



GOVERNMENT OF REPUBLIC OF SOUTH SUDAN

2012-2013 BUDGET SPEECH

Presented to the National Legislative Assembly (NLA)

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INTRODUCTION

Mr. Speaker Sir,

Honourable Members of the National Legislative Assembly,

1. In accordance with the provisions of section 88(1) of the Constitution, allow me to present the 2012-13 annual budget before this August House.
2. This is the first full year budget following our independence that I am presenting. This is not the budget I would have wanted to present. This is a budget for difficult and uncertain times. The actions of Sudan in preventing ships from taking our crude oil to international markets, in confiscating our oil, in building pipelines to divert our oil, left South Sudan with no choice but to shut down production.
3. Let us be under no illusions as to the seriousness of that decision. Shutting down the oil deprives us of what was ninety-eight percent of our revenues. It is also a massive and unprecedented shock to our economy. Severe macroeconomic consequences are unavoidable. So far, as our savings have temporarily replaced oil revenues, we have only seen slight adjustments to the effects of the oil shutdown.
4. Yet we are already starting to see these effects. There has been depreciation in the unofficial rate of the South Sudanese Pound reflecting the scarcity of dollars. In May, annual inflation reached nearly eighty percent, the highest since our independence.
5. However, we are committed to minimising the impacts of the oil shut-down. The budget I present to you today contains dramatic cuts in spending. There is no room for indulgence. We must cut spending. We must do so now. This is necessary to stabilise our economy and to reflect the more limited resources we have without oil revenues.
6. Every citizen of South Sudan will be affected by how we respond to the current crisis. If we act responsibly, we have an opportunity to emerge stronger and with a fiscal house that is in order and more sound than ever. If we act carelessly, we risk public health and welfare, or even our national security. Therefore, I ask your undivided attention in considering the figures and issues before you today.
7. I first want to talk more about how the shutdown in oil production will affect the economy. I will then set out how we will finance this budget without oil revenues. I will then briefly review spending in this fiscal year, 2011-12, and then set out the spending cuts we have been forced to make and expenditure plans for 2012-13. Finally I will discuss the reforms we are proposing to better control expenditure.

8. Throughout this budget speech, I will come back to two themes. First, we are taking all possible measures to minimise the negative impacts of the oil shutdown on the economy and the people of South Sudan. Second, by taking the correct decisions during these difficult times, we can lay the foundations for future prosperity.

EFFECTS OF THE OIL SHUTDOWN ON THE ECONOMY

9. This government has three core macroeconomic objectives. First, maintaining short and medium-term macroeconomic stability. Second, long-term fiscal sustainability and third, broad-based, sustainable economic growth.
10. As I have stated, the shutdown of oil production has fundamentally changed the short term conditions for the South Sudan economy. It has created large deficits in the budget and in the balance of payments.
11. We have already begun to see these effects. The shortage of foreign currency has led to the South Sudan Pound losing around 40% of its value against the US dollar since February this year, with one dollar now buying around five pounds. Since we rely heavily on imported goods, this depreciation has contributed to significant increases in the prices faced by consumers in our markets. Annual inflation reached nearly eighty percent in May this year, the highest recorded rate since independence. This means the average family in South Sudan has faced nearly a doubling of its costs over the last year. Rapid inflation hits the poorest citizens, those who have limited or no savings to draw on, the hardest.
12. To stem these effects we have to cut public expenditure and imports. So far, these have been cushioned by drawing on the government's foreign currency savings. But these will not last for the whole year. In the absence of oil exports we will have to both further reduce imports and find alternative sources of foreign exchange.
13. However, I can rule out one source of funding. This government will not risk an explosion of inflation by printing money or by excessive borrowing from the Bank of South Sudan. These are sure ways to economic destruction, as we have seen in the past in some countries.
14. Moving to long-term fiscal sustainability. We need to seek alternative sources of funding to finance a large proportion of our expenditures, and this will include foreign loans. However, we are committed not to take loans that will bankrupt our country. All external loan offers will be thoroughly screened. The total amount of borrowing will be viewed against future oil revenues to avoid debt servicing becoming a heavy burden on the economy in the future. If sufficient financing on reasonable terms cannot be obtained, further cuts to expenditure will have to be made.

15. Lastly, we seek broad-based, sustainable economic growth. To achieve this would have required weaning our economy off oil. Now we are being forced to do this rapidly. But by taking the right decisions during these difficult times, we can lay the foundations for future prosperity.
16. Our focus must be on improving the productivity of our rural economies. Four-fifths of our working people are employed in agriculture. Despite this, our land is under-utilised and we are not self-sufficient. Fifty percent of our land area is considered prime agricultural land, but less than five percent is presently cultivated. Food imports accounted nearly half (43%) of all imports in 2010 and food exports are negligible.
17. In comparison, Uganda had an export surplus of 2% of GDP of agricultural products in 2010. Achieving self-sufficiency would make a large contribution to the external balance and the supply of foreign currency for financing other imports.

FINANCING THE BUDGET

18. Government spending must be reduced to a level consistent with likely resources while maintaining important services. This requires a significant reduction in budgeted expenditure from previous years. Under the three-month Austerity budget passed by this Assembly, monthly spending was reduced to SSP 730 million. The 2012-13 budget I am presenting today, contains further cuts, reducing expenditure to about SSP 530 million per month, a total annual budget of SSP 6.4 billion.
19. Efforts for continuous dialogue and negotiations with Khartoum for the resumption of oil exports through the Republic of Sudan are still open, but it is the conviction of the Government of the Republic of South Sudan to seek alternative pipeline routes to reduce dependency on Khartoum in the export of crude oil. The government will therefore work hard to establish alternative modalities for oil exports. Decisions to construct an alternative pipeline and refineries here in South Sudan are under consideration. However, these will not generate revenues in 2012-13, and possibly not for several further years.

Non-oil revenues

20. Our first source of funding for the 2012-13 budget is non-oil revenues. Since independence, we have initiated a comprehensive tax reform program to increase non-oil revenues. Firstly, we have clarified the allocation of taxes between National and State governments. Following a long and thorough consultative and collaborative process with States, a comprehensive set of agreements were reached. States are now ceasing collections of sales taxes, excise taxes, development taxes and other taxes on trade, as well as Personal Income Tax. States will receive a surcharge added to the national rates for personal income tax and excise taxes.

21. Secondly, we have streamlined collection arrangements. All these taxes, including the shared personal income tax and excise taxes will be collected by the National Directorate of Taxation and the Customs Department. The State Excise Tax will be levied on the same goods and services as the National Excise Tax. The State Personal Income Tax will be withheld from all private sector employees, all National government employees and all State and County government employees, in addition to the National Personal Income Tax. Once collected by the national institutions, these State revenues will be sent directly to State revenue accounts.
22. These are all steps towards the establishment of a National Revenue Authority. A steering committee has been formed, chaired by the Honourable Deputy Minister of Finance, with a member from this August House, to oversee this process.
23. Any State that loses revenue as a result of these reforms will be compensated by a share of National Sales Tax collections. No State will receive less revenue as a result of these reforms. However, only States that are complying with the requirement to desist from collecting taxes on trade will receive a share of Sales Tax. The Ministry of Finance and Economic Planning will be closely monitoring this compliance.
24. The centralization of tax collection will remove a significant burden from businesses, and will help bring down the price of goods in the markets. We are also undertaking several other initiatives to improve the tax system and reduce the potential for corruption in the system. This includes improving the design of tax forms, investing in taxpayer education, and improving the security and control of government receipts. We will also soon be moving away from cash payment, with taxpayers able to pay directly through the banking system.
25. By starting to implement these reforms we have already seen increases in our non-oil revenue collections. These have risen from SSP 29 million in December 2011 to 54 million in April 2012, an 85% increase. Between the 1st Quarter of 2011 and the 1st Quarter of 2012, we achieved a four hundred percent increase in non-oil revenue collections.
26. Based on these increases, our non-oil revenue estimate for 2012-13 is SSP 700 million. This is made up of SSP 440 million from taxes and SSP 260 million from fees, charges and other non-tax revenues. Because of our extensive program of reform, we expect non-oil revenues to continue to increase, despite the likely economic contraction resulting from the loss of oil revenues.
27. These tax reforms will increase the amount of tax we all pay. On your paysheets, you will find that in addition to the National Income Tax, you are also paying income tax to Central Equatoria where you are residing. Your constituents working in the States will find that they have to pay State Income Tax in addition to National Income Tax. I urge you to explain the necessity of these changes to our population. We must understand that taxes are necessary for

funding our teachers, doctors, police and army. We need to understand that paying tax is a patriotic duty, not something that is to be avoided and evaded.

28. In order to implement a number of the tax reforms described above, alongside the budget and the Appropriation Bill, I have submitted a Finance Bill. This second bill makes the necessary amendments to existing tax legislation to enable us to achieve the tax estimates I have set out. I urge this August House to ensure that the Finance Bill be approved together with the Appropriations Bill, as the two are so closely linked. The projected revenues available to fund the budget in 2012-13 are critically dependent on passing this legislation to allow continued reforms to the tax system.
29. By taking these reforms during these difficult times, we are establishing a fair, efficient and modern tax system. As this system improves, it can provide a sustainable source of funding into the future. By taking the right decision to establish this system now, we can lay the foundations of future prosperity.
30. Despite these impressive gains resulting from tax reforms in the recent past, non-oil revenue will not be nearly sufficient to finance the budget, making up only around 10% of the proposed 2012-13 budget.
31. We could increase tax rates to try to further increase revenues. However, this is likely to lead to a stifling of business and an increase in tax evasion. We must be very careful in the coming months to strike a fine balance between maximizing revenue collections and placing too high a burden on businesses and contributing to unaffordable price increases.
32. In particular, ad hoc efforts to generate revenues should not be allowed to spread. It is important that revenue policy be developed and implemented in a coordinated way. As such, the Ministry of Finance and Economic Planning will engage with all revenue collecting units of government to review their fee structure and the legal basis for these fees. We will then work with this August House to ensure that all revenues charged by this government are in accordance with law and with sound economic principles.

Borrowing and other revenue sources

33. As well as non-oil revenues, the next source of financing is foreign currency savings from past oil revenues. This is what has been sustaining us thus far. At the start of July, we estimate we will draw down SSP 1 billion, or a further 15% of the budget from the reserves.
34. To fund the remaining planned expenditure for 2012-13, the government is seeking other sources of revenue to finance public expenditure. These include domestic borrowing from commercial banks, sale of petroleum and mining concessions and foreign loans. Additionally, the government is seeking foreign loans to finance key infrastructure projects.

35. We estimate we can raise SSP 1 billion from domestic loans, leaving SSP 3.7 billion to be financed from foreign loans, sales of and petroleum and mining concessions. However, it is important to note that these loans are not certain, and may not be offered on acceptable terms. If loans and other sources of financing are not forthcoming, then we will have no choice but to reduce expenditure further.
36. Having discussed the financing of the budget, I will now move on to discussing the expenditure plans for 2012-13. Before I do this, I want to briefly set out how funds were spent in the current fiscal year, 2011-12.

2011-12 BUDGET EXECUTION

37. The decision in June 2011 to change the fiscal year from the calendar year to the beginning of July gave insufficient time to prepare a budget before the beginning of the new fiscal year. In accordance with the Constitution, on July 9, 2011 the previous year's budget was deemed to have been automatically and temporarily reenacted until the Assembly approved a new budget. MoFEP quickly drafted a new budget for 2011-12 based on the previous budget, with adjustments to reflect the new responsibilities that came with independence including Universities, Immigrations, Customs and the Bank of South Sudan among others. Consideration of this proposal was delayed until the new government was formed in September 2011.
38. In late December, the Council of Ministers approved the draft 2011-12 budget with several recommendations. A revised budget proposal was printed and ready for submission to the Assembly in January this year when oil production was shut down. In March, an austerity budget was submitted to this Assembly which was composed of actual spending for the first seven months of the fiscal year and reduced spending for the remaining five months. The Assembly revised the proposal, approving a 3-month austerity budget for April-June, and leaving the original 2011 budget in place for the first nine months of the year.
39. Spending during these first nine months (July 2011 – March 2012) was SSP 8.1 billion, much greater than the SSP 5.9 billion approved in the 2011 budget. This increased spending was possible because of increased oil revenue attributable to the high price of oil and the end of revenue sharing with Sudan. On the expenditure side, The Ministry of Defense exceeded its budget by SSP 1.23 billion, primarily because of salary increases approved in April 2011 but not reflected in the budget. The other Organized Forces exceeded their budgets by SSP 377 million because of increased salaries, the need to absorb returnees from the north and security needs. The Office of the President exceeded its budget by SSP 344 million because of costs related to independence and security which were not provided in the 2011 budget.

40. The Ministry of Roads & Bridges and the Ministry of Transport exceeded their budget by SSP 410 million as construction proceeded on important roads and the new terminal at Juba International Airport. The Ministry of Finance and Economic Planning exceeded its budget by SSP 214 million as it absorbed the cost of the South Sudan Customs Services, printing and distributing the new currency and repaying the SPLM for its pre-CPA payments, the balance of which remains outstanding. This August House approved a budget of SSP 2.2 billion for April to June 2012. It is expected that actual spending will be within this total though legislation will be submitted to the Assembly to permit some realignments among chapters and spending agencies as required by law.

PLANNED EXPENDITURE FOR 2012-13

41. In the short-term, the objective of this austerity budget is orderly reduction of expenditure, while providing basic services and maintaining core functions of the state. This objective directly links to the pillars and core objective of the South Sudan Development Plan, which remain central to this budget:

To ensure that by 2014 South Sudan is a united and peaceful new nation, building strong foundations for good governance, economic prosperity and enhanced quality of life for all.

In line with the SSDP, government resources are allocated to achieve the priority actions in South Sudan Development Plan, relating to the four pillars of the plan - Governance, Economic Development, Social and Human Development and Conflict Prevention and Security.

42. Overall government expenditure amounts to SSP 6.4 billion, of which SSP 2.9 billion is for salaries, SSP 1.3 billion is for operating and SSP 401 million is for capital. Total transfers amounts to SSP 1.6 billion, and Other expenditures, such as subsidies, loans and grants total SSP 27 million.

43. The salaries chapter is being cut by 22% compared to expenditure in 2011-12, operating and other expenditure by 47%, capital by 80% and transfers by 10%.

44. Salaries remain the largest part of the budget at 46%. Over half of the budget (60%) is directed to the Security and Rule of Law Sectors. The main service delivery sectors of Education, Health, Natural Resources and Infrastructure make up 17% of the budget.

Austerity Spending Cuts

45. Although austerity measures were proposed following the shutdown to reduce spending, government operations have been little affected. Salary payments have continued. In fact, we have been spending at a rate that is actually higher than some previous years. This is due in part to increased staffing, allowances, benefits, unforeseen activities in our northern borders, in Jonglei; and contractual obligations with legal implications. Clearly this is not sustainable. In

the coming days we will see a rapid reduction in non-essential expenditures, including travel, equipment, vehicles and supplies. We will also have to reduce some benefits and allowances.

46. In this time of austerity, each and every one of us will be called upon to make sacrifices for the future of our nation. The absence of oil revenues means that deep austerity measures need to be implemented across all tiers and functions of government.
47. These spending cuts are painful but necessary. Public funds must be directed towards national priorities: maintaining security of lives and property, continued provision of basic services, and building necessary infrastructure.
48. Despite these painful cuts, there will be no large-scale lay-offs in the public service. Moreover, I can announce that we have protected salaries as far as possible. As salaries make up the largest item in the budget, some cuts were inevitable, but these have been minimised. The measures I announce today are a 50% cut in the housing allowances of all national government employees, including the army, and for all the other organised forces. Job specific allowances have also been eliminated for most employees, and all overtime and incentives have been eliminated.
49. But basic salaries have been maintained. Conditional salary transfers will continue to pay full salaries of teachers and health workers. I say to our dedicated public servants providing services across South Sudan, your salaries are protected.
50. Just as we maintain salaries, we must ensure that these funds are well-spent. Today I confirm measures taken by the Council of Ministers to improve payroll procedures and remove ghost workers. The Ministry of Finance and Economic Planning will work with the Ministry of Labour, Public Service & Human Resource Development to:
 - ensure that all national employees other than Defense are paid through the South Sudan Electronic Payroll System;
 - implement processes that require all Directors General or department heads to certify that staff under their control are present and working;
 - pay government employees directly through the banks;
 - ensure that all related payments e.g. incentives, overtime and bonuses, if any when they are paid are taxed as required by current law.
51. These measures are expected to ensure that only government employees actually working get paid, to reduce delays in payment of salaries, and to reduce potential for abuse associated with cash payments of salaries. The full implementation of taxes on remuneration will also increase

government revenue. A parallel but similar payment system will be implemented for the Army (SPLA)

52. We also expect all State governments to undertake similar measures. They also face austerity and must also ensure that their payrolls are efficient and affordable. However, transfers to the States for 2012-13 have been reduced much less than other spending areas to protect the vital services delivered by state and local governments. The block grant is cut by nearly twenty percent compared to the 2011-12 austerity budget, and by a quarter compared to 2011.
53. Today I can announce significant reforms to the financing of States. Since 2005 the block grant has been allocated equally between States, despite their different needs. There have been increasing calls, including from the Governors' Forum, for a more equitable formula for allocating resources. I have heard these calls.
54. Sixty percent of the block transfer remains allocated equally to each State, but forty percent is allocated on a per capita basis. The County Development Grant will now also be allocated to each County on a per capita basis, to reflect the population the county has responsibility for delivering services to. Together, these changes start the process of adapting transfers so that they are based on the needs of the population in each State and County.
55. I now turn to the other categories of spending. The operating budget for workshops, training and conferences has largely been eliminated. However, this will not prevent capacity building of government employees. Necessary training will be conducted in government facilities at no cost, and we will also seek funding from donor to cover training costs. Foreign travel has been restricted to essential spending agencies: Office of the President, Ministry of Foreign Affairs, and Ministry of Finance and Economic Planning. An additional allocation has been made to Cabinet Affairs for essential travel of government ministers on official assignment, subject to approval of trips from the Office of the President and Ministry of Cabinet Affairs.
56. Capital expenditures have been cut significantly from previous levels. Furniture and general equipment, and purchase of vehicles cannot be considered priorities in these austere times and have been eliminated. Funding for all civil works and construction, and renovation and rehabilitation have not been provided, with very few exceptions. Guidelines will be issued to prevent signing of new contracts, and MoFEP will liaise with Ministry of Justice to carefully examine and cover the legal implications for government.
57. Despite these cuts, we recognize the importance of capital infrastructure projects and we expect to be able to secure grants or loans for priority projects. Some donors and lenders have expressed interest in funding capital construction. The World Bank recently committed USD 38 million for roads.

58. The austerity measures also include deferment of certain projects, some of which have been listed by spending agencies in their Budget Sector Plans as unfunded priorities for possible donor funding during the planning process. For instance, plans to conduct a National Census have been deferred, and number of embassies to be established by the Ministry of Foreign Affairs has also been reduced.

Spending Protections

59. Although deep cuts have been made across government, spending protections continue for government priorities. I have already set out that basic salaries are being protected. There is no further reduction for operating budgets of service sectors-health, education, social, agriculture, organized forces, beyond the initial 20% austerity budget cut, except targeted cuts for foreign travel and workshops, training and conferences. Similarly, the 25% reduction in block grants for states is much smaller than national government reductions.

60. The Constituency Development Fund has been maintained, as required by law. The CDF this year amounts to SSP 21 million, 3% of ordinary revenues, where ordinary revenues are defined as non-oil revenues and not reserves for the 2012-13 resource envelope.

61. I can also announce the following priority projects that have been included in the budget:

- SSP 90 million as RSS contribution to the construction of the 40 MW Fula hydropower dam in the budget of the Ministry of Electricity and Dams.
- SSP 35 million for the construction of 23 schools in fulfillment of the President's 100 day pledge, and SSP 11 million to host the 2013 Federation of East African Secondary Schools Sports Association (FEASSSA) games taking place in Juba, in the budget of the Ministry of General Education and Instruction.
- SSP 56 million to operate universities for a full academic year for the Ministry of Higher Education.
- SSP 27 million to cover costs of essential capital projects for the Ministry of Water Resources & Irrigation.
- SSP 21 million for the establishment of a Cooperative Bank under the Ministry of Agriculture, Forestry, Cooperatives & Rural Development.
- SSP 15 million for the purchase of spectrum machines and billing equipment under the Ministry of Telecommunications & Postal Services-.
- SSP 40 million for purchase of drugs, and SSP 11 million for the maintenance of state hospital facilities under the Ministry of Health.
- SSP 15 million for the establishment of Radio and TV stations under the Ministry of Information and Broadcasting.

- SSP 12.5 million for housing construction projects under the Ministry of Housing & Physical Planning, and
- SSP 7 million for disease control and operation of fisheries project under the Ministry of Animal Resources & Fisheries.

Donor Funding

62. In addition to the SSP 6.4 billion government budget, we estimate that donors are planning to spend SSP 3.9 billion, making a combined total of SSP 10.3 billion for government and donors. Donor expenditure is spread across the ten government sectors. The sector that has received the largest amount of donor funds is Infrastructure receiving 21% of donor funds, followed by Social and Humanitarian at 18%, and Health at 15%.
63. In these times of austerity, aid will become an increasingly important source of development finance in South Sudan. The government greatly values the assistance our Development Partners have provided to date, and we hope we can rely on this to continue during this challenging period.
64. Reductions in government expenditure as a result of austerity mean that we have an increased responsibility to work together to ensure that development assistance is aligned with national priorities, delivered in a coordinated and effective manner, and results in the best value for money for the people of South Sudan.
65. It is crucial that aid is directed towards the government's top priority programmes. These are identified in the South Sudan Development Plan. Each sector is now also developing a Sector Aid Financing Plan which sets out how aid will be delivered effectively to these priorities.
66. We will develop a National Aid Financing Plan, which will set out the key funding gaps for the SSDP, and from this derive priorities for aid funding, levels of funding required, and preferred ways of delivering that aid. It will be presented for donor support at the upcoming High-level Partnership Forum scheduled to take place in South Africa.
67. Our dialogue with development partners will continue to focus on implementing the New Deal for Engagement in Fragile States. The New Deal is an initiative developed by the G7+, a group of fragile and conflict-affected countries of which South Sudan is a member.
68. The New Deal commits the government and donors to focus efforts on meeting a set of Peace-building and State-building Goals. We have begun work with donors on designing a New Deal Compact, which outlines mutual commitments to South Sudan's development, based on these goals, the SSDP and improvements in transparency and accountability.

BUDGET EXECUTION REFORMS

69. As I have set out, our resources next year are going to be extremely limited. This means we must ensure close adherence to the budget. Just as we expect discipline from our soldiers on the front line, so we must expect discipline from all government agencies in adhering to the approved budget.
70. If we fail to exercise discipline, we will not be able to carry out even the reduced activities we have planned, and if we let expenditure run out of control we will endanger our whole economy and create further inflation.
71. I would like to thank this August House for its hard work and scrutiny in passing the Public Financial Management and Accountability Act in December 2011. This Act gives the government a solid legislative footing and framework for planning and executing our budgets, ensuring that accountability is improved, and preventing wasteful practices.
72. Building on the PFMA, I can today announce four reforms designed to enable improvements to the way budget execution is managed and controlled. These reforms aim to eliminate individuals and vendors interfering with Ministry of Finance officials, eliminate selective assistance to spending agencies and vendors, and promote improved integrity within the Ministry of Finance.
73. First, we will make better use of our Integrated Financial Management Information System (IFMIS). We will use it to set monthly expenditure limits across each government agency's budget. We will also print cheques directly from the IFMIS, replacing the current manual transfers letter system. This will ensure that all payment claims must be processed through the IFMIS in order to be paid. If there is no budget available for the payment, the expenditure limits established in the IFMIS will not allow the payment to be processed. This will help ensure payments will not be processed unless there is formally approved budget by the Legislative Assembly.
74. Second, to further enhance responsibility and accountability, we will require that expenses submitted to MoFEP are approved both by the relevant Director General in charge of the Directorate to which the expense relates, and the Accounting Officer, as required by legislation.
75. Third, we will improve contract management. Prior to initiating procurement, Spending Agencies will be required to check that there is sufficient budget availability. Payment claims for contracts that have not been verified by MoFEP and the Ministry of Justice will not be paid. And in addition to the monthly expenditure limits, payments against specific contracts will be individually controlled.

76. Fourth, MoFEP will make payments direct to suppliers and vendors. Only salaries, until such time as direct payment to employees' accounts is established, and certain other payments such as for travel will be transferred to spending agency bank accounts
77. All ministers, accounting officers and other public officials will be made to clearly understand this. All payments must have a budget and follow the proper procedures. As His Excellency the President stated in his speech opening this session of this Assembly, there can be no more spending based on "short-sighted urgency".
78. In addition to these improved reforms to the operations of the Ministry of Finance, it is crucial, particularly in these challenging times, that we are fully transparent in our financial dealings and increasingly accountable in our use of public funds. I have already mentioned that we will be developing a New Deal Compact with our development partners, and in the spirit of partnership, and in return for the continued support of donors, the government is committed to improving transparency and accountability in use of public funds.
79. Today I can assure this August House, the citizens of South Sudan and our development partners that we will fully adhere to the transparency provisions of the PFMA. We will both submit interim quarterly revenue and expenditure reports to this Assembly and release them to the public by posting them on the Ministry of Finance section of the RSS website within the legally specified timeframe of thirty days after the end of the quarter. We will also submit to this Assembly, and make public, more detailed semi-annual and annual budget performance reports.
80. After today you will find both this Budget Speech and the draft Budget available on the Ministry of Finance section of the RSS website. We will also publish a National Budget Plan providing details on the economic background and assumptions underlying this budget, and our annual Donor Book. We also aim to publish highlights of this budget in the press.
81. There have been challenges but we are looking forward to seeing improvements in budget discipline, beginning from more realistic budget preparation and through to budget execution; gaining more respect from our citizens and the international community and working together for a better South Sudan. Once again, I say that by taking the right decisions to make our systems stronger during these difficult times, we are laying the foundations of future prosperity.

CONCLUSION

82. As His Excellency the President remarked in his opening address to this House, the decision to halt oil production was not taken in anger, but to protect the interests of the people of South Sudan. We must now deal with the financial consequences of that decision, again in a way that

protects the people of the Republic of South Sudan, and lays the foundations for future prosperity.

83. To protect our citizens now we must ensure that we channel our limited resources to providing basic services such as food, medicines and fuel; maintaining security, and ensuring continued operation of the government. The budget presented before this House today is an important tool for achieving these goals. It is a signal to our people, and to the international community that we are capable of managing our affairs.
84. However, let us be under no illusions, the coming months and year will be difficult. Although significant spending cuts already have been made there is still room for more austerity. Where necessary, non-essential functions and units of government will have to be eliminated or merged into existing units.
85. Even in these difficult times, we must continue to lay the foundations for future prosperity. If we work together we can turn this crisis into an opportunity by shifting our focus to diversifying the economy away from over-reliance on oil and really making the most of the rich and fertile soils we have been blessed with. I repeat the President's commitment that this government will launch an agricultural investment fund to attract SSP 5 billion for promotion of agriculture over the next five years.
86. We can also lay the foundation for prosperity by improving our government systems. We can improve tax collection by making the centralised collection of taxes work efficiently. We can improve budget execution systems so that we live within our budgets and improve the quality of public spending so that each pound can achieve more. And we can work with our development partners in a New Deal to improve aid systems to ensure that aid achieves results for South Sudan.
87. Other countries live without oil. We can too, eventually. We have a pro-business tax environment. Our economy is at an entry level that is attracting great interest. Even now, new businesses and banks are setting up in South Sudan. In the past year, we've seen tremendous growth of non-oil revenue. We're confident that we're headed in the right direction to develop a strong economy and to offer opportunity to our people. This period of crisis has been a valuable lesson demonstrating our vulnerabilities of relying too much on any one source of revenue and to provide conditions for better food security. We must learn and act.

88. In conclusion, I urge this August House today to examine this budget in detail, and identify areas for more cuts, reprioritization of resources, and a more efficient reorganization of government functions and units.
89. Allow me to therefore put before the National Legislative Assembly the 2012-13 National Budget, the 2012 Appropriation and Finance Bills for consideration and approval by this August House.
90. I request that you consider this draft budget carefully, bearing in mind our limited resources and the priorities of government, and approve it speedily to allow the government of Republic of South Sudan continue to work towards the huge task of development that lies ahead.

Mr Speaker Sir, Honourable Members

Thank you for your kind attention.



Signed



Kosti Manibe Ngai

Minister of Finance and Economic Planning