THE CITIZENS' HANDBOOK

on the

BUDGET PROCESS IN SOUTH SUDAN

SEPTEMBER 2021

Institute of Social Policy and Research (ISPR)

Okay Africa Foundation (OAF)

Community Empowerment for Rehabilitation and Development (CEFoRD)

Acronyms

AUCPC	African Union Convention on Preventing and Combating Corruption
CEFoRD	Community Empowerment for Rehabilitation and Development
CDF	Constituency Development Fund
CPA	Comprehensive Peace Agreement
GDP	Gross Domestic Product
HIPIC	Highly Indebted and Poor Countries
IMF	International Monetary Fund
ISPR	Institute of Social Policy and Research
MPs	Members of Parliament
NDP	National Development Plan
NLA	National Legislative Assembly
NRA	National Revenue Authority
OAF	Okay Africa Foundation
PRMA	Petroleum Revenue Management Act
PFM	Public Finance Management
R-ARCSS	Revitalised Agreement on the Resolution of Conflict in South Sudan
RTGoNU	Revitalized Transitional Government of National Unity
SSP	South Sudanese Pound
TSA	Treasury Single Accounts
UNCAC	UN Convention Against Corruption
WB	World Ban

1.0 INTRODUCTION

The introduction to the Citizen's Handbook Guide on the Budget Process in South Sudan provides:

- Overview of the Partner Organizations, called the Consortium
- About the Citizens Handbook Guide
- Objectives of the Handbook

1.1 Overview of the Partner Organizations

The Institute of Social Policy and Research (ISPR) is a non-governmental, not-for-profit public policy and research center that implements social, economic and governance policy research, conducts governance trainings and management consultancy for civil society groups, the public and private sectors. ISPR bridges the policy-research gaps in South Sudan and the region; and offers expert analysis on public policies, legislation and capacity development mechanisms that assist to build strong institutions. It creates the platform for the government, private sector, and the civil society to work together to fast-track policy development that responds to the needs of the South Sudanese people.

The Vision of ISPR is to become the leading center of excellence in research and policy analysis in the region. ISPR endeavors are customized to support the strengthening of governance institutions that work to deliver public services. Its work involves building capacities of national organizations, local governments and private sector in research and policy sectors.

As the lead organization, ISPR is working with Okay Africa Foundation (OAF) and Community Empowerment for Rehabilitation and Development (CEFoRD), which are both youth-led non-governmental organizations, to enhance citizen participation in the budget process for a transparent and accountable national budget. OAF focusses on Peace, Governance and Democracy, Health, Nutrition and WASH, Education, Agriculture, Food Security and Livelihood, Gender and Child Protection and Environmental Protection.

Community Empowerment for Rehabilitation and Development (CEFoRD) was established as a drama group in 2005, under the support of Yei Community Resource Centre, and transformed into a Civil Society Organization in 2008. CEFoRD' s initial focus was conducting awareness through participatory methods such as Forum theatre plays, Music and dance, board games etc. for the wellbeing of the youth and the community.

The three organisations (ISPR, OAF and CEFoRD) are working as a Consortium to enhance citizen participation in the budget process for a transparent and accountable budget. The Consortium underscores the centrality of the budget process in service delivery.

1.2 About the Citizens' Handbook

The Citizen' s Handbook on the Budget Process in South Sudan provides a consolidated guide to the Consortium and other stakeholders in enhancing citizens' participation for a transparent

and accountable budget. The Consortium underscores the fact that Governments are accountable to their citizens for what they do and how they do it.

Accountability requires that the policies and plans that a government develops should reflect the priorities and needs of the people. Government should provide an account of what it has done to implement those policies and plans together with the results of its efforts. Citizens for their part have a responsibility to hold their government to account. They should therefore participate in public life, voting for people they believe in, monitoring the government' s actions, commenting on its policies and plans, and challenging it when things go awry.

Government institutions in South Sudan are saddled with problems including limited capacity, insufficient oversight, and corruption. The pre- and post-independence eras have witnessed development and approval of budgets by the government through the National Legislative Assembly (NLA), but there has not been any citizen participation in directing government on key citizen budget priorities in the quest for having an inclusive budget as stipulated in the law.

There is a lack of clear framework or policy on how citizens can be engaged in budget formulation and implementation. There is no policy that ensures that there is awareness among citizens on how, where, what, and when government will spend budgeted funds. There is limited capacity of the various Committees in the National Legislative Assembly especially the Public Accounts Committee to ensure that each and every Ministry or Government Institution provides a comprehensive financial accountability to funds allocated to them in a particular financial year. For purposes of transparency and ownership of the budget by the citizens, it is vital to ensure that they participate in the formulation and monitoring of the funds through an independent and credible National Legislative Assembly.

Taking the example of the Financial Year (FY 2020/2021), the government increased its budget to 208 billion South Sudanese Pounds (SSP), an equivalent of ($3 billion) from the previous year (FY 2018/2019-2020) budget ceiling of 48 billion SSP. The budget shall be financed by both Donors and the Government; specifically, Oil Revenue by boosting oil production, with additional funding from the Non-oil Revenue Sector. The budget is expected to deliver vital social services to the citizens. The Consortium is aware of the decimal budget performance, and lack of citizen's involvement in the budget process, as well as in holding the government accountable.

There is a gap on reporting on public finance management in South Sudan. This is mainly due to lack of knowledge among journalists on how such cases happen. Most Media houses or journalists have not received direct training on the budget process, which could have increased their investigative journalism reporting abilities and the results of such contribute to enhancing the citizens' participation for a transparent and accountable budget, financial transparency and accountability.

1.3 Objectives of the Handbook

As a point of reference and practical guide in the implementation of the initiative for enhancing the citizens' participation for a transparent and accountable budget, the Citizen' s Handbook seeks to achieve the following objectives:

1. Strengthen the capacity of citizens to effectively engage in the national budget process, and

2. Strengthen the capacity of key government actors to create a pro-citizen national budget.

These objectives will be achieved through;

1. Increased awareness of and participation in the national budget process by the citizens.
2. Increased reporting by the media on the budget process through continuous training and support.
3. Increased awareness of key government actors on the budget process such as members of parliament and those working in the ministries of finance.
4. Provision of support to increase the government engagement with citizens on budget processes.

The Citizens' Handbook will enable the Consortium and relevant stakeholders to achieve the aim of strengthening the capacity of citizens to effectively engage in the national budget process, and also the capacity of key government actors to create a pro-citizen national budget. It identifies avenues for increasing citizens' awareness of and participation in the national budget process. The capacity areas of the media to increase reporting on budgeting process will also be highlighted in the Handbook.

Capacity areas for increased awareness on the budget process among the key government actors on the budget process such as Members of Parliament (MPs) and those working in the ministries of finance will also be highlighted. Overall, the Handbook will be a powerful tool through which support for increasing the government's engagement with the citizens on budget processes shall be provided.

The Citizen' s Handbook will be used to promote public engagement and increase awareness raising at both national and local levels so as to enhance citizens' participation for a transparent and accountable budget, financial transparency and accountability. It provides a brief and succinct discussion of the process and issues regarding South Sudan's budget process. It underscores the importance of the national budget as a significant policy tool which the government can use to improve the well-being of the South Sudanese.

2.0 UNDERSTANDING THE BUDGET

This section provides a deeper understanding of the budget, focusing on

- Meaning of a budget
- Evolution of the Budget in South Sudan
- Rationale for the budget
- Why Government should prepare a Budget
- Importance of Understanding a Budget
- Main Components of a Budget

2.1 Meaning of a Budget

The word budget was derived from the French word *bougette*, which means *small bag*. In England, the word was used to refer to the *leather bag*, which was used by the Ministers of the Crown to carry the financial plans to Parliament. Budget is widely used to refer to a country's annual revenue and expenditure plans, or estimation of income and expenditure, often approved by Parliament. It is concerned with resource mobilization and allocation to priority spending areas in government.

In more practical terms, budget is an official statement from a government about how much resources it plans to collect and spend during a particular period of time to achieve desired priority objectives.[1] As such, through budget, a government is able to plan and put in place strategies through which it intends to collect revenues and allocate expenditure within a financial year. The budget priorities should cut across all the sectors of the economy so as to meet the national objectives.

It is clear in the above definition that a budget has two sides: the revenue and expenditure side. The revenue side shows how the revenues will be generated; and the expenditure side shows how the raised revenues will be allocated to achieve national objectives and contribute to long-term development. The process of revenue collection and allocation should aim at the delivery of services, and it should be efficient, effective and accountable.

It is expected that revenues are allocated to priority areas consistent with the National Development Plan. Strategies must be put in place to ensure the functionality of the budget process, guided by the principles of accountability and control. Because of its direct link with service delivery, a budget is a government tool that affects all social, economic and political aspects of society.

As such, a budget provides a framework for management of resources against national priorities, monitoring of performance, and realisation of national objectives. Depending on the estimates, budgets are classified into three categories: balanced budget, surplus budget and deficit budget. As the names suggest, in a balanced budget there is balance of revenue and expenditure; surplus budget has more revenue than expenditure; while deficit budget means expenditure exceeds the revenues.

[1] Parliament of Uganda, 2016. *Revised Budget Handbook*. Parliamentary Budget Office, Kampala, Uganda

Given their mandate of complementing government and delivering services, Civil Society Organisations (CSOs) are interested in influencing the ways resources are mobilized and how they are allocated to competing priorities with a view to advocate for specific spending allocation.

2.2 Evolution of the Budget in South Sudan

From the signing of the Comprehensive Peace Agreement (CPA) in 2005 to a period shortly after the attainment of independence in July 2011, South Sudan witnessed a consistent rise in budget expenditure, reaching levels that are quite in excess of those of its East African neighbours.[2] Since independence, South Sudan has witnessed two waves of violent conflict, in 2013 and 2015 respectively.

Unfortunately, the political and economic volatilities resulting from the two waves of war have weakened the nascent government's ability to govern. The ability to formulate and implement economic and social policies, put in place and adhere to a functional budget to guide public finance management has been grossly weakened.

In funding the wars, significant public resources have been consistently channelled to the security sector, leading to excessive budget constraints in the sectors that support the economic and social development of the country. This effectively means that the performance of the budget has not produced the desired development outcomes since budgets have not provided for capital expenditure for the development agencies.[3]

South Sudan had a population of about 12 million people by 2019.[4] Its economy significantly depends on oil resources, which sustain public expenditure. With the global falling of oil prices, the country suffers from loss of oil revenues, which causes for austere budgets against planned spending (Astill-Brown, 2014).[5] This has been worsened by the unprecedented levels of inflation that the country has witnessed since 2014, as well as unplanned and uncontrolled public employment and existence of ghost workers in the payrolls.

There have been attempts to identify alternative revenue sources besides oil, but these have remained largely unsuccessful. The government is not able to meet planned annual revenues; while the porous government system, weak institutions and lack of enforcement of control mechanisms make it difficult to track the performance of public expenditure. The country has operated a deficit budget since 2013, with immense direct funding from the Central Bank. For instance, the financing of the government deficit by the Central Bank of South Sudan grew five-fold from June 2013 to June 2016 (IMF, 2017).[6]

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[2] World Bank, 2013. Public Expenditure in South Sudan: Are they Delivering? South Sudan Economic Brief, Issue No.2 February 2013

[3] Government of the Republic of South Sudan. 2018. *Assessment of Public Financial Management Based on the Public Expenditure and Financial Accountability Framework (PEFA)*. The Horn Economic and Social Policy Institute (HESPI), HESPI Working Paper 02/18, Addis Ababa, May 2018

[4] World Bank, 2019. The World Bank Annual Report 2019: Ending Poverty, Investing in Opportunity https://openknowledg.worldbank.org/handle/10986/32333

[5] Astill-Brown Jeremy, 2014. South Sudan' s Slide into Conflict: Revisiting the Past and Reassessing Partnerships

[6] IMF (2017). Republic of South Sudan Staff Report For 2016 Article IV Consultation Debt Sustainability Analysis. Country Report No. 17/73.

Instructively, in a bid to limit the size of the deficit, the national debt and level of expenditure, especially during the period when the oil prices and revenues were stable between 2011 and 2014. The legislative reforms were instituted, and the size of the deficit and borrowing was limited to less than five percent (5%) of national budget, which is below 2 percent of GDP. Deficit budget and external borrowing have been out of control since 2015 war, and reached 8.7% of GDP in 2016 (IMF, 2017).

The timing of the budget process has more often not been adhered to, with late approvals being common; the transparency and credibility of the budget has overtime been greatly compromised. Agency plans are not respected, and priority has been given to payment of salaries at the expense of capital expenditure. Public spending on salary and wages has always accounted for over 50% of the total budget.[7]

The establishment of the National Revenue Authority improved revenue generation but has not fully addressed the existing capacity gaps. The country has continually grappled with weak internal and external control systems. The Audit Chamber lacks the independence and capacity to conduct regular audits and report as required with approval by the National Assembly. The Petroleum Revenue Management Act (PRMA) was enacted in 2015 as a part of legislative reforms to control the inflow of revenues from the country' s main resource. Although not fully implemented, the PRMA underscores proper national expenditure through the national budget. It seeks to prevent corruption and ensure proper management resources.[8]

To restore the integrity of the public finance management, a short-term reform program was introduced in 2016 (IMF, 2017). It provided for various measures, including

- Remittance of all revenue collected to the consolidated treasury account;
- Registration of all civil servants (including military) on the payroll system;
- Completion of payroll audit and removal of ghost workers;
- Establishment of a Treasury Single Account (TSA) structure;
- Verification of the 2015/16 non-salary arrears and formation of a clearance plan;
- Enactment of the Public Procurement Bill; and
- Enactment of the Public Financial Management and Accountability Act (PFMAA).

The Revitalised Agreement on the Resolution of the Conflict in South Sudan (R-ARCSS)[9] introduced several reforms, requiring the National Political leaders and stakeholders to ensure that the Revitalized Transitional Government of National Unity (RTGoNU) conducts its business in a transparent and accountable manner with regard to public finance management among other governance concerns.

Some of the proposed reforms include effective leadership that is committed to the fight against corruption; development of the code of ethics and integrity for public officials, emphasizing the values of honesty and integrity; and the long-term strategy of expanding the curriculum in the

[7] African Forum and Network on Debt and Development (AFRODAD), 2020. An Analysis of Debt Governance and Domestic Resource Mobilization (DRM) The Case of South Sudan, Harare, Zimbabwe, August 2020, www.afrodad.org

[8] Government of the Republic of South Sudan. 2018. *Assessment of Public Financial Management Based on the Public Expenditure and Financial Accountability Framework (PEFA)*. The Horn Economic and Social Policy Institute (HESPI), HESPI Working Paper 02/18, Addis Ababa, May 2018

[9] *The Revitalised Agreement on the Resolution of the Conflict in South Sudan (R-ARCSS)*. Inter-Governmental Authority on Development, Addis Ababa, Ethiopia, 12 September 2018

educational system to inculcate the spirit of nationalism and promote the values of honesty, integrity and respect for public property.

Establishment of strong oversight mechanism was also proposed.

R-ARCSS	RTGoNU shall establish a high-level, competent and effective oversight mechanism that shall control revenues collection, budgeting, revenue allocation and expenditure. The oversight mechanism may solicit technical and advisory resources on economic governance from the regional and international community. The mechanism shall be guided by principles of mutual consent in accountability.

The R-ARCSS further proposed reforms with regard to equitable sharing of resources "to enable each level of government to discharge its reconstruction, development, legal and constitutional obligations, duties and responsibilities." It also catered for revenue sharing in the context of the decentralisation system. It states: "Revenue sharing shall reflect a commitment to devolution of powers and resources, and the decentralization of decision-making in regard to development, service delivery and governance."

Equally significant is the provision that the RTGoNU shall undertake immediate and medium-term Economic and Financial Management reform programme. Instructively, the Public Procurement Laws and Regulations, 2021 as a policy and legal framework has been established. This is a significant step in the quest for effective and transparent management of public finance in South Sudan.

There are also Institutional reforms proposed by the R-ARCSS. They include reviewing the legislation governing the Bank of South Sudan (BoSS) with a view to restructure and enable it to render efficient and effective services. The review also seeks to secure the independence of the Central bank in terms of its statutory and supervisory functions; and also, in the formulation of monetary policy, promoting price stability, issuing currency, regulating the financial sector, and performing other functions conferred upon it by the law.

One single most significant pitfall in the budget process though was the lack of National Development Plan (NDP), which the budget should conform to. Fortunately, the R-ARCSS recognized this pitfall and provided for the review and implementation of "the Strategic Economic Development Roadmap (national development plan) to accelerate progress in achieving a sustainable and resilient national economy in collaboration and coordination with an inter-ministerial department and, where appropriate, with development partners."

In specific reference to the budget, the R-ARCSS requires the RTGoNU to ensure:

1. All public financial and budgetary commitments are transparent, competitive and in accordance with the laws of the country and internationally accepted norms and practices for the management of public finances,

2. Sustainability of public finances across all levels of Government through rigorous adherence to national laws and international standards (including PFMA Act, 2011);

3. Review of the National Budget and the budget at each level of Government to address national priorities, and the realities on the ground without negatively affecting the macroeconomic stability;

4. Review of the Transition, and the Constituency Development Fund (CDF) programme in accordance with R-ARCSS;

5. Increased partnerships, coordination and mutual accountability with development and humanitarian partners to ensure policies, strategies, programmes and projects, and action plans are developed through participatory and transparent mutual consent and accountability;

6. Ability to monitor and evaluate issues of importance including review of the New Deal Compact in coordination with development and humanitarian partners;

7. Development partners and recipients of any development assistance, provide timely and comprehensive data on aid flows to the States, sectors and institutions of South Sudan.

8. Establishment of the Anti-Corruption Commission; ensuring its effective functionality, as well as acceding to regional and international conventions on fighting corruption, particularly to the African Union Convention on Preventing and Combating Corruption (AUCPC) and the UN Convention Against Corruption (UNCAC), and coordinate with their respective implementation mechanisms and other institutions to recover and return misappropriated funds and assets;

9. Establishment of the National Audit Chamber and guarantee its independence.

10. Reviewing National Legislations, notably in the context of the budget performance, the National Audit Chamber Act 2011; Anti-Corruption Commission Act 2009; Public Finance Management and Accountability Act 2011; Taxation Act 2009; Petroleum Revenue Act 2012; The Mining Act 2012; Petroleum Revenue Management Act 2012; and National Revenue Authority Act 2017.

When effectively implemented, these reforms will transform the public finance management sector and budget performance in particular. Various stakeholders are enjoined to play a role in developing the requisite capacity, at different levels, to ensure the reforms are effectively implemented and the requisite transformation fully achieved.

2.3 Rationale for the Budget

As noted in the definitions, a national budget enables government to plan and guide the financing of its operations and development initiatives to improve the welfare or the wellbeing of the citizens. It is therefore necessary that the government ensures regular financial inflows or incomes/ receipts, and also ensure proper accountability for the expenditures or outflows so as to sustain government operations and initiatives.

As such, the government must have a clear plan on the total amount of money (receipts) that it plans to mobilize within a budget period (the financial year), showing how the funds will be raised and in which period; and the total expenditure, showing the amount of money the

government plans to spend within the budget period, and the specific items on which the money will be spent.

Apart from focusing on income and expenditure, the national budget also considers the outcomes and the impact of government expenditure. As such, the budget plays other functions including the allocative, the distributive and the stabilization functions.

- The allocative function: through the budget, government allocates resources to finance its operations and development initiatives to achieve national development objectives. The financial allocations are supposed to be in line with the National Development Plan and achieved through respective policies that guide government actions. It is through the budget that national finances are allocated to fund government projects that foster development.

- The distribution function: public resources are raised and distributed taking into consideration of the various abilities and needs of different sections of people within the society. As such, the distributive function of the budget distributes burdens and benefits within the economy. For instance, tax burdens are imposed on those who fall within the taxable categories and benefits are distributed to deliver benefits in form of social services to the public.

- The stabilisation function: the budget aims to stabilise the economy so as to achieve macroeconomic objectives, such as acceptable and sustainable rate of economic growth and stable prices, including interest rates and balance of payments. Sustainable income and expenditure are necessary for the stable performance of the economy. Caution must be taken to ensure that taxation and borrowing are not be prohibitive to economic growth. Hence, the budget should ensure sustainable debt levels as well as efficient utilisation of resources to promote and ensure stability within the economy.[10]

2.4 Why Government Should Prepare a Budget

Budgets are guided by the economic principles of demand and supply. Like individuals or households, Governments have limited resources, yet there are unlimited needs and demands from the citizens. The social and economic wellbeing of the people demands that Government engages in development programs and service delivery. Indeed, the budget process and performance are guided by the development priorities that the government sets to achieve in a given financial year.

As such, the Government of South Sudan must plan carefully and estimate how much resources are required in the coming financial year, and make sound decisions on operational and development activities that will be funded to achieve the development goals. This will enable the Government to provide services which are vital to the country. Such services may include, among others, provision of security, ensuring law and order, focus on infrastructure development, and other vital social services such as health, education and agriculture, among others.

When effectively managed, budgets contribute to economic growth, poverty reduction and improved standards of living through increased production of goods and services both by

[10] Katarina Ott (ed.), 2009. *A Citizen□ s Guide to the Budget, 2009, Second Revised Edition*. Zagreb

government and by facilitating and creation of conducive environment for the thriving of the private sector. Hence, proper budget management and performance can promote the economy of South Sudan by promoting economic competitiveness and efficiency; and also, by controlling the inflation that is a common occurrence in South Sudan.

2.5 Importance of Understanding a Budget

Government officials hold offices in trust of the people; and execute their roles for the service of the people. It is through budget that the Government is able to function and serve the people.[11] This means that the budget has significant impact on the lives and wellbeing of the people or the citizens. Incidentally, the majority of the people in South Sudan are not aware of or are distant from the budget process. It is therefore necessary and in the interest of the South Sudanese to be capacitated to have sufficient knowledge of the budget and its impact on their lives and their welfare.

It is important that people understand that the budget is about decisions and choices on what government intends to do, how to finance what the government will be doing, how people can be involved, how the finances are generated, and which benefits and who benefits. Government generates revenues mainly through taxes, and it is the people who bear the burden of paying taxes. Knowing how the public resources are going to be spent in line with the budget is good for accountability and service delivery. More often, there are changes in the prices of goods and services after the budget has been passed.

On the side of the government, the budgetary resources are in most cases limited compared to the needs that the budget would normally serve. This calls for need for proper allocation of resources, as well as the efficient and effective utilization of available resources. Understanding the budget therefore allows for prioritization of expenditure so as to meet high priority needs of the country. Budget allocations are therefore aligned to the agreed high priorities, in line with development goals.

Through the budget, the government is therefore able to provide direction on macroeconomic stability. The Government is also able to provides room for the bottom-up approach in the identification and prioritization of funding needs. Stakeholders such as Religious bodies, Cultural institutions, Non-Governmental organisations, Interest groups and the entire citizenry ought to be informed and capacitated enough to effectively participate in and contribute to the budget process.

Given many, competing and insatiable interests and needs, the budget process is always a complex and political process. Various actors are pushing for different needs and priorities. As such, the amounts of money allocated for various development priorities may only cater for what is feasible and not necessarily reflect government policy commitments and priorities. Some priorities may either face financing deficit, while others may be ignored altogether. The allocated resources may therefore fail to deliver the desired outcomes. Hence, the budget process offers the stakeholders opportunity to engage the government to ensure that their various interests are addressed in the process. The process should therefore be participatory and allow room for compromise among the competing interests of different stakeholders.

[11] Katarina Ott (ed.), 2009. *A Citizen□ s Guide to the Budget, 2009, Second Revised Edition*. Zagreb

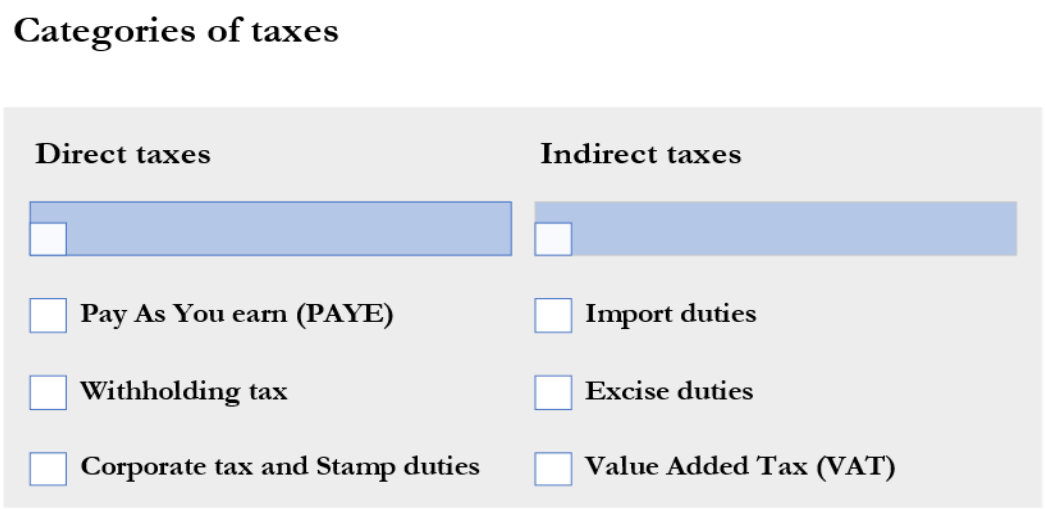
2.6 Main Components of a Budget

There are two main components of a national budget: the financing side and an expenditure side.[12]

2.6.1 Financing side

On the financing side, government raises finances through various sources, including taxes, user charges, borrowing, grants, investment revenue from public corporations, and proceeds from privatization.

Taxes: these are compulsory payments collected and utilized by the government to fund its operations and development initiatives. More often, the largest portion of public revenues is generated through taxes. Taxes fall under two broad categories: direct taxes and indirect taxes. Examples of direct and indirect taxes are outlined in the figure below and are explained thereafter.



- Direct taxes: these are income taxes, and include Pay as You Earn (PAYE), which is paid at various rates on individual employment income; withholding taxes, which apply on interest and dividends; corporation tax, which is levied on the profits of public and private companies; and stamp duties, generated mainly through charges say on real estate transactions, and on other transfers such as unquoted shares and stocks.

- Indirect taxes: import duties or tariffs, excise duties and Value Added Tax (VAT) are the main indirect taxes. This category of taxes applies on production and consumption; and payable by the traders and industry as " taxable persons". A tax like PAYE passes the burden to the consumers since it is levied on the prices of goods and services. Most consumers are not aware they actually pay the tax.

[12] Cairney, P., 2012. *Understanding Public Policy: Theories and Issues.* Basingstoke: Palgrave Macmillan; Vendug E., Rist R. C., Bemelmans-Videc M. (eds), 1998. *Carrots, Sticks and Sermons: Policy instruments and their Evaluation*

User Charges: refer to the fees paid by consumers of particular goods and services that are provided by the government, such as trade licenses or driving licenses and lodging of court cases. User charges are different from taxes since they only apply to such goods and services required from the government by the consumers.

Borrowing: borrowing by government takes two categories: domestic borrowing and external borrowing. In domestic borrowing, the government sells securities in the local market in form of Treasury bonds or Treasury bills. External borrowing is mainly from multilateral institutions, prominently from International Monetary Fund (IMF) and the World Bank (WB). These offer cheap lending or lend on concessionary terms, such as lower interest or long periods of loan maturity. Borrowing from IMF and World Bank is far cheaper compared with the borrowing from internal and external commercial banks whose interests are normally high.

External borrowing takes two forms: program loans and project loans. Program loans finance budgets that apply to programs within specified budget or financial years. Similarly, project loans finance specific projects, and are tied and monitored on the performance of the financed projects. Program and project loans can be concessional or non-concessional. The choice by the government to borrow internally or externally should be informed by interest rates and the impact of debt repayment; consideration of the specific activities to be financed, and the repayment period. In 2020, the interest rate on loan repayment was 16.4% of South Sudan's total budget, up from 15.9% in 2019 and 16.0% in 2018.[13]

Grants: also known as foreign aid, are non-repayable finances given to countries by foreign governments and other financing institutions. Like loans, grants can be subject to conditionalities and performance requirements. Grants have become the main source of funds to supplement recurrent expenditure in South Sudan that in case they are withdrawn may lead to suspension of some activities and disruption of service delivery.

Investment income: this is an incentive or kind of support given by government to investors. Although investment income is paid out by Government, it falls on the side of revenue since its starts as government receipt. Apart from loans, all government receipts are categorised as revenue. The grant of Incentives to Investors in South Sudan is governed by the South Sudan Tax System (Taxation Act 2009), and Benefits and Incentives for Investors (Investment Promotion Act 2009). The passage of the Taxation Act in 2009 was a significant milestone in the tax policy for South Sudan. The Act is a modern and easy to administer tax law; and provides a sound tax policy framework (EAC Investment Guide).[14]

2.6.2 Government Expenditure

Government expenditure falls under two categories: recurrent and development expenditure. Recurrent expenditure funds government operations, including payment of salaries and wages for government employees, transport expenses, and repairs and maintenance of equipment.

Recurrent expenditures are either discretionary or non-discretionary expenditures. Discretionary expenditures are expenses by government agencies to produce goods and services for citizens.

[13] African Forum and Network on Debt and Development (AFRODAD), 2020. An Analysis of Debt Governance and Domestic Resource Mobilization (DRM) The Case of South Sudan, Harare, Zimbabwe, August 2020, www.afrodad.org

[14] African Forum and Network on Debt and Development (AFRODAD), 2020

Such expenses are not pre-determined by law; hence they can be adjusted upwards or downwards depending on the availability of revenue and long-term development aspirations of government.

On the other hand, non-discretionary expenditures refer to expenses that are a direct charge on revenues, for instance debt service payments (both principal and interest), and compensations such as salaries, wages, and pension. These expenses are pre-determined by the Constitution or an Act of Parliament. As such, they are also called mandatory expenditures that must be paid. They constitute the first charge on revenues, and; thus, and they reduce the flexibility in budgeting since they must be met before other needs.

Most of the recurrent expenditures fall under the Recurrent Budget; while most of development, also called capital, expenditures fall under the Development Budget. Development expenditures constitute investment expenses that create new assets like support for agricultural infrastructure, rehabilitation and construction of water installations, construction of roads, among others. The main concern for development expenditure in South Sudan is inadequate funds, delays in implementation and embezzlement of funds through corruption.

The four major components of the budget in line with the laws and practices of South Sudan include:

1. Salaries and wages
2. Operating expenditure,
3. Capital (or development) expenditure, and
4. Transfers to sub-national governments.

It is necessary for the balanced allocation and performance across these components. In reality, salaries and wages have consumed the significant part of the budget at the expense of other components.

3.0 PRINCIPLES OR PILLARS OF A GOOD BUDGET

The principles or pillars of a good budget include

- Reliability of the budget
- Transparency of public finances
- Proper management of assets and liabilities
- Policy-based fiscal strategy and budgeting
- Predictability and control in budget execution
- Accounting and reporting
- External scrutiny and audit.[15]

The table below provides brief explanation of each principle or pillar. The explanation is adopted from the cited text with some variations.

Principles/pillars of a Good Budget

Reliability of the Budget	The budget should be realistic and implemented as intended. This is measured by comparing actual revenues and expenditures with the original approved budget.
Transparency of the budget or public finances	Information on public finance management should be comprehensive, consistent, and accessible to users. This is achieved through availability of information on budget performance, transparency of all government revenue and expenditure, including intergovernmental transfers, published information on service delivery performance, and ready access to fiscal and budget documentation.
Policy and fiscal strategy-based Budget	The fiscal strategy and the budget should be prepared with due regard to government fiscal policies, strategic plans, and adequate macroeconomic and fiscal projections
Budget Predictability and control	The budget should be implemented within a system of effective standards, processes, and internal controls, ensuring that resources are obtained and used as intended
Accounting and reporting	Accurate and reliable records should be maintained, and information be produced and disseminated at appropriate times to meet decision-making, management, and reporting needs
External scrutiny and audit	Public finances should be independently reviewed, with external follow-up on the implementation of recommendations for improvement by the executive

[15] Government of the Republic of South Sudan. 2018. *Assessment of Public Financial Management Based on the Public Expenditure and Financial Accountability Framework (PEFA)*. The Horn Economic and Social Policy Institute (HESPI), HESPI Working Paper 02/18, Addis Ababa, May 2018

3.1 Reliability of the Budget

A budget is reliable when it is consistently implemented as it was approved by the Parliament. A good budget constitutes of evidence-based forecasts and budget discipline. Budget discipline requires that such budget forecasts and estimations should be adhered to during the implementation of the budget. There is need for existence of clear and robust checks and balances within the system. These are necessary to enhance compliance to the budget and hence form a strong foundation for a reliable budget. The existing policy and legal frameworks reflect the willingness of Government to implement the checks and balances to ensure compliance to budget discipline and effectiveness, but the capacity to implement remains weak.

The key indicators of budget reliability include the aggregate expenditure outturn, expenditure composition outturn, and revenue outturn.[16] Under aggregate expenditure outturn, the aggregate budget expenditure outturn or output should reflect the amounts that were originally approved in the budget. Deviations in the actual expenditure undermine budget discipline and control. The Government's ability to predict, allocate and manage resources to meet strategic national development priorities is also greatly affected. While the expenditure composition outturn compares the reallocations in budget performance and how these contributed to or explain the variance in the final expenditure composition, the revenue outturn measures the change in revenue between the original approved budget and end-of-year policy outturn across different budget categories.

Unfortunately, the performance of South Sudan across these indicators has always tended toward the below-average mark. As indicated in the PEFA Guide (2016) and Revitalized Agreement on the Resolution of the Conflict in South Sudan (R-ARCSS), budget reliability has been weak in South Sudan mainly because policy initiatives and post-budget spending decisions are always made without adherence to the provisions of the budget. Major virements of funds take place between Government Ministries and programs without adherence to policy and administrative requirements, and without reliable revenue estimates.

Similarly, allocation of funds or grants, both on and off-budget support by development partners are also done without adherence to the budget, since the allocation of such funds is not done within the annual budget cycle and also for differing interests and priorities. Given the financial indiscipline and weak implementation of the budget, government projects and programs are not completed in time, many a time they are not completed at all.[17]

Several reforms were put forth in the Public Finance Management Reform Strategy of 2006, shortly after the signing of the Comprehensive Peace Agreement (CPA) in 2005. The strategy outlines 6 pillars to guide reforms in the efficient and effective management of public funds or resources. They include

1. Financial sustainability and budgeting
2. Resource mobilization
3. Budget execution
4. Procurement
5. Oversight and evaluation, and
6. Cross-cutting issues.

[16] Government of the Republic of South Sudan. 2018
[17] Ibid

Cross cutting issues included introduction of electronic service delivery and Integrated Financial Management Information Systems (IFMIS); enacting legal frameworks for public financial management; and professional accreditation and conditions of service.

It is interesting to note that some of these reforms have been realised, although with debilitating gaps in the implementation process. For instance, the Public Procurement and Disposal Act was enacted in 2005 to guide the process of streamlining the procurement function of government. Significantly, a Public Procurement Oversight Authority was established under the Act, whose mandate is to promote and ensure compliance with the Act. In particular, the Authority is charged with the responsibility of ensuring effective monitoring and reporting on the procurement system and processes, and guiding the implementation of the public procurement system and putting in place the public procurement policy.

The Public Financial Management and Accountability Act, 2011, was also enacted. The Act lays down the procedure to be followed in the management of public finances; and authorizes the Ministry of Finance and Economic Planning to perform and exercise the functions and powers appropriate and necessary for the efficient and effective public financial management and accountability.

Moving forward, a legal and policy framework, the Public Procurement Laws and Regulations, 2021 has been established. The framework covers common issues like application of the law to entities and contracts, procedures for awarding, determination of exclusions and exemptions, remedies, privatizations across local jurisdictions, and the management of public private partnerships. While this framework is prone to existing government dysfunctions in public finance management, its potential for reform cannot be underestimated.

3.2 Transparency of the Budget

Budget transparency is about whether the budget information is comprehensive, consistent, and accessible to users. It includes availability of information on effective management of assets and liabilities, on whether public investments provide value for money, proper identification of fiscal risks, and whether there is prudent planning, approval, and monitoring of public debts and guarantees within the budget.

Government should make it easy for the public to access the information on revenue and expenditure and performance on the delivery of social services, which is hardly the case in South Sudan. The concern for transparency in the management of public finances is essential since it helps to determine whether the government activities and operations are conducted in conformity with the approved fiscal policy framework. It also eases budget management and reporting and performance across different budget priorities.

It is therefore incumbent upon a democratic government to promote and safeguard budget transparency; and also allow for external scrutiny on the efficiency and effectiveness of the government policies and programs. As such, guarantees for a transparent budget performance make it possible in a practical way for the government to achieve desirable budget outcomes.

To be regarded as comprehensive, the annual budget documentation should provide:

1. Forecast of the fiscal deficit or surplus or accrual operating result;
2. Previous year' s budget outturn, presented in the same format as the budget proposal;

3. Current fiscal year' s budget presented in the same format as the budget proposal.

The recorded evidence indicates that in budget documentation, South Sudan fulfils all of the above basic elements. This conclusion was reached in view of existing budget proposals, budget appropriations, budget speeches, and final budget implementation reports. While the preparation of the budget proposals, budget appropriations, and budget speeches is fully fulfilled, there are still gaps in final budget implementation reports, especially lack of details about the revenue side of the budget. Besides, there are no medium-term fiscal forecasts; no analysis of fiscal risks; and no presentation of budget implication of new policy initiatives.[18]

In line with access to information provisions, budget transparency allows the legislature, members of the civil society and other stakeholders to access the information they need to hold the executive accountable for the budget policy decisions, policy implementation and the general management of public finances and resources. Fiscal discipline requires that the management of public funds conforms to the government's fiscal strategy; and also ensures that public resources are allocated in line with overarching national development priorities in line with the National Development Plan (NDP).

3.3 Policy and Fiscal Strategy Based Budgeting

Since public policy is about actions and inactions of governments, it is necessary that all government activities, which are funded through the national budget, should be based on sound development policies and strategies. The Government of South Sudan is therefore expected to have clear policies and an overarching fiscal strategy to guide government expenditure during policy implementation and service delivery. It must also ensure that the budgets are prepared with due regard to government fiscal policies, strategic plans, and based on sound and adequate macroeconomic and fiscal projections.

When the budget process is based on sound policy and clear fiscal strategy, it enables the government to plan, mobilize, allocate and utilize public resources in line with the established fiscal policy and strategy. The government is also able to develop judicious macroeconomic forecasts, and base them on fiscal policies to guide policy performance, and hence improve fiscal discipline. With focus mainly on salaries and wages, the Government of South Sudan has consistently defaulted on preparing and adhering to planned macroeconomic forecasts.

Interestingly, a three-year strategic plan (2015-2018), entitled *"Peace, Good Governance and Prosperity for All"* was referred to in the 2015 Budget Speech. Based on and geared towards the realization of South Sudan's Vision 2040, the strategic plan outlined a comprehensive framework of goals, objectives and performance targets, with the main focus on the delivery of basic social services.[19] The evidence on budget performance during the stipulated period indicates that the plan was not adhered to.[20] Explained from the context of the war that broke out in 2015, the government was not able to develop and implement the medium-term expenditure framework to enable it make projections on aggregate expenditure ceilings.

[18] Government of the Republic of South Sudan. 2018

[19] Government of the Republic of South Sudan (2015). Budget Speech FY 2015/2016. Presented to the National Legislative Assembly, By Hon. David Deng Athorbei, Minister of Finance & Economic Planning, on 29th of June 2015

[20] Guy Blaise Nkamleu and Frederick MUGISHA (2017). Sudan, 2017. African Economic Outlook

Adherence to policy, fiscal strategy and fiscal discipline is key in providing the basic foundation for making decisions on the level and composition of the revenues, as well as expenditure requirements for achieving government' s fiscal objectives and strategic development objectives. The adherence is also essential as the first step in determining and making choices about the required revenues, how such revenues will be mobilized and utilized across different expenditure priorities, consideration of existing fiscal constraints, and how budget performance can best be managed to maximize budget outcomes.

3.4 Budget Predictability and Control

By budget predictability and control it is meant that the budget should be implemented within a system of effective standards, processes, and internal controls, ensuring that resources are obtained and used as intended. While the budget of South Sudan provides for: salaries and wages; operating expenditure; capital expenditure; transfers to sub-national governments; and other expenditures, the national budget has mainly provided for salaries and wages since the initial break out of the war in 2013. The main argument is that because of the conflict, there are no adequate resources.

Due to persistent conflicts, the execution of the budget has always fallen short of being credible, comprehensive, and transparent. The credibility of the budget has been affected by focus on wages, salaries and other operating procedures at the expense of capital expenditure. The budget is not comprehensive or transparent since it does not respect or follow the agency plans. It should be applauded that the Petroleum Revenue Management Act (PRMA) was enacted in 2015 to control revenue inflows from the country's major source, the oil. As noted by IMF (2017),[21] the Act introduced measures against corruption and mismanagement of resources; provided that

1. Oil revenues should flow through specific accounts;
2. Utilization of the resources must go through the budget; and
3. Prudent financial management guidelines, including for the investments of saved funds and on auditing requirements be established.

Unfortunately, the Act has only been partially implemented.[22]

3.5 Accounting and Reporting

It was a common practice for government agencies to run multiple bank accounts in commercial banks, hence difficult to track government transactions. With the introduction of Petroleum Revenue Management Act, 2015 and the Public Procurement Laws and Regulations, 2021, a Treasury Single Account (TSA) system was introduced, whereby spending agencies are required to open their accounts only with the Central Bank of South Sudan for easy monitoring and tracking.

A short-term reform program was introduced in 2016 budget process. It provided for: remittance of all revenue collected to the consolidated treasury account; registration of all civil

[21] IMF (2017). Republic of South Sudan Staff Report For 2016 Article IV Consultation Debt Sustainability Analysis. Country Report No. 17/73

[22] Government of the Republic of South Sudan. 2018

servants (including military) on payroll system; completion of payroll audit and removal of ghost workers; establishment of a TSA structure; verification of the 2015/16 non-salary arrears and formation of a clearance plan; enactment of the Public Procurement Bill; and enactment of the Public Financial Management and Accountability Act (PFMAA) (IMF, 2017). This was in addition to the provisions of the Public Financial Management and Accountability Act 2011 provides that the government should publish annual budget plans and implementations. There is attempt by the Ministry of Finance and Economic Planning to publish some information on its website for public access, but this has not been done consistently.[23]

3.6 External Scrutiny and Audit

Public finances should be independently reviewed in line with the budget priorities, with external follow-up on the implementation, and recommendations to the Executive for improvement. When done effectively, the external audit and scrutiny, especially by the legislature and other stakeholders notably the civil society, is essential for holding the government accountable in the utilization of public resources and the policy benefits.

The Transition Constitution provided for the National Audit Chamber, headed by the Chief Auditor. The Chief Auditor is appointed by the President and approved by a 2/3 majority at the National Assembly; and reports to the President and the National Assembly. The National Audit Chamber is mandated to: require financial accountability of individual agencies; the financial accountability of the government as a whole; audit of financial systems, internal control, and audit functions; and audit performance and financial compliance of all general government bodies. These functions have not been effectively performed.

Alongside the audit function, the budget authorization and approval should follow stipulated timeframes; audits should be completed in time and to ensure timely reporting fiscal outcomes; information on budget performance should be comprehensive and provide for mid-year and end-of-year reports. All public institutions undergo auditing, and audit reports are reviewed by the National Assembly and published, with exception of the audit reports for security institutions. The National Audit Chamber has previously recommended punitive measures in its past audit reports. Incidentally, it does not operate on a website, hence copies of the audit reports are not available online.

[23] Ibid

4.0 THE BUDGET PROCESS

This section on the Budget process provides

- An overview of the budget process
- Main participants in the budget process
- Major Phases of the Budget

4.1 An Overview of the Budget Process

The budget process in South Sudan is defined and provided for in the country's legal and policy frameworks; also outlining the key actors in the budget process. South Sudan operates under a decentralized Government system, and the Constitution provides for three levels of government, including the national level, state level, and local level. While it is the national level government that steers and manages the national budget process, all the three levels of government are expected to participate in and play a role in the budget process.

The national government is constituted of the Legislature, the Executive, and the Judiciary as the key organs of Government. In line with the decentralized system of governance, the Legislature is constituted of the National Legislative Assembly (NLA) and the Council of States. In the context of the budget process, Article 55 of the Constitution of South Sudan empowers the NLA, among its functions, to

1. Oversee the performance of the national government institutions;
2. Approve plans, programmes and policies of the National Government; and
3. Approve the budgets.

To understand the budget process, it is necessary to know the various actors therein. As such, the section below presents the main participants in the budget process and the respective roles that they play. Thereafter, the budgetary process and its phases will then be explained in detail.

4.2 Main Participants in the Budget Process

There are different participants in the various phases of the budgetary process. The most common and important participants include the Executive; Legislative Assembly or Parliament; Ministry of Finance and Economic Planning, and other budget users, and the citizens. Each Spending Agency is required by the Public Finance and Management (PFM) Act 2011 to have a demonstration of targets and expected outputs relating to service delivery. Below is a brief description of the role played by each of the mentioned participants.

The Cabinet or Executive Arm of Government

The main purpose of government is to guide the political, social and economic development of the country. In South Sudan, the Cabinet headed by the President, holds the executive authority

for generating and implementing public policies that are approved by Parliament. The Cabinet proposes the fiscal and monitory policies, formulates the national budget, and puts in place the strategies and measures that are required in the process of revenue generation and utilization.

The budget is useful in implementing the government's development agenda. A good budget should therefore be aligned to the strategic goals of government. For instance, the strategic goals and main expenditure areas of South Sudan in the 2020/2021 Budget include infrastructure, education, health, payment to Sudan, transfers to States, security, peace fund and public administration.

The Government of South Sudan operates through a multiparty political system. It is therefore the ruling party which runs government, with parties in Opposition playing a foresight role in the performance of government. Given the political volatility, such roles have not been played smoothly.

The Parliament

The Parliament, also called the Legislative Assembly, plays a legislative, representation and oversight function. It is composed of the representatives of the citizens, adopts laws and seeks accountability from the Executive arm of government. The Parliament debates and approves the budget that is presented by the executive.

The Parliament is composed of different committees, but the Financial and Economic Affairs Committee is the most significant in the budget process. The Parliament debates the budget and analyses the expenditure priorities bearing in mind the interests of the public. The budget is officially adopted after the Parliament has approved the revenue and expenditure proposed by the Executive.

The Ministry of Finance

The Ministry of Finance is responsible for the implementation of the Government' s fiscal policy and achievement of the defined budgetary goals. At the outset of the budget process, the Ministry analyses and makes forecasts of macroeconomic developments, hence forming the basis for the formulation of the budget. It draws up the budget program, the fiscal policy guidelines, and issues to budget users the instructions for drafting a national budget proposal.

The Ministry puts in place the strategies and methods for collecting the revenue, and monitors the execution of the budget. It provides the overall framework for the financing and realization of the needs of the citizens.

Budget Users

There are different users of the national budget. They include government bodies, mainly the Ministries and other agencies of the state and decentralized governments. Broadly speaking, the Parliament, the President of the Republic of South Sudan, and the Ministry of Finance are also budget users. All the budget users utilize budgetary resources in executing their mandate of

service delivery. The Ministry of Finance is charged with the responsibility of supervising and auditing the utilization of budgetary resources allocated to the various budget users.

Citizens

The main role played by the citizens is electing their representatives to the Legislative Assembly. The Members of Parliament (MPs) represent the people and make decisions on behalf of and for the interests of the people. MPs make decisions on issues of national importance, including the national budget. MPs approve the budget and the amounts of money that flow into it; provide oversight on how the public monies are spent; and foster accountability in government spending and service delivery.

In a democratic government, citizens should also play an active role generating budget priorities based on their needs. To ensure budget transparency and effectiveness, all the stakeholders in government, nongovernmental institutions, civil society, the citizens and the media should play an active role in the budget process. To play their role more effectively, capacity building is required for different stakeholders at different levels.

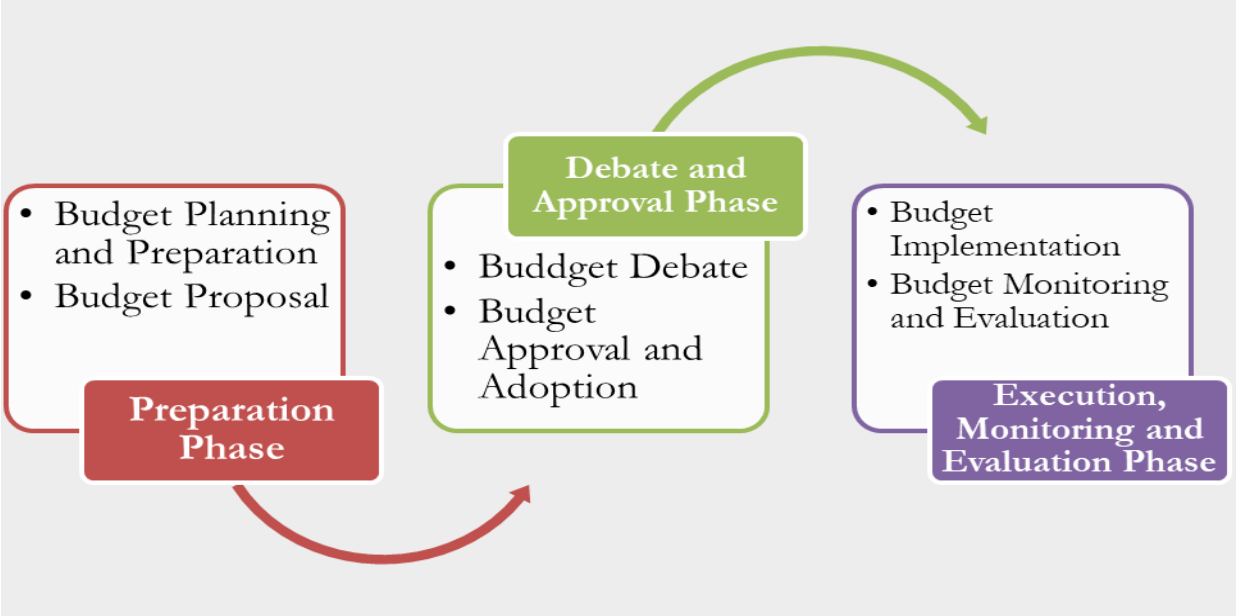
4.3 Major Phases of the Budget

The budget process goes through different phases. The phases represent different roles, actions and relationships among the main participants in the preparation and implementation of the budget. It is necessary for the actors promoting government accountability and budget discipline to be familiar with the entire process for the preparation, adoption, execution and control of the budget. This enables them to have an informed influence on the allocation, utilization and accountability of public funds.

In the context of South Sudan, the budget process progresses in four major phases, viz Budget Planning and Preparation; Budget Proposal; Budget Debate and Approval; and Budget Execution, Monitoring and Evaluation. According to Article 87 (2) of the Constitution, the financial year of the Government of South Sudan shall be from July 1 to June 30.

For purposes of illustration in the picture below, the Budget planning and preparation and Budget proposal are addressed under the Preparation phase; but the explanation thereunder addresses each phase separately. The phases are presented and explained following the guidelines presented in the Financial Management Act of 2011.

Main Phases of the Budget



Phase One: Budget Planning and Preparation

According to the Public Financial Management and Accountability (PFM) Act, 2011, the responsibility of budget preparation, execution, management and reporting rests on the Ministry of Finance and Economic Planning. Overall, the Ministry is authorized by the PFM Act to perform and exercise the powers and functions that foster efficient and effective public financial management and accountability. Such powers and functions include, among others:

1. Budget Preparation, Execution, Management and Reporting;
2. Public Procurement
3. Internal Audit
4. Preparations of the Government Accounts
5. Inter-Governmental Fiscal and Economic Relations
6. External Reporting to the International Financial Institutions, the President and the assembly.

Although the functions seem quite distinct, they are all relevant to the functioning of the national budget and promotion of public discipline.

The budget preparation phase includes the planning and preparation of the budget proposal. Before the beginning of the financial year, the Constitution provides that the president shall cause a Bill on the National Budget to be presented to the NLA. The bill shall include: A general evaluation of the economic and financial performance and situation; detailed estimates of proposed revenue and expenditure for the forthcoming year compared to those of the previous year; explanation of any special budgets or financial estimates, policies or measures to be taken by the national government in the financial and economic affairs within the framework of the general budge.

Article 87 (1) of the Constitution	The President shall cause to be presented to the NLA, before the beginning of the financial year, a bill for the allocation of resources and revenue in accordance with the provisions of this constitution. The NLA shall convene to approve, modify, or reject that bill.

In practical terms, the following steps are followed:

1. The Ministry of Finance draws up economic and fiscal policy guidelines in line with the Government's policy priorities
2. Following the same guidelines, the Ministry compiles and submits to budget and non-budget users the instructions for the preparation of financial plans
3. Budget and non-budget users develop their financial plans following the guidelines
4. On the basis of these financial plans, the Ministry of Finance prepares a detailed national budget proposal and a consolidated budgetary plan for the national budget.

The fiscal policy guidelines and instructions for preparation of financial plans require budget and non-budget users to indicate clearly the strategic development goals; indictors for progress and success; rational estimations of revenue and expenditure at different levels; proposed financial plans; and anticipated changes in public debt, including the strategy for managing the public debt.

The instructions for drafting a budget proposal are also issued by the Ministry of Finance. The instructions are based on the general guidelines. The instructions are meant to inform the users of the budget on the basic economic and fiscal indicators, the methods, and time limits for the preparation of the national budget. Informed by the instructions, the budget users formulate their budget plans, which they are able to explain and justify.

Phase Two: Budget Proposal

A budget proposal represents the Government' s strategy and financial plans for both budgetary and non-budgetary users in the coming Financial Year, based on the economic and fiscal policy guidelines. It is based on judicious planning of revenue and expenditure, including explanation and justification for the proposed financial plans.

The preparation of the budget proposal is provided for in the PFM Act 2011. According to the PFM Act, the President shall cause an Act for the allocation of resources and revenue, known as the budget proposal, to be presented to the National Assembly in accordance with the provisions of the Constitution. The Minister of Finance and Economic Planning, acting on behalf of the President, then prepares and presents the budget proposal to the National Assembly.

As required in the PFM Act, the budget proposal should include a situation analysis of the economic and financial performance; revenue and expenditure estimations for the coming financial year, with comparison to the previous financial year; the general budget statement; and any reserve funds, including possible transfers or allocations. The proposal should also include an explanation of financial estimates and measures to be taken by the Government within the framework of the general budget.

Forecasts for the revenues for the coming financial year are made and presented to the National Assembly within a three-year macroeconomic framework. Forecasts are necessary for the sustainability of public finances vis-à-vis national development priorities. As such, the estimates of the proposed expenditure are supposed to be presented to the National Assembly within a three-year Medium-Term Expenditure Framework that guides annual allocations, taking cognizance of the available resources.

The Budget proposal should indicate additional sources of revenues in the face of possible budget shortfalls where expenditure proposed in the budget is in excess of proposed revenues. Alternative sources may include additional taxes, domestic or external borrowing, and allocation from reserve funds.

Proposals of total expenditure within the budget are presented to the National Assembly as Appropriation Bill. The Assembly is then required to deliberate, make necessary amends where necessary, chapter by chapter reject or adopt the Budget, including budget schedules, and finally pass the Appropriation Bill as a whole. Government expenditures within the financial year should strictly conform to the appropriated expenditures in the adopted budget.

Similarly, funds can be transferred from one vote to the other or any money be spent on an item that is not provided for in the budget, only with the approval of the National Assembly through a Supplementary Appropriation Bill. Except in situations of national emergency and with express approval of the National Assembly, supplementary appropriations should not exceed 5% of the total annual budget.

All revenues collected for or by the Government shall be pooled into a National Revenue Fund administered by the Ministry of Finance and Planning. National Revenue Fund and Reserve Funds shall together constitute the Consolidated Fund, from which all Government expenditures shall be made.

Following the instructions, budget proposals are drafted showing the financial plans for the subsequent financial year. The budget proposals are supposed to stipulate the type of revenues; estimates on expenditure within the budget period; the budgetary classifications; and explanation and justification of the financial plans espoused in the budget proposal. The budget proposals are discussed, adjusted and adopted, and then submitted to the Ministry of Finance by end of July in the financial year.

In reality, the budget proposal is not always submitted in time to enable effective scrutiny, while a big number of MPs are not able to make sense of the budget hence are unable to offer useful feedback. Because of the limited time, even able and willing MPs are not able to study the budget proposal and offer the required advice.

Phase Three: Budget Debate and Approval

In this phase, the budget is debated by the National Assembly and approved for adoption by the Government. According to the PFM Act, 2011, the preliminary annual estimates of resources and revenues are presented by the Minister of Finance and Economic Planning to the National Assembly consistent with the fiscal and monetary programmes and plans of for socioeconomic development. The revenue estimates also indicate budget ceilings for each year within the three-year period of the Medium-Term Expenditure Framework.

It is prudent that all MPs receive the budget proposal in time so they can be able to study it closely to enable informed response. Various state and non-state stakeholders, including the civil society, should be afforded the opportunity to submit their proposals about the budget and propose changes or desired adjustments. Basing on the feedback from the various stakeholders, consolidated annual estimates are developed. The consolidated annual estimates are then presented to the Council of Ministers for approval. This process is expected to be done by 15th of November each financial year.

When the annual budget estimates are approved by the Council of Ministers, the Ministry of Finance and Economic Planning communicates to the Spending Agencies, asking them to prepare three-year budget plans for the forthcoming years. The three-year budget plans are required to indicate the activities of each Spending Agency that will be financed within the planned period. The plans should be consistent with their indicative budget ceilings and with the development priorities espoused within respective public policies.

The budget plans of the Spending Agencies are subjected to a formal review chaired by the Ministry of Finance and Economic Planning and approved by the Cabinet chaired by the President. This process should be completed by the end of January of same Financial Year.

Upon approval by the Cabinet, the Minister of Finance and Economic Planning submits the budget estimates to the Speaker of Parliament, who delivers it to the relevant committees and the MPs as preliminary annual budget estimates. The preliminary annual estimates of resources and revenues, together with three-year budget plans are particularly submitted to the Standing Specialized Committee on Economy, Development and Finance of the National Assembly for consultation. This process is expected to be completed by the end of February of the same financial year

The Minister of Finance and Economic Planning is also required to present final annual estimates of revenues, highlighting the revenue and expenditure outturns for the previous financial year alongside the estimated outturns for the current Financial Year. The final annual estimates are developed basing on the information provided in the three-year Medium-Term Expenditure Framework; in consultation with the Standing Specialized Committee on Economy, Development and Finance of the National Assembly; and considering the material changes in the prevailing economic or financial situation. The final annual budget estimates are presented to the Council of Ministers for approval. This process should be complete by 15th March of the financial year.

After the final annual budget estimates are approved by the Council of Ministers, the Ministry of Finance communicates the budget ceilings to all Government Spending Agencies, and offers instructions requiring and enabling them to prepare their detailed budget estimates. The Minister also provides to the State Ministries of Finance the estimates of Government transfers to States, consistent with the budget ceilings. This process should be complete by 31st March of the same Financial Year.

The Budget estimates are compiled by the Minister and are submitted to the President. The President, through the Minister of Finance presents the Budget estimates to National Assembly for approval. This is expected to be done by the 15th of May of each Financial Year. In case the National Assembly fails to pass the Budget within forty-five (45), the President is empowered to issue a Presidential Decree, by which the Budget is deemed to have been passed by the Assembly in accordance with the provisions of the Constitution.

To maintain the equilibrium, any adjustments that increase budget expenditure above the ceiling specified in the budget can only be accepted if it based on proposals to reduce on other expenses. After the appropriation of the Budget, the Ministry of Finance and Economic Planning, through the Undersecretary, is authorized by the 2011 PFM Act to set Cash Limits to govern appropriated expenditures during the Financial Year. The Ministry is also authorized to establish the timeframe for managing the revenue collection and expenditures; and determine any other limits according to the performance of the revenue mobilization in the prevailing macroeconomic situation.

In reality, the budget proposal is not always submitted in time to enable effective scrutiny, while a big number of MPs are not able to make sense of the budget hence are unable to offer useful feedback. Because of the limited time, even able and willing MPs are not able to study the budget proposal and offer the required advice.

The national budget proposal is finally debated in Parliament. The Parliament, through its respective committees, analyses the proposals and strategies set out in the budget, including suggestions from various stakeholders, and provide their views and recommendations. Ministries and other agencies of Government address concerns about limited resources that are allocated. Respective MPs, who directly represent the people and are therefore concerned about service delivery, are expected to lobby for more resource allocations. As such, budget adoption is a political process, as many actors are pushing for their interests. It is those who succeed that have their interests addressed in the budget.

Phase Four: Budget Execution, Monitoring and Evaluation

When the budget is passed by the Parliament, the Ministry of Finance informs the Ministries and other Government agencies about the funds that have been allocated to their respective Units. The fiscal year or the implementation of the budget officially begins on July 1 of each year; whereby the revenues are collected and spent, and these operations of revenue users are supervised and checked. To foster budget transparency, the Financial Management Act requires that the approved national budget should be availed to the public within 30 days after approval by the National Assembly; but in reality, this has not always been done.

The execution of the budget is based on quarterly disbursements, although this also depends on the resources that are available and the priorities of government. Budget execution should be done transparently and foster accountability on the resources allocated to various budget users. Each financial year Government allocates resources to State and Local Governments in the form of conditional, unconditional, matching or equalization grants.

The allocation of resources to each State and Local Government is based on established formula; and also considering the population and financial resources of the State. Unconditional grants constitute the minimum allocation to each State to enable it conduct administrative functions and also deliver basic social services. The responsibility of accounting for all the expenditures in the State lies with the State Ministry of Finance. On the other hand, conditional grants consist of funds given to finance programs at the States level. As the name suggests, conditional grants are only utilized for particular purposes for which they were intended, and meeting particular conditions agreed upon.

Budget execution requires reporting on revenue generation and expenditure. The Minister of Finance is required to produce quarterly reports on budget performance to the National

Assembly within 30 days of the stated period. The quarterly report should highlight on one hand the amounts spent by Spending Agencies and, on the other, the aggregate expenditure in comparison with the total amount budgeted, following the format prescribed by the regulations issued by the Ministry of Finance and Economic Planning.

Ministries and Spending Agencies are required to produce semi-annual reports on the use of public funds and the outputs that have been realized. The reports are then submitted to the National Assembly for information and audit consideration. The office of the Auditor-General is also required to submit to the President, the National Assembly, the Governor, the State Assembly and the Council of States or the County Commissioner and the County Council the audit report on the budget performance and outcomes.

The budget execution, monitoring, evaluation and accountability can benefit from different provisions of the PFM Act with regard to proper management of public finances:

1. Barring any Government expenditures from being financed outside the Consolidated Fund.

2. Restriction of withdrawals from the Consolidated Fund save with express authorization of the National Assembly through an Appropriation Bill or a Supplementary Appropriation Bill,

3. Management of National Revenue Fund, Reserve Funds and Consolidated Fund only managed by the Ministry of Finance and Economic Planning

4. Budgeting classified expenditures within the designated budget ceilings of Spending Agencies budget ceilings

5. The Minister of Finance and Economic Planning is required to avail details on classified expenditure to the Speaker of the National Assembly and the Chairpersons of the Standing Specialized Committees on Economy, Development and Finance, and Standing Specialized Committee on Security and Public Order.

6. The Auditor General required to audit all the classified expenditures, and producing audit report that are reviewed by the Chairperson of the Standing Specialized Committee on Economy, Development and Finance, and requiring the approved by the Speaker of the National Assembly and the President.

When strictly followed, these provisions offer sufficient guaranteed for achieving the required level of budget transparency, discipline and effectiveness.

Besides, the PFM Act 2011 further provides that the Internal Audit Unit of each Spending Agency shall carry out an internal audit of its agency and submit the reports to the Accounting Officer. According to the Act, it is the responsibility of the Accounting Officer of a Spending Agency to ensure that the recommendations brought forward in the internal audit reports are implemented within a timeframe that should be agreed upon with the Internal Audit Unit.

The Constitution of South Sudan puts a limit on borrowing, internal or external. It is provided that the total gross debt stock of the Government shall not exceed 20% of the Gross Domestic Product of South Sudan; and also, that the ratio of total annual debt repayment to domestic revenue of the Government shall not exceed 5%.

5.0 CHALLENGES IN THE BUDGET PROCESS

This section presents the challenges in the budget process in the context of South Sudan. It begins by providing brief explanation on what is regarded as balanced budget, surplus budget, deficit budget, and public debt.

5.1 Balanced, Surplus, and Deficit Budget

Balanced Budget

In financial planning or budgeting process, a balanced budget is a situation where total expected revenues are equal to total planned spending. Balanced budget is a term frequently applied in public sector or government budgeting. A budget is said to be balanced when all the projected revenues and expenses have been incurred and recorded in a Financial Year.

Surplus Budget

A surplus budget, also considered in the context of the revenues and expenditure, occurs when the Government's budgeted revenues exceed its expenditures in a Financial Year. Surplus budgets are not necessarily politically popular since governments are not expected to run as if they are profit-making entities, especially in the face of unmet public needs. Besides, running surplus government funds will attract the demand for lowering taxes or increase spending, with attraction toward special interest spending.

Deficit Budget

In contrast to the surplus budget, a deficit budget is a situation where the government expenses in a Financial year exceed the revenues. To finance the deficit, the government engages in borrowing, largely externally from International Financial Institutions such as the International Monetary Fund (IMF) and the World Bank (WB), or internally from Commercial Banks.

As such, deficit budgets result in rising national debt, since funds must be borrowed to meet essential expenses. Indeed, the National debt of South Sudan is the result of accumulated budget deficits since attainment of Independence in July 2011.

With the burden of public debt financing, excessive public debt poses a major systemic risk to the functioning and performance of the economy, and burdens future generations with debt repayment. Some countries are unable to pay their debts and slide into what is commonly known as Highly Indebted and Poor Countries (HIPIC).

South Sudan has registered high and fluctuating national debt since independence. The table below illustrates the recent national debt in relation to gross domestic product (GDP) from 2016 to 2020.

See actual figures in the table below

National Debt in relation to GDP

Year	National debt in relation to GDP
2020	**44.88%**
2019	**35.47%**
2018	**45.3%**
2017	**60.7%**
2016	**104%**

The table above illustrates that s significant portion of the South Sudan budget is funded through borrowing or national debt. Although still quite high, overall, the national debt has been progressively reducing, which is good for the economy.

The recovery of the South Sudan' s nascent economy has been driven by the 2018 Revitalized Peace Agreement, the rising oil prices, and a resumption in oil production. The country hit another economic snag in 2020, with the invasion of locusts, floods, and the COVID-19 pandemic. The measures to contain the spread of COVID-19, especially the lockdown and restrictions on movement and business operating hours gravely affected the economic activity.

There is high potential for economic recovery in South Sudan, especially given the peace dividend and projected rebound in oil production. According to the AFRODAD (2020), the "GDP is expected to grow by 0.1% in 2021 and 2.5% in 2022. Inflation is expected to drop to 23.3% in 2021 due to the easing of containment measures, especially the reopening of borders with Kenya and Uganda, which will facilitate imports of food and other essentials." Similarly, "public financial management reforms and the recovery of global oil prices will reduce the fiscal deficit to 1.2% of GDP in 2021, with external borrowing expected to bridge the public financing gap. The current account deficit is expected to fall to 2.3% of GDP in 2021 because of improved global oil prices. A breach in the peace accord, oil price fluctuations, and climate change, are the main downside risks to the growth outlook."[24]

Fortunately, the restructuring of the country' s commercial debt with Qatar National Bank, which accounted for 46% of external debt, South Sudan was able to improve its debt risk rating from debt distress to high risk in October 2020. Added to the clearance of the arrears owed to Sudan, debt restructuring helped to reduce external debt by a 10% digit from 38% in 2019 to about 28.3% of GDP in 2020. South Sudan depended significantly on Commercial loans, which attract higher interest rates compared to loans from international financial institutions. In fact, commercial loans accounted for 81% of the total external debt as of June 2020, followed by multilateral (8%) and bilateral (11%) loans.[25] There is need to focus on and diversify domestic sources of revenue, while at the same time expanding the fiscal space through increased budget transparency, accountability, control and reporting. Debt sustainability will also be improved by

[24] African Forum and Network on Debt and Development (AFRODAD), 2020. An Analysis of Debt Governance and Domestic Resource Mobilization (DRM) The Case of South Sudan, Harare, Zimbabwe, August 2020, www.afrodad.org

[25] African Forum and Network on Debt and Development (AFRODAD), 2020

improved capacity to design and implement prudent macroeconomic policies from the medium to long term.

The urgency and benefits of effective public debt management are captured in the expression below.

Urgency and Benefits of Effective Public Debt Management

African Forum and Network on Debt and Development (AFRODAD), 2020.	Prudent debt management has critical linkages to the development processes of any country. It reduces the financial risk the government faces, lowers the economy's vulnerability to financial shocks strengthens market infrastructure and institutions needed to support an efficient domestic financial market, and helps foster sound public sector governance practices. Prudent debt management should be anchored on an established debt strategy. Debt management ensures that government's borrowing needs are met efficiently and that the stock of government debt, and the incremental debt flows arising from budget and off-budget sources, are managed in a manner consistent with the government's cost and risk preferences.[26]

5.2 Challenges in the budget process

Some of the challenges associated with the budget and public finance management in South Sudan are outlined below:

1. The national debt is managed both by the Ministry of Finance and Economic Planning and the central Bank of South Sudan. Lack of clarity on the roles and the resultant duplication of functions complicate operations and lead to delays in debt service. This makes it difficult to make proper forecasts in cash flows as well as proper national debt management.

2. Low enforcement of public finance management laws compromises budget transparency and discipline. It is common for Government to borrow funds without approval of the National Legislative Assembly. This increases the debt burden, and also affects the sustainability of the budget.

3. Transparency and accountability in the budget process have not been realised in South Sudan. The execution or implementation of the budget does not conform with the existing policy and legal provisions. This is worsened by the Government's inability to publish information on debt management and accountability.

4. There is no proper coordination among the budget users necessary for efficient and effective budget performance. Lack of coordination means the strategies for debt management cannot be implemented coherently to achieve the set national development objectives. This also compromises debt sustainability.

5. Domestic sources of revenue have not been adequately mobilized to contribute to the

[26] AFRODAD), 2020, Ibid

national resources. Citizens are not motivated to pay taxes since there are no clear benefits for paying. Besides, the citizens continue to bear the burden of tax as external companies and powerful groups benefit from tax exemptions. All these factors combine to demotivate the local population from paying taxes.

6.0 UTILIZATION OF THE CITIZENS' HANDBOOK

This section outlines

- The general provisions on citizens' participation and benefits
- Recommendations for effective participation of citizens

6.1 General Provisions

The Citizens' Handbook explains in detail the budget process in South Sudan. It also identifies the stakeholders and the roles they play at different levels of society, and at different stages of the budget process. Citizens are among the key stakeholders in the budget process.

The handbook empowers the citizens to demand for active involvement and participation in the budget process, and also to hold their leaders to account for the public resources allocated and utilized. Section 13 of the Local Government Act, 2009[27] outlines different provisions for budget transparency and involvement of the citizens. Section 13 (3) provides for "Participation of all citizens in the exercise of their rights to express their opinions in the process of decision making in public affairs, including the budget process.

Section 13 (5) provides for "Transparency, to build mutual trust between government and citizens through the provision of information and guaranteed access to information." 13 (6) provides for "equitable distribution of resources"; while 13 (7) provides for "equal services and opportunities for all members of the local community with the aim of improving their welfare."

Section 13 (9) provides for "accountability of decision-makers to the people in matters of public interests"; while 13 (10) provides for efficiency and effectiveness, ensuring that "good public service delivery through optimum and responsible use of resources."

It should be recalled that each Ministry of Finance and Economic Planning drafts a budget, presents it to the Council of Ministers, and thereafter to Parliament for the first reading. The budget drafting process should be participatory, attracting the views and contribution of various stakeholders, including the citizens. MPs should consult their constituents to capture their views so as to inform the budget debate before adjustments and realignments are made before voting and passing it.

The budget execution too should draw the participation of stakeholders, including the citizens. Citizens and other stakeholders can participate directly by presenting their views to the elected leaders or local government officials. Budget users are also required by law to account for the

[27] Republic of South Sudan, *Local Government Act, 2009*

resources received. However, the participation of citizens will be effectively achieved when mechanisms are put in place to directly target and capture their views. Effective reporting on the budget performance is also key to aiding citizens' awareness and participation.

6.2 Recommendations for other stakeholders

The following recommendation are in line with the principles of a good budget. They are largely drawn from the 2019 Open Budget Survey (OBS) of South Sudan.[28]

Inclusive public participation is crucial for realizing the positive outcomes associated with greater budget transparency. Transparency and participation are based on the formal opportunities offered to the public for effective and meaningful participation in the different stages of the budget process. They also include the practices of the executive, the legislature, and the Audit Unit. South Sudan has a public participation score of 11 (out of 100) which is far below from the expected 61%.

To address this deficit, the Ministry of Finance and Economic Planning has established forums for public consultations during budget formulation. To make this functional and effective, the Ministry should:

- Put in place mechanisms to monitor budget implementation. This should be done by reactivating the PFM monitoring mechanisms.

- Operationalise mechanisms for engaging civil society organizations and members of the public during budget formulation.

- Put in place avenues for engaging the vulnerable and underrepresented communities. This can be done directly by government, or through civil society organizations representing them.

The National Legislative Assembly established public hearings related to the approval of the annual budget. This needs to be strengthened by:

- Allowing members of the public or civil society organizations to present their views during hearings on the budget proposal prior to its approval.

- Allowing members of the public or civil society organizations to provide feedback during hearings on the Audit Report.

For further improvement of public participation in the budget process, the National Audit Chamber should:

- Establish formal mechanisms for the public to assist in developing its audit program and to contribute to relevant audit investigations.

Assessment of budget transparency focuses on the availability and comprehensiveness of the key budget documents, as well as adherence to timelines. South Sudan scored of 7 (out of 100) for

[28] International Budget Partnership 2019. Open Budget Survey 2019: South Sudan.

the 2018/2019 budget, meaning it does not publish enough material to support informed public debate on the budget.

To improve budget transparency, concerned Government ministries and agencies should:

- Publish the Pre-Budget Statement, Executive's Budget Proposal, In-Year Reports, and Audit Report online in a timely manner.
- Produce and publish the Mid-Year Review and Year-End Report online in a timely manner.
- Budget information should be easily made accessible to the public. The Citizens Budget should be disseminated using appropriate tools and media so that it reaches a wide audience.

The National Legislative Assembly provides limited oversight during the planning stage of the budget cycle and weak oversight during the implementation stage. To improve oversight, the following should be prioritised:

- The Budget Proposal should be submitted to legislators at least two months before the start of the budget year to provide adequate time for consultation with the public during the review process.
- Respective Committees of Parliament should examine the Budget Proposal and publish online reports.
- Through consulting the public, the National Legislative Assembly should approve the Budget Proposal before the start of the budget year.
- The Parliamentary committee should examine in-year budget implementation and audit reports and publish their findings public consumption.

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