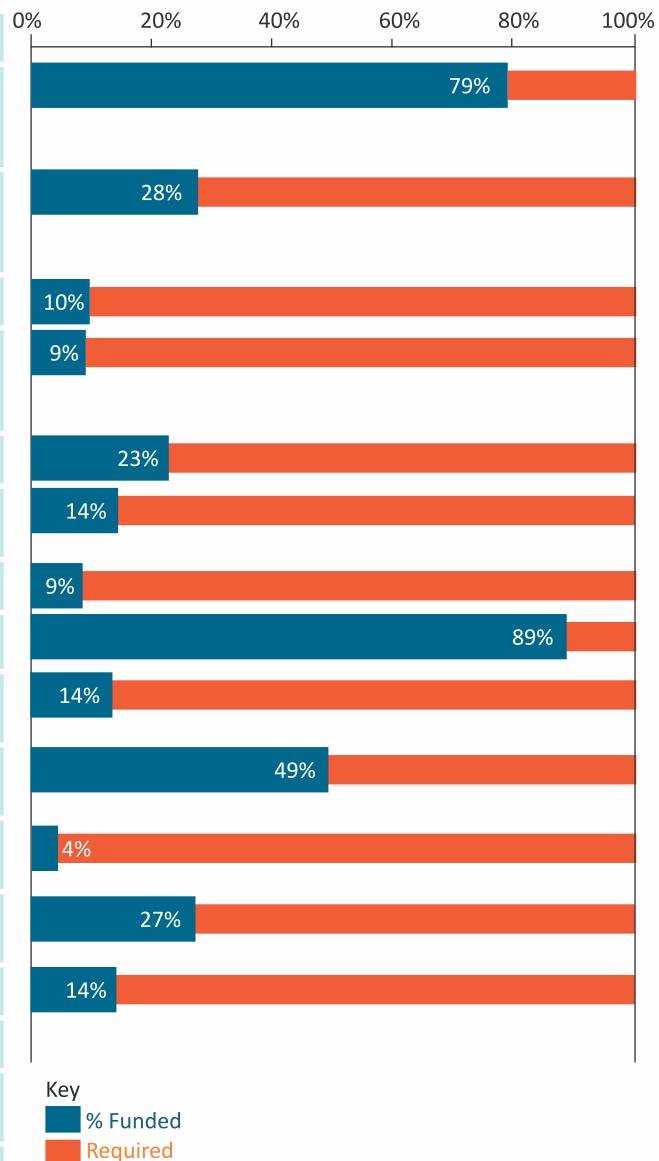
The response to COVID-19 of the Government of South Sudan has focused on awareness raising efforts and prevention, so everyone knows about COVID-19 and how to stay safe. The government had halted flights to countries affected by the Coronavirus in March, closed schools and universities, and has imposed a night-time curfew.

The international community has supported the government in its COVID-19 response, committing over USD64 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

By cluster / sector

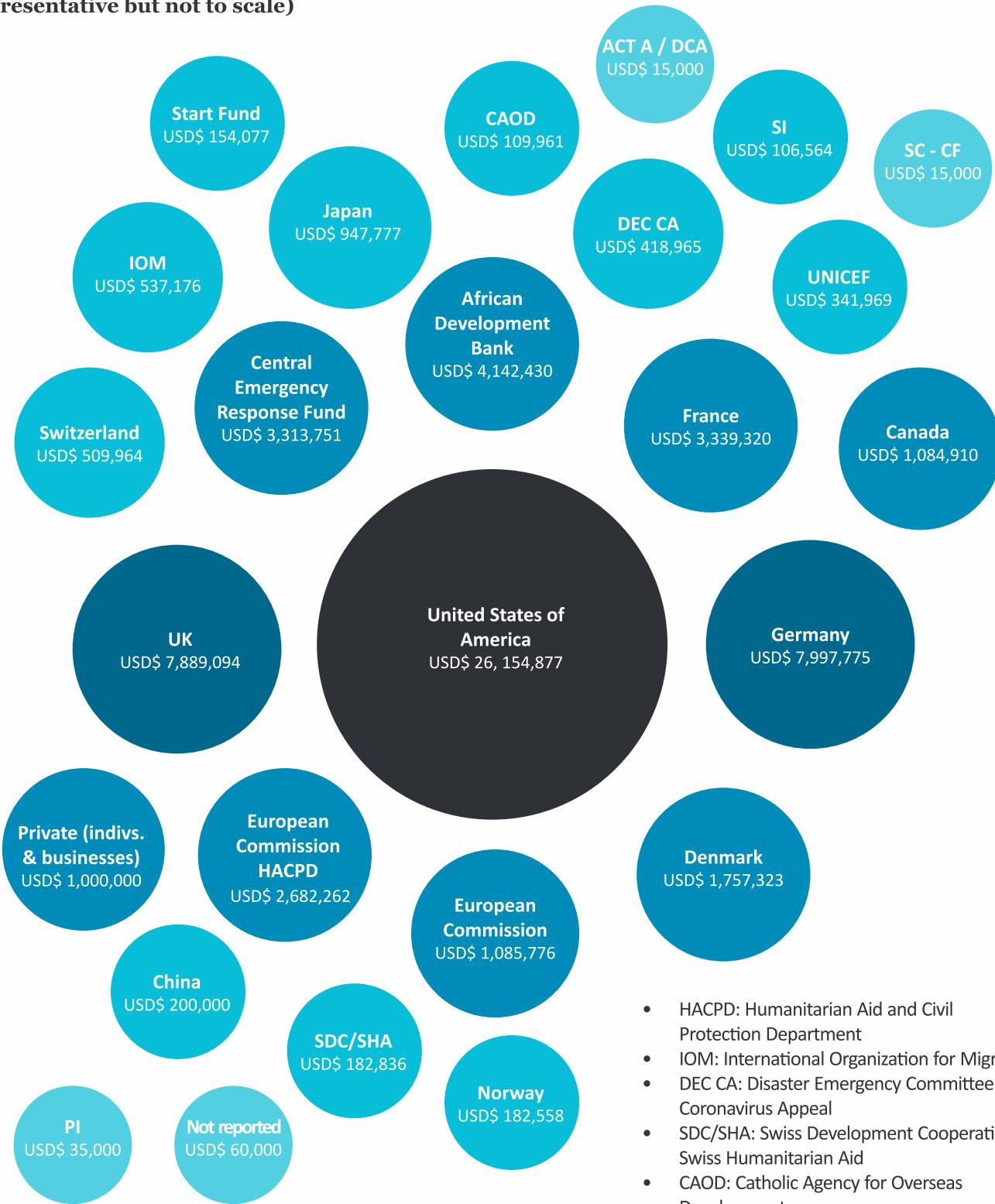
Cluster/Sector	Required (US\$)	Funded (US\$)
Camp Coordination and Camp Management COVID-19	\$230,000	\$181,123
Coordination and Common Services (CCS) COVID-19	\$2,385,003	\$657,437
Education COVID-19	\$13,378,923	\$1,293,044
Food Security and Livelihoods (FSL) COVID-19	\$174,701,753	\$15,743,785
Health COVID-19	\$91,369,356	\$20,771,322
Logistics (LOGS) COVID-19	\$8,360,269	\$1,200,000
Nutrition COVID-19	\$6,226,985	\$534,588
Protection COVID-19	\$1,155,042	\$1,023,314
Protection: Child Protection COVID-19	\$4,000,000	\$542,835
Protection: Gender-based Violence COVID-19	\$6,553,883	\$3,224,962
Refugee Response COVID-19	\$23,245,264	\$1,000,000
Shelter and Non-Food Items COVID-19	\$7,452,332	\$2,030,196
WASH COVID-19	\$43,449,184	\$6,156,263
Not specified		\$30,347,080
Multiple clusters/sectors (shared)		\$22,445,338
TOTAL FUNDED		\$107,151,287



(Source: UNOCHA Financial Tracking Survey, 21 December 2020)

By donor

(representative but not to scale)



This data on donor support is retrieved from the UNOCHA Financial Tracking Survey (FTS), which are emergency funds, thus not all donor support has been captured

(Source: UNOCHA Financial Tracking Survey, 21 December 2020)

- HACPD: Humanitarian Aid and Civil Protection Department
- IOM: International Organization for Migration
- DEC CA: Disaster Emergency Committee - Coronavirus Appeal
- SDC/SHA: Swiss Development Cooperation / Swiss Humanitarian Aid
- CAOD: Catholic Agency for Overseas Development
- SI: Solidarites International
- PI: Plan International
- SC - CF: Secours Catholique - Caritas France
- ACT A / DCA: ACT Alliance / DanChurch Aid

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 the closure of schools, and support the reopening of schools (www.globalpartnership.org).
- The World Bank, who supports the Health sector with a USD 7.6 million grant, to support management of the COVID-19 pandemic and the strengthening of national health systems for public health preparedness (www.worldbank.org).



The 2020/2021 indicative ceilings at a glance



The proposed government expenditure budget of SSP 218 billion 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 10 billion more than last year's budget of SSP 208 billion.



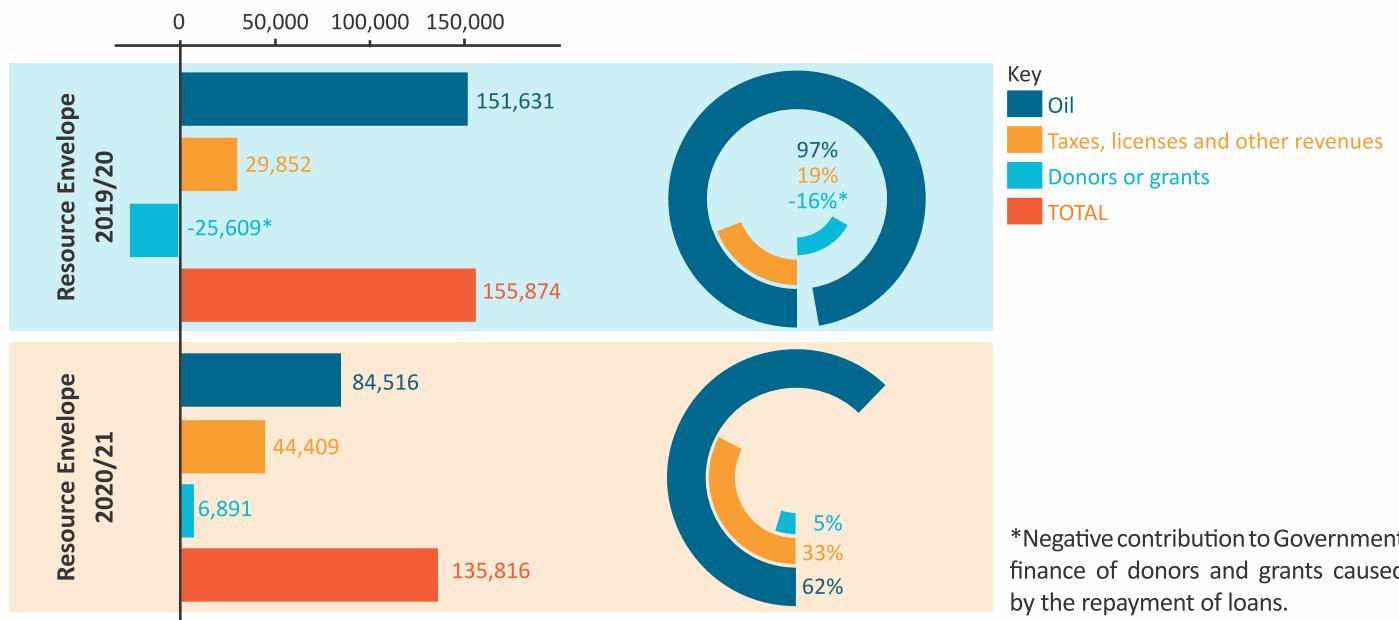
While the indicative ceilings show a planned expenditure that is slightly higher than last year, it does not account for the effects of inflation, as prices rose. In real terms, the budget will shrink by SSP 220 million.



Total estimates of resource envelope amount to SSP 135.8 billion, which is SSP 20 billion lower than revenue in FY 2019/20 (which was 155.8). The indicative ceilings have a projected deficit of SSP 82 billion, or a 38% funding gap.

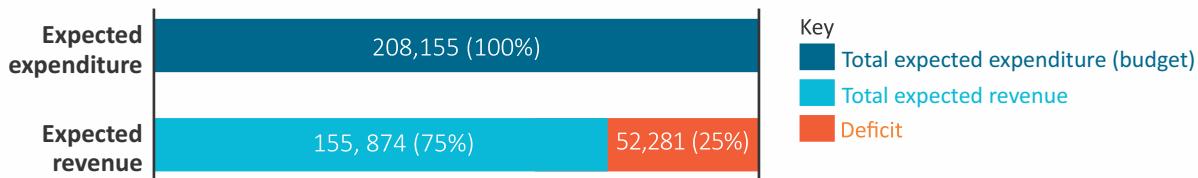
Sources of Government Finance for FY 2019/2020 and FY 2020/2021

(in million SSP and in %)



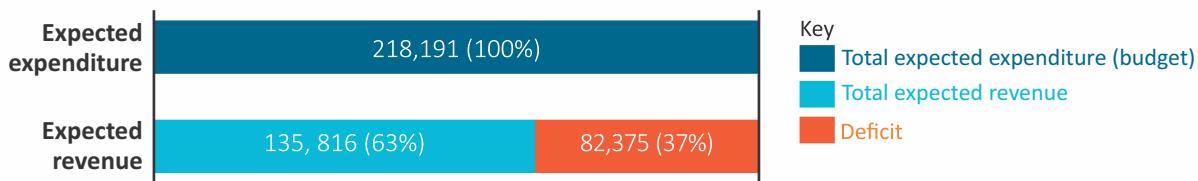
FY 2019/20 - Budget estimates total spending vs. total income

(numbers in billion SSP)



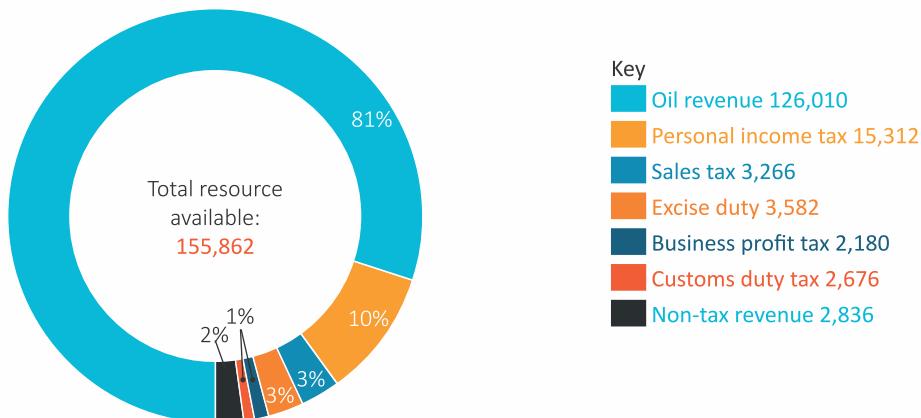
FY 2020/21 - Budget estimates total spending vs. total income

(numbers in billion SSP)

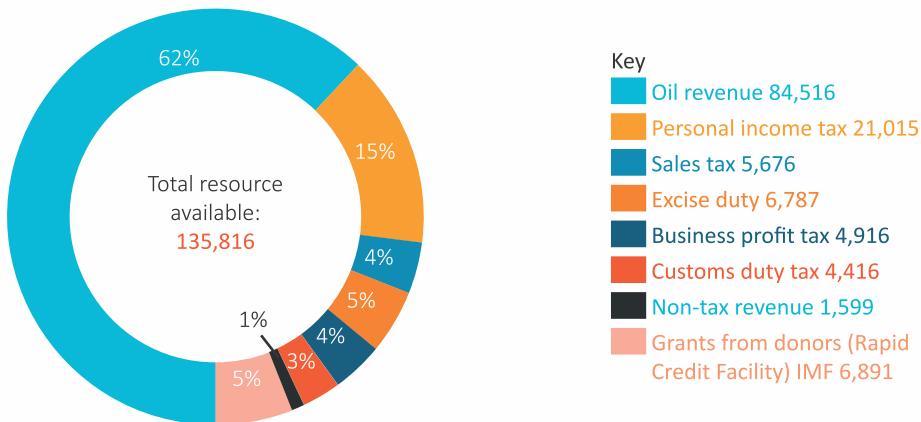


This comparison between the ratio of Government spending and income of FY 2019/2020 and FY 2020/2021, shows that the budget deficit has increased from 25% to 37%. This is mostly due to the lower oil revenues this year as a result of the COVID-19 pandemic, and the consequent decline in global oil demand.

Where did the money come from FY 2019/20? (numbers in million SSP)

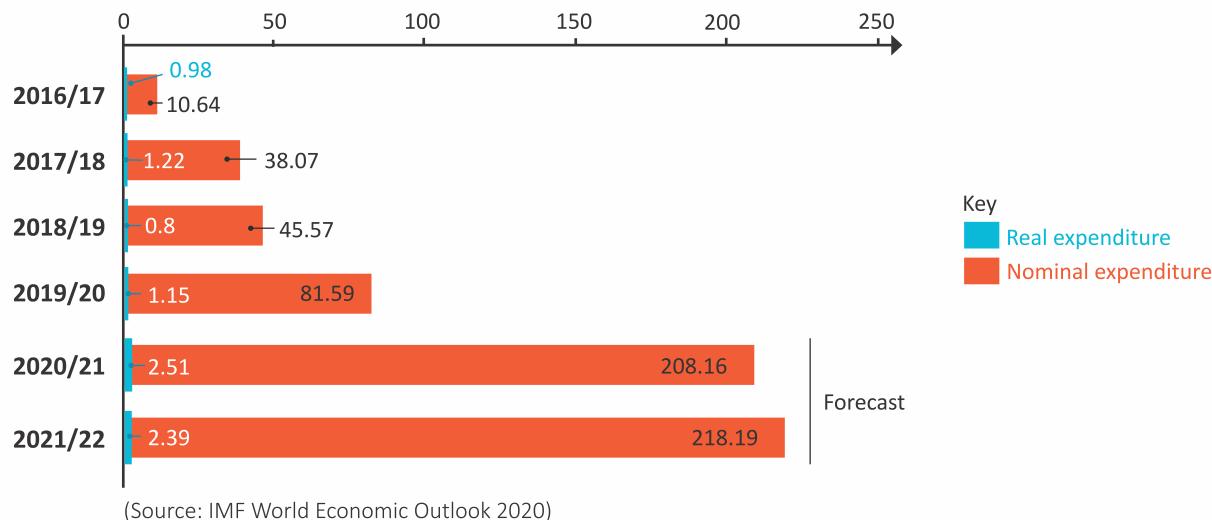


Where will the money come from FY 2020/21? (numbers in million SSP)



The resource envelope has become smaller this year. This is largely due to the lower oil prices and the global economic crisis as a result of the COVID-19 pandemic and its effects on the national economy. The government plans to increase its non-oil revenue. In these two pie-charts, it can be seen that oil revenue made up 81% of total government income last FY, while for this FY it will only make up 62%. The collection of non-oil revenue has increased across all non-oil revenue sources.

Nominal and real total Government spending trends, FY2016/17 - 2021/22 (in billions of SSP)



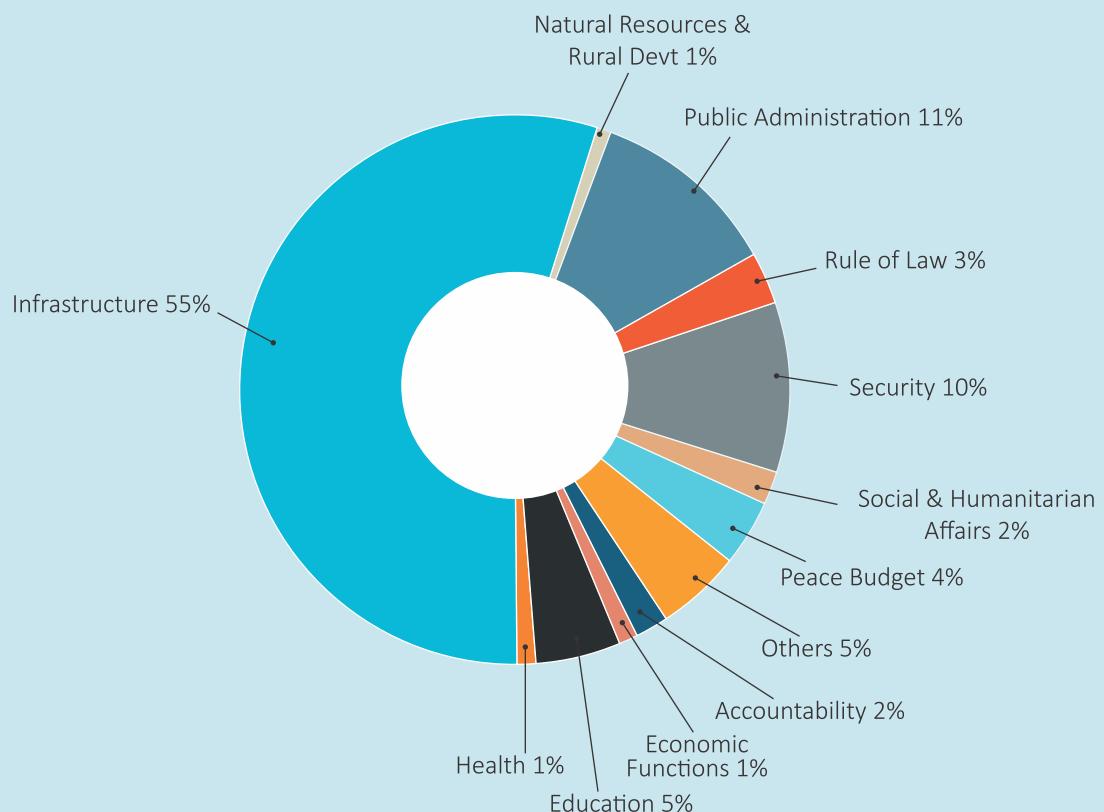
This graph shows that while the nominal budget increases every FY, the real budget remains low due to inflation. In FY 2020/21, the indicative ceilings show that the budget will even shrink in real terms.

Planned budget allocations in FY 2020/2021 (amounts in SSP)

Key spending sectors	SSP
Accountability	533,852,604
Economic Functions	10,728,178,507
Education	24,453,828,739
Health	4,051,664,584
Infrastructure	50,878,001,890
Natural Resources & Rural Devt	6,293,063,926
Public Administration	22,518,703,839
Rule of Law	7,050,180,174
Security	19,168,886,045
Social & Humanitarian Affairs	2,343,570,478
Peace budget	11,965,000,000
COVID-19	19,320,000,000
Transfer to states	8,243,638,132
Salary arrears for central Government & States	21,895,736,700
Others	8,746,731,102
Total government spending	218,191,036,717

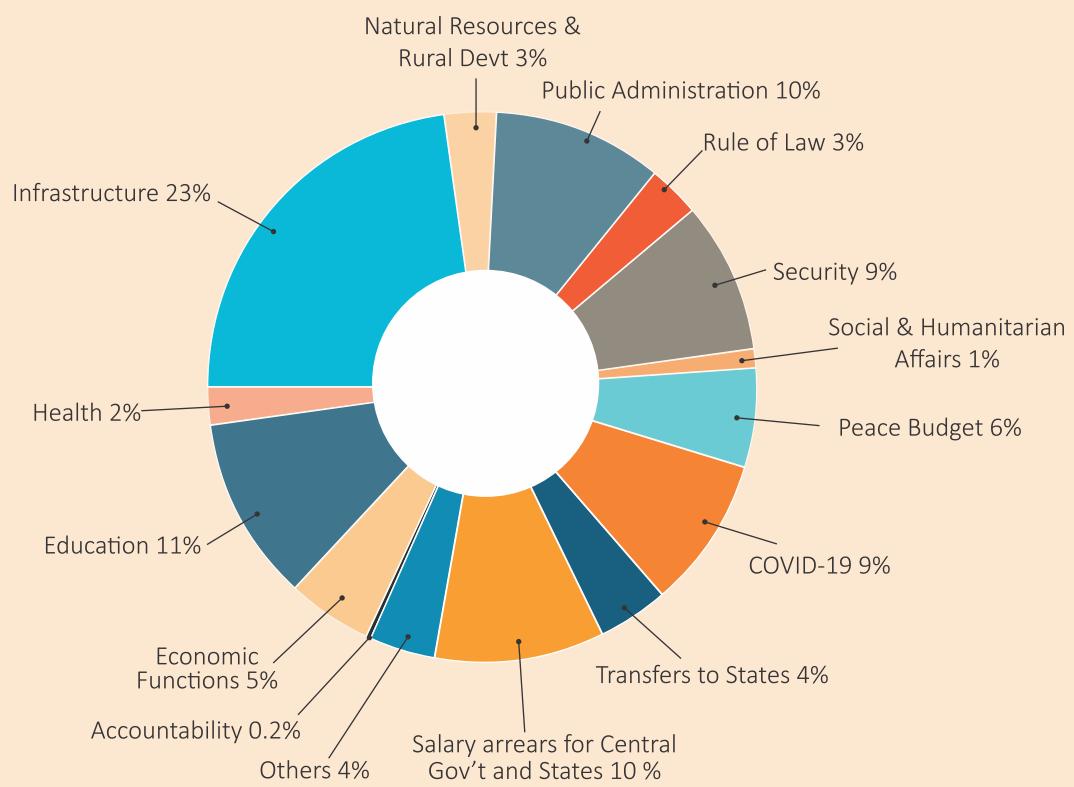


How the budget was allocated in FY 2019/2020

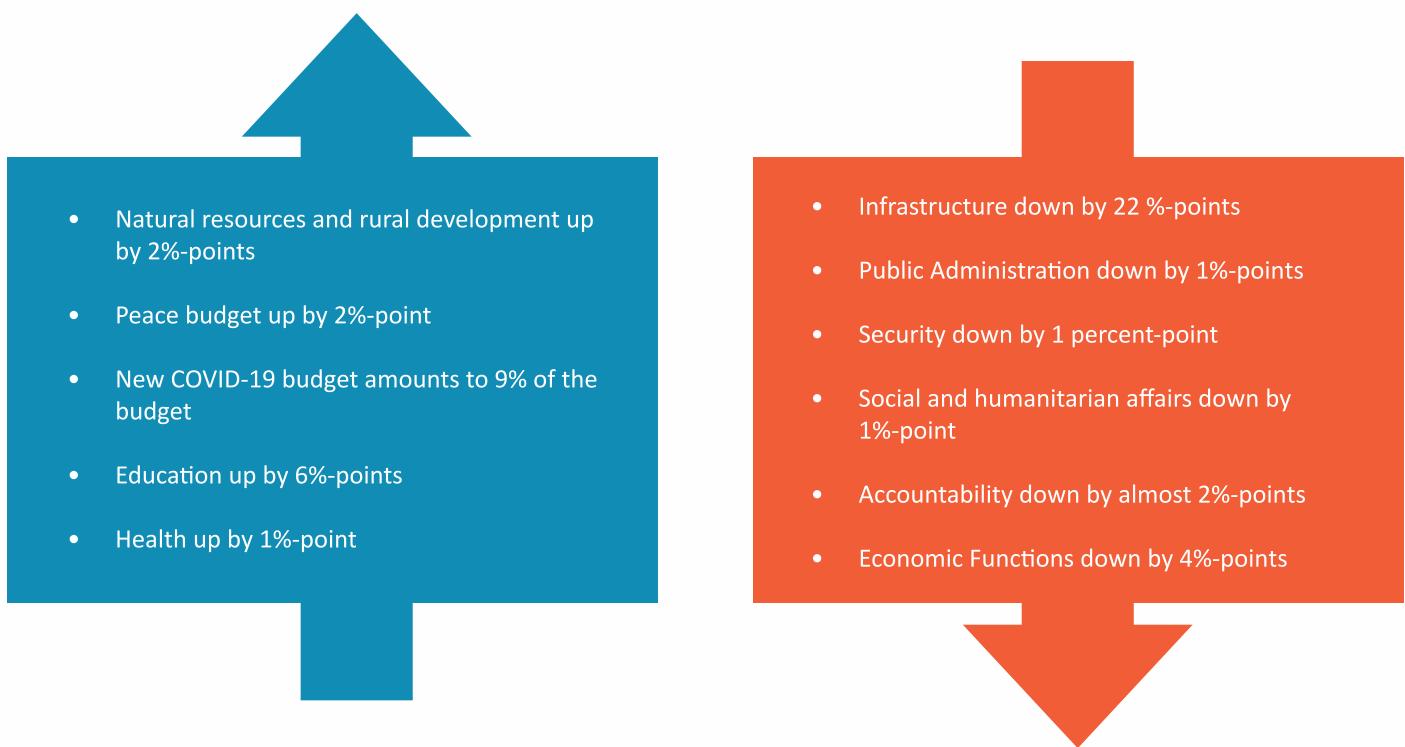




The planned budget allocation in FY 2020/2021

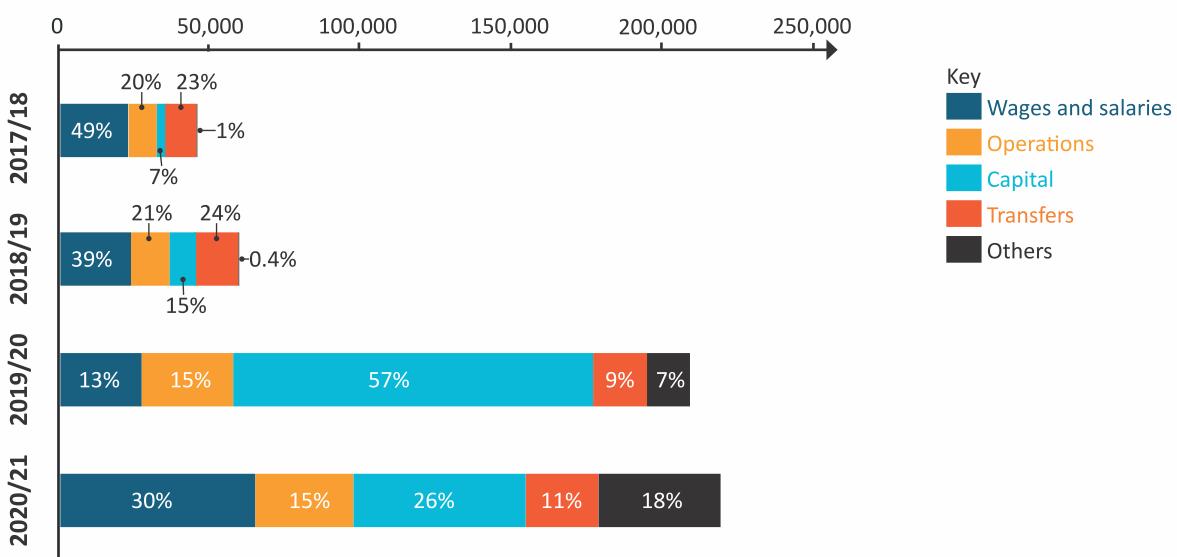


Change in allocated budget per sector FY 2019/20 to FY 2020/21 (in % points of National Budget)



- The share of the budget for Natural Resources and Development, Peace Budget, Education and Health will likely increase in FY2020/2021, according to the indicative ceilings.
- A new budget to mitigate the risks of and fight COVID-19 has been created, amounting to 9% of the indicative ceilings.
- The infrastructure budget share is the largest decline, with 22%-points

Planned Government expenditure by economic classification FY 2017-20 (in millions SSP, and as % of the total budget)

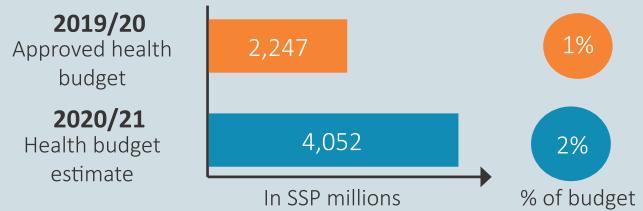


Changes in budget for Health and Education

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 80% in nominal terms compared to the FY 2019/20 budget. This represents 2% of the national budget, which is short of the government's commitment to the Abuja Declaration whereby 15% of the national budget should be allocated to the health sector.

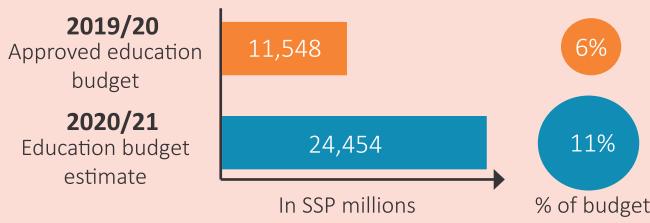


Breakdown of the Health ceiling FY 2020/2021

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. This year's Health ceiling is accompanied by a large allocation to a separate COVID-19 fund of over SSP9 billion, or 9% of the budget.



Education



The national budget for the education sector is projected to increase by 112% in nominal terms compared to the FY 2019/20 budget. This represents 11% of the budget, which is an increase in allocation share compared to last year's budget. Although it is positive that the allocation share has increased, 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.

Breakdown of the Education ceiling allocation FY 2020/2021

This breakdown of the Education budget in the Indicative Ceilings of FY 20/21 shows a surge in Wages and Salaries for the Ministry of Higher Education, Science & Technology. In FY 19/20, SSP 747 million was allocated, which means an increase of almost SSP 14 billion. The high allocation to Transfers for the Ministry of General Education & Instruction are the salaries for all the front-line staff.



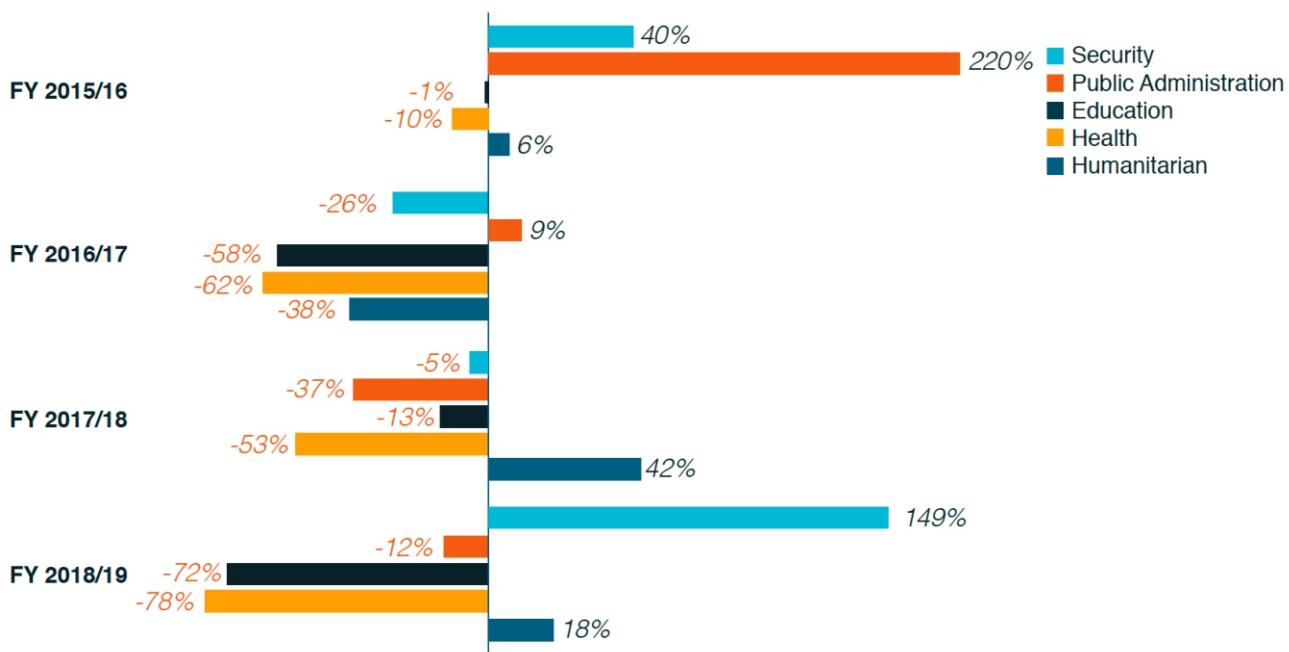
Transparency & Accountability measures



The State Transfer Monitoring Committee (STMC) has been revived. The STMC plays a key role to ensure funds reach the appropriate actor at the sub-national level, to ensure and improve service delivery to the South Sudanese citizens.

The Assembly Business Committee, in the Transitional National Legislative Assembly, formed a committee to handle reports from revenue generating and financial institutions in our country, and at ways to stabilise the economy.

Budget credibility in selected sectors, FY 2015/16-2018/19 (deviation from amount approved as a %)



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.



This Citizens' Draft Budget was prepared to support citizen understanding of the government's planned expenditure in 2020/2021, based on the projected resource envelope and indicative ceilings. The budget is yet to be approved by the National Legislative Assembly. It has been produced by the Ministry of Finance and Planning (MoFP) and the Government of the Republic of South Sudan with the support of UNICEF.

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

Contact information for citizen feedback:

The South Sudan Budget Process Update for Citizens 2020/2021 is available online via the Ministry of Finance and Planning website <http://grss-mof.org/>

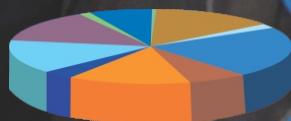
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