

# BUDGET 2013/14

A two-step budget to boost social services and economic growth in a responsible manner

In a still uncertain macro-economic environment, the draft budget for 2013/14 is a major step forward in addressing South Sudan's development priorities in a prudent, disciplined and accountable manner. After a challenging fiscal year without oil revenue, the budget of spending agencies will increase to SSP 9.7 billion compared to 6.7 billion in 2012/13, if sufficient resources can be mobilized. Budget increases will primarily be spent on better social services, infrastructure, agriculture and livelihoods. This document provides an overview of how the budget is financed, how it will be spent, and its key initiatives.

The 2013/14 draft budget foresees an overall resource envelope of SSP 17.6 billion, financed through a combination of oil revenue, non-oil revenue, loans and budget support from donors. If oil production continues at full capacity, income from oil will reach up to SSP 10.4 billion, and a stronger economy will help raise close to SSP 2 billion in non-oil revenue. Nevertheless, loans of SSP 4.7 billion will be required to bridge the remaining financing gap. In addition, donors are for the first time planning to contribute SSP 600 million in grants directly to the budget.

Of SSP 17.6 billion in total resources, 9.7 billion will be available for agency spending. The remainder will mainly go towards repaying loans taken up in 2012/13, paying arrears, rebuilding reserves, paying Sudan for pipeline use, and making agreed transfer payments to Sudan and oil producing states and communities. Agency spending of SSP 9.7 billion represents an increase of 3 billion compared to 2012/13. The additional funding will mainly go towards priorities identified by H.E. President Salva Kiir:

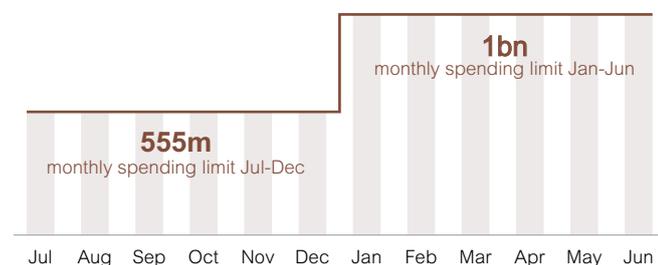
- Improving health, education, water and other social services, especially in rural areas (SSP 585 million).
- Boosting infrastructure, especially roads, but also water and power, as well as agriculture (SSP 741 million, plus 300 million).
- Reversing selected austerity cuts, including housing allowances and block grants (SSP 541 million).

As a result of these changes, the 2013/14 draft budget has a much better development balance than in previous years. The combined share of spending on security and law enforcements decreases to 47%, from 58% in 2012/13. The share of spending on capital investment increases to 18% compared to 7% in 12/13.

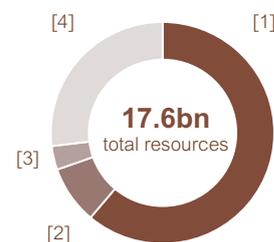
Due to only gradual increases in oil revenue, loan repayments and high macro-economic uncertainty, monthly spending limits will prudently remain at the austerity level of SSP 555 million per month during the first 6 months of 2013/14, and will increase to 1 billion in early 2014 if sufficient resources are available.

## Prudent monthly spending limits for 2013/14

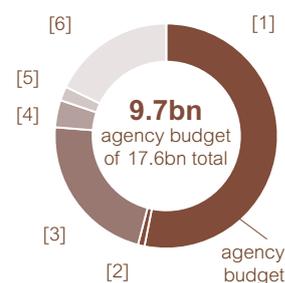
Spending will only increase in 2014, once sufficient resources are available



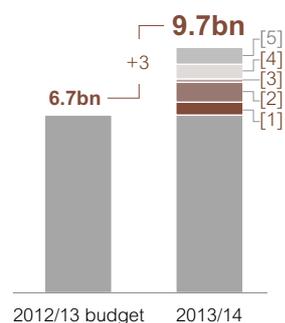
Where resources come from	SSPm
[1] Oil revenue	10,411
[2] Non-oil revenue	1,967
[3] Budget support (donors) <sup>1</sup>	600
[4] Other loans <sup>2</sup>	4,664
<b>Total resources</b>	<b>17,642</b>



How resources are spent	SSPm
[1] Spending agency budget	<b>9,733</b>
[2] Spending restricted loans <sup>3</sup>	170
[3] Loan repayments	3,800
[4] Arrears and reserves	500
[5] Payments to communities <sup>4</sup>	352
[6] Payments to Sudan <sup>5</sup>	3,087
<b>Total spending</b>	<b>17,642</b>



Agency budget increases	SSPm
[1] Social services	+585
[2] Infrastructure	+741
[3] Agriculture and job creation	+300
[4] Restored allowances/grants	+541
[5] Other priorities <sup>6</sup>	+902
<b>Total</b>	<b>+3,069</b>



Agency spending by sector and chapter	2013/14				Total	Share
	Wage	Operation	Capital	Transfers/other		
Accountability	97	147	57	2	303	3%
Economic Functions	63	95	239	25	422	4%
Education	100	144	91	335	670	7%
Health	46	194	71	113	425	4%
Infrastructure	25	31	511	0	566	6%
Natural Resources	32	37	351	43	463	5%
Public Administration	328	351	317	10	1006	10%
Rule of Law	321	284	123	770	1,499	15%
Security	2,526	589	21	5	3,142	32%
Social / Humanitarian	31	54	10	2	97	1%
Contingency / Interest				170	170	2%
Block transfers				971	971	10%
<b>Agency spending</b>	<b>3,568</b>	<b>1,927</b>	<b>1,791</b>	<b>2,447</b>	<b>9,733</b>	<b>100%</b>

Notes: 1) Budget support from donors includes SSP 350m in grants and SSP 250m in concessional loans. 2) Other loans include SSP 4,500m in unrestricted loans, and SSP 164m in purpose-restricted loans. 3) Spending on restricted loans includes SSP 150m in loan-financed spending on Juba airport and SSP 14m for local services. 4) Payments to oil producing communities (3% of net oil revenue) and states (2% of net oil revenues). 5) Payments to Sudan include SSP 1,306m in pipeline fees and SSP 1,781m in fiscal payments. 6) excl. SSP 100m sales tax transfer increase.

## FUNDING FOR DEVELOPMENT PRIORITIES

The draft budget for 2013/14 includes significant new investments in South Sudan's development. In line with H.E. President Salva Kiir's priorities, most of the SSP 3 billion in budget increases will be allocated to improving social services, infrastructure, agriculture and livelihoods.

Social services will receive a total of SSP 585 million in new funding for 2013/14. For education, an additional SSP 179 million will be available to support capitation grants for primary schools, operating grants for County Education Departments, school construction and funding of salaries and operational costs in general and vocational education. For health, an additional SSP 188 million will be provided to finance operating grants for County Health Departments and hospitals, medical supplies and hospital infrastructure. The water sector will benefit from SSP 20 million in new operating grants for County Water Departments. In addition, grants worth SSP 127 million will be introduced to support small-scale County and Payam development projects, ensuring that more funds flows directly to the local level. Combined, these increases represent a major step forward in advancing the local services support agenda.

To improve large and small-scale infrastructure, new funding of SSP 741 million has been included in the 2013/14 draft budget. More than 50% of these additional resources (SSP 390 million) will be allocated to the maintenance and construction of roads and bridges, a top development priority. In addition to such large-scale projects, SSP 211 million will be added to the National Assembly's Constituency Development Fund to help finance small-scale local infrastructure based on citizen's needs. These additions to the budget will be complemented with targeted support to other infrastructure projects, for example to complete Juba airport, improve access to electricity, water, transport and housing. In total, the 2013/14 capital investment budget will be four times as large as in 2012/13 and help close some key infrastructure gaps.

The budget also includes additional resources of SSP 300 million to expand lending by the Agricultural Bank. These funds will help finance the implementation of a national effort for agricultural transformation in South Sudan, aimed at eliminating the food deficit and create non-oil sector employment opportunities.

Another key priority for the 2013/14 draft budget is to reverse selected austerity cuts worth SSP 541 million that had been introduced in 2012/13, including the reductions in housing allowances and block grants. In addition, the budget will enable South Sudan to address a list of other priorities worth SSP 902 million, including preparations for the census, the elections and the constitutional review.

Overall, the changes introduced in the 2013/14 budget will accelerate development progress in South Sudan. If oil production continues and sufficient additional resources can be mobilized, it will be possible to significantly increase spending in the second half of the fiscal year. With careful planning, more resources can then be allocated to social services, infrastructure, agriculture and livelihoods in a prudent, disciplined and accountable manner.

<b>INCREASED FUNDING FOR SOCIAL SERVICES (SSP MILLION)</b>		<b>585</b>
	<b>General Education and Instruction</b> New capitation grants for primary schools (SSP 60 m), operating grant for County Education Departments (40m), school construction (21m), funding for universities (28m), funding for recruitment of teachers, alimention and operating expenses in General Education and vocational schools (30m)	179
	<b>Health</b> New operating grant for County Health Departments (SSP 40m), increase in State operating grant for hospitals (10m), and increased funding for medical supplies (SSP 78m) and improved hospital infrastructure (20m)	188
	<b>Water Resources and Irrigation</b> New operating Grant for County Water Departments	20
	<b>County Development Grant</b> Increase to County Development Grant for locally selected projects	70
	<b>County Block Transfers</b> New block grant to support core administrative functions in counties	50
	<b>New Payam Development Grant</b> New grant to support small-scale locally selected development projects	7
	<b>Other Social Services</b> Including increased funding for social and humanitarian affairs	71
<b>INCREASED FUNDING FOR INFRASTRUCTURE</b>		<b>741</b>
	<b>Roads and Bridges</b> Maintenance and construction of roads and bridges	390
	<b>Constituency Development Fund (CDF)</b> Parliamentary fund for local infrastructure projects	211
	<b>Transport</b> Finalization of Juba airport	50
	<b>Electricity and Dams</b> Electricity transmission and power generation projects	50
	<b>Urban Water Corporation</b> Water storage and distribution projects	10
	<b>Housing and Physical Infrastructure</b> Housing projects, pond expansion, equipment and engineering systems	10
	<b>Transport</b> Dredging works on Nile river course	10
	<b>Water Resources and Irrigation</b> Water and sanitation provision projects	10
	<b>FUNDING FOR AGRICULTURE AND JOB CREATION</b> To expand operations of the agricultural bank	<b>300</b>
<b>FUNDING TO REVERSE SELECTED AUSTERITY CUTS</b>		<b>541</b>
	Restoring housing allowances for national employees	450
	Reversing 25% reduction in block grants	91
<b>INCREASED FUNDING TO OTHER PRIORITIES</b>		<b>902</b>
	Interest payments	170
	Ministry of Defense for absorbing armed groups	135
	Increased Revenue Sharing Transfer (50% of sales tax)	100
	Ministry of Foreign Affairs and International Cooperation	103
	National Bureau of Statistics for census preparations	60
	National Elections Commission	56
	National Bureau of Standards (26m), Food and Drug Control Authority (20m)	46
	Police College and Police Oil Protection Unit	25
	Other priorities, incl. Urban Water Corp, National Constitutional Review, etc.	207