PRELIMINARY ANALYSIS AND RECOMMENDATIONS FOR SOUTH SUDAN NATIONAL BUDGET FOR THE FISCAL YEAR 2023/2024 BEFORE PARLIAMENT.

CONDUCTED BY:

THE INSTITUTE OF SOCIAL POLICY AND RESEARCH

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SUBMITTED TO:

REVITALISED TRANSITIONAL NATIONAL LEGISLATIVE ASSEMBLY OF SOUTH SUDAN- THE SPECIALISED COMMITTEE OF FINANCE AND PLANNING

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OVERVIEW

This preliminary analysis of the national budget is produced to provide written guidance to the Revitalized Transitional National Legislative Assembly of South Sudan. It is also intended to bring specific issues that are outlined in the national budget and the Finance Bill 2023/24 to the Specialized Committee of Finance and Planning. The evidence can also be used by other stakeholders interested in advancing public interest advocacy including civil society engagement in the budget-making processes.

The analysis is part of the Institute of Social Policy and Research (ISPR) and Community Empowerment for Rehabilitation and Development (CEFoRD) with the National Legislative Assembly of South Sudan, the National Ministry of Finance and Planning and a similar engagement with the Central Equatoria State, Western Equatoria State, and Western Bahr El Ghazal State. Both ISPR and CEFoRD have been working with these stakeholders under the project Enhancing citizen participation for a Transparent and Accountable Budget. The project has two outcomes namely, strengthened citizen participation in the national budget process and Strengthened Government Engagement with Citizens on the Budget Process.

BACKGROUND

In accordance with Article 88 (1) of the Constitution and guided by the requirement of the Public Financial Management and Accountability Act 2011, South Sudan's Finance Minister Dier Tong Ngor on June 20, 2023, presented the proposed national budget for the fiscal year 2023/2024 before parliament. The presentation also included a Draft Appropriation Bill for FY 2023/2024, the Draft Financial Bill for 2023/2024, and a Statement of the Overall Indebtedness of the Government of the Republic of South Sudan. The minister also added the National Development Strategy (NDS) document as a framework that guided the preparation of the proposed FY 2023/2024 budget.

The proposed national budget, totaling SSP 1,837,873,440,803, was primarily focused on addressing civil servants' salaries and various government expenditures. Minister Ngor outlined the revenue sources for the budget, stating that out of the total gross revenues of SSP 1,837,873,440,803 for the fiscal year 2023/2024, SSP 1,536,362,243,307 would be generated from oil revenues, while SSP 245,331,162,471 would come from non-oil revenue. An additional SSP 56,180,035,024 would be acquired in the form of grants.

The minister revealed that this would result in a deficit of SSP 267,141,000,816 billion, equivalent to approximately 4.6% of the country's Gross National Product. The total proposed expenditure for the fiscal year 2023/2024 was projected to be SSP 2,105,014,441,619, with a budget of SSP 455,028,483,069 allocated for wages and salaries of civil servants and the army.

From our reading of the draft budget, Additionally, SSP 222,732,558,595 was allotted for the procurement of goods and services, while SSP 541,813,643,895 was earmarked for capital expenditure. The budget also included allocations for specific purposes, such as SSP 50 billion for the implementation of the revitalized peace agreement and SSP 37,882,133,754 for contingency expenses. Constituency

Development Funds would receive SSP 47,882,133,754, and states/administrative areas were allocated 151,162,997,083 SSP. Furthermore, the budget addressed the clearance of salary arrears for the country's foreign missions, with an allocation of SSP 32,550,000,000. To bridge the fiscal gap, the finance ministry planned to seek funds from reliable lenders. Minister Ngor stated that the ministry would reintroduce Treasury Bills, short-term financial instruments with a maturity period of one year or less, to enhance the government's revenue-raising capacity. RT Hon. Speaker, Jemma Nunu Kumba, of the Transitional National Legislative Assembly, assigned the annual budget to various committees of both houses for thorough scrutiny and instructed them to report back within 21 days. The speaker emphasized the importance of expedited work to enable timely budget approval. During this period, all other legislative matters would be put on hold.

CONCERNS AND GAPS NOTED

- It was noted that the proposed budget's lack of inclusivity, and as such failed to address youth and women's issues. The draft budget also failed to integrate job creation plans such as the establishment of agricultural schemes, especially for the youth and women.
- Considering the dire economic situation of South Sudan and its impact on the lives of ordinary citizens in the country the budget did not articulate how the economic situation of South Sudan can be addressed.
- The Finance Bill 2023/2024 has also been viewed as a tax policy and bill that would increase South Sudanese suffering, and poverty and push unemployment for youth, women, and other marginalized groups.
- The financial bill as a requisite of financing the national budget in its current form does not reflect the interest of citizens who found themselves at the receiving end of all the decisions made on their behalf and the taxes proposed.
- South Sudanese citizens have already been suffering from the impact of multiple taxes. As noted by many the tax system in South Sudan is characterized by poor administration, corruption, and lack of transparency, which undermine the trust and cooperation between taxpayers and tax authorities.
- The draft national budget has not adequately responded to the needs of the Revised National Development Strategy for South Sudan – 2021- 2024 which expresses national aspirations to transition from dependence on humanitarian aid to a development path using the humanitarian, development, and peace nexus approach and has adopted a comprehensive implementation framework anchored on collaboration with development partners.

In view of the above the Institute of Social Policy and CEFORD have identified key areas proposed by the financial bill for taxation to be reconsidered and where necessary the proposed taxes are eliminated altogether. Parliament should consider our recommendations in line with the public interest calls that eliminating the taxes will provide the South Sudanese to create businesses, maintain them, provide employment opportunities, income generation, poverty reduction, and social stability for the population and beyond.

The rationale would also be to promote the social, economic, and civil rights of the population who have been suffering and coming from wars and humanitarian disasters including those who have been impacted by the negative impact of climate change.

ID	Sectors of proposed taxes	Our Recommendations	Justifications
1	Toys, games, and sports requisite parts and accessories	In the financial bill, it was proposed that the National Revenue Authority will levy a tax of 10 % on oy, games, and sports requisite parts and accessories. **Recommendation** • We recommend that the proposed National Revenue Authority levy of 10% on toys, games, and sports requisite parts and accessories be **removed/eliminated.**	Since 2013, South Sudan's civil war has killed an estimated 400,000 people, displaced four million more, and plunged parts of the country into famine. The overwhelming majority of South Sudanese people have been affected by trauma. Many feel powerless and are therefore prevented from effectively engaging in society. Also, millions of children worldwide grow up during armed conflict. This atmosphere of violence has many direct negative effects on their mental health - including feelings of fear, anxiety, and depression. It is in this background that parliament should eliminate taxes on Toys, games, and sports requisite parts and accessories as they directly contribute to trauma healing and the psychosocial development of children and youth living with the consequences of armed conflict.
2	Solar system per customer value	The financial bill proposed that there will be levied a 10% tax on the Solar system per customer value. **Recommendation** • We recommended that the proposed 10% tax on the Solar system per customer value be **eliminated.**	South Sudan has the lowest electricity consumption per capita in sub-Saharan Africa, due in part to its underdeveloped energy infrastructure, which has been severely impacted by decades of conflict. Based on 2013 data, only 1% of the country has access to grid electricity, due to the low level of power generation and the insufficient distribution network. 4% of urban areas are connected to power, but these areas are subject to load shedding and forced power outages. For the South Sudan government to address this it will be important for individuals to venture to their own source of clean energy using solar. By

			the government eliminating taxes on Solar systems per customer value meaning many communities and individuals will acquire solar power thereby boosting sustainable energy for households and creating employment including allowing children to learn using lights than candles and rudimentary power systems.
3		The financial bill is empowering the Ministry of Interior to levy charges on new registration of road tolls and renewal of vehicle registration. **Recommendations** • We recommend that the Ministry o of Interior continue to levy the charges relating to the new registration. • We recommend Parliament **eliminate** the levy of charges relating to the annual renewal of logbooks/registration.	As South Sudan is a member of the East African Community the Traffic and registration of vehicles are to be in line with the regional requirement. In this case, the requirement to renew the logbook annually is against the East African Community. Registration is done once and only renewed once a title is transferred to another user.
4	Health Sector (Medications and medical Referral)	The financial bill indicated that there should be charges and fees levied by the Ministry of Health and the Ministry of foreign affairs and International Cooperation. In addition, the financial bill will also empower the National Bureau of Standards to charge a 3% per truck per custom value on medical items **Recommendations** • We recommend that the 3% charge per truck per custom value on medical items be reduced to **1.5%** • We recommend that the charges and fees to be	As currently noted in South Sudan there are many outbreaks of disease and medicine is essential as they can be live saving. In our view taxing medicines makes them expensive. Given what is known having expensive medicines will make them inaccessible to millions of the population and such would put the life of ordinary citizens in jeopardy or death. Currently, many of the health services are supported by international donors and the economy is currently very weak to improve the income of citizens. Given this parliament should eliminate this tax. And reduce the value of medical items to 1.5%

		levied by the Ministry of Health and the Ministry of Foreign Affairs and International Cooperation be **Removed/eliminated.**	
5	Detergent and Sanitary Materials	In the financial bill, it was indicated that there will be a charge on items such as Sanitary towels, Diapers for children and adults, Tissue papers, and Soaps including items used in health centers and hospitals. The charges and fees will be levied by the Ministry of Trade, National Bureau of Standard National Revenue Authority (NRA). **Recommendations** • We recommend that the proposed charges be **eliminated**	There is strong international consensus, backed by scientific evidence, that provision of detergent and sanitary materials in schools has major impacts on health status, education achievement, and reduction of disparities among students. Investments that will be made aspects will result in tangible economic and social gains such as disease prevention, educational achievement, gender, and disability and the wider Community. It is in this view that we recommend the elimination of taxes proposed on detergent and sanitary materials.
6	Basic Commodities, Food Items, and farming products	The financial bill considers taxes on necessities items such as Beans, maize and wheat flour, cooking oil, Groundnuts., Salt, formula milk, Liquid and Powder, and agricultural equipment. In addition, the financial bill will empower the National Bureau of Standards and the National Revenue Authority to collect inspection services. Fee. **Recommendations** • It is recommended that parliament should drop the proposed taxes and fees.	Supporting farmers and improving agricultural productivity, ensuring a stable supply of affordable food should be the priority of the government. Eliminating the taxes in this area will keep the rural economy alive in those areas where is rural economy by promoting jobs in farming, agri-food industries, and associated sectors. Maintaining the taxes will make basic Commodities, food Items, and farming products expensive.
7	Agriculture Sector (Levies on Materials and other essentials)	As noted in the financial bill the National Bureau of Standards will charge fees on items such as Pesticides, Mosquito repellent, coil and Spray. **Recommendation**	Supporting farmers and improving agricultural productivity, ensuring a stable supply of affordable food should be the priority of the government. Eliminating the taxes in this area will keep the rural economy alive in those areas where is rural economy by promoting jobs in farming, agri-food industries, and associated sectors.

		It is recommended that charges on items such as Pesticides, Mosquito repellent, coil and Spray be **eliminated.**	Maintaining the taxes will make basic Commodities, food Items, and farming products expensive.
8	Small and Medium Enterprises	The financial bill empowers inspections of small Shops to be carried out by the National Bureau of Standards. **Recommendation** • It is recommended that inspection fees that will be levied by the National Bureau of Standards on small Shops should be eliminated.	Micro, small, and medium enterprises (MSMEs) play in encouraging enterprise formalization and enterprise growth in South Sudan given the fact that there is no proper existing private sector. By virtue of reducing the tax burden, preferential tax regimes, especially presumptive regimes, provide an incentive for some self-employed and micro-enterprises to operate in the emerging formal economy. Participation in the formal economy can eventually trigger other productivity-enhancing dynamics, notably through access to larger markets and higher-skilled workers. To encourage our small business, we call for the inspection fees that will be levied by the National Bureau of Standards on small Shops to be eliminated.
9	Education and Literacy	In accordance with our review of the financial bill, there will be charges and fees levied by the Ministry of General Education and the Ministry of Foreign Affairs and International Cooperation. The proposed taxes are in the form of scholarship form fees, examination fees, and certificates, for secondary and primary school. There will also be charges on stationery and scholastic materials being imported into the country. **Recommendation** • We recommend that Charges and fees levied by the Ministry of General Education and the Ministry of Foreign Affairs and International Cooperation be **eliminated.**	In South Sudan, more than 70% of the adult population is illiterate. This puts individuals at a disadvantage when it comes to finding employment. A lack of education among poor communities ultimately creates a cycle of social oppression. Taxing these form unnecessary obstacles to the advancement and education of the future generation and can be termed a contributing factor to the increasing illiteracy rate in the country. The parliament eliminates the charges and fees levied by the Ministry of General Education and the Ministry of Foreign Affairs and International Cooperation and, the proposed taxes are in the form of scholarship form fees, examination fees, and certificates, for secondary and primary school including charges on stationery and scholastic materials being imported into the country.

		• Parliament should also debate the charges on stationery and scholastic materials being imported into the country.	
10	NGOs Annual Registration with RRC	In the financial bill, it was proposed that the registration fee be increased from 250 USD to 400 USD. **Recommendation** • We strongly recommend that parliament maintain the 250 USD. And not increase anything	The National NGOs are not business entities but rather complement the government in basic service delivery. The funding they get is invested to increase service delivery and create employment for the very South Sudanese. There is no difference between Faith-based organizations and community-based organizations. They are all categorized as national organizations.

CONCLUSION

In conclusion, ISPR and CEFoRD would like to draw the attention of the members of parliament through the Revitalized Transitional Legislative Assembly that the deliberation of the national budget should be informed by The National Development Strategy (NDS) which represents steps towards achieving the objective of the Vision 2040, aims to define the type of country that South Sudanese would like to have by the year 2040.

In specific terms, the Honorable members should study the budget alongside understanding the pillars of the National Development Strategy:

- Consolidate Peace and Stabilize the Economy
- Establish and/or strengthen institutions for transparent, accountable, and inclusive governance.
- Increase support to the social sector for human capital development and protect the vulnerable population, to leave no one behind.
- Build critical infrastructure for sustainable development, including roads, energy supply, public buildings, and broadband capability.
- Mainstream gender and all-important cross-cutting development objectives in development policies and programs and empower women and youth as drivers of growth and nation-building.