Table of Contents

Forward

It is with great pleasure that I introduce the Approved National Budget for FY 2023-2024. The Budget includes the macroeconomic outlook and objectives, such as price stability, and policy priorities for stabilizing the economy and reducing inflation, which has implications for the Government and society as a whole. The Government is committed to achieving and maintaining macro and micro-economic stability to achieve sustainable development and broad economic growth, as well as consolidate peace.

The Approved National Budget is based on data collected from national institutions such as the Ministry of Petroleum, the National Bureau of Statistics, and the Bank of South Sudan. These data are combined with analysis from the Directorates of Budget and Revenue and Macro Planning and Aid Coordination to estimate the Resource envelope for the FY 2023-2024 National Budget.

The Government experienced several challenges during the execution of the FY 2022-2023 Budget, including a decline in oil production coupled with a sharp increase in imports, reflecting increased food imports to address weakness in domestic production, and capital imports to provide for an increase in capital investment and the prices of oil. However, there were some successes as well, including continued construction of Interstate roads as a promise to our people, closing the gap in salary arrears, eliminating borrowing from the Bank of South Sudan (overdrafts), and containing Government spending on salaries and operations within collections from taxes.

The global recovery from the Ukraine-Russian war is showing an upwards trend in oil prices and global trade, meaning the Government can meet some important national priorities, such as roads and infrastructure projects. FY 2023-2024 tax revenue is expected to increase from SSP 217.6 billion in FY 2022-2023 to SSP 245.3 billion due to the policy reform actions implemented by the Government through the establishment of the National Revenue Authority.

The estimated revenue will fund planned Government expenditures for FY 2023-2024. Currently, we are managing the long-accumulated salary arrears and, since we have stopped borrowing from the Bank of South Sudan, we will reduce inflation. Plans are underway to reduce national debt, and we will avoid circumstances that compel us to borrow both internally and externally.

The FY 2023-2024 Approved National Budget presented to you this FY 2023-2024 places an important focus on stabilizing the economy, implementing the Revitalized Transitional Peace Agreement, and vital infrastructure projects. The Budget addresses the key issues of consolidating peace, maintaining security, and stabilizing the economy as stipulated in the National Development Strategy.

In addition, we are working extra harder to broaden our tax base and tax administration as the basis of financing Government expenditures.

Dr. Bak Barnaba Chol (Ph.D)
Minister of Finance and Planning
RSS – Juba.

Resource Envelope FY 2023-2024			
	FY 2022/2023		FY 2023/2024
	Budget	Preliminary Annual Outturn	Proposed Budget
Total Revenues and Grants	**832,806,935,678**	**1,795,743,913,537**	**1,837,963,443,458**
Oil Revenues	**715,771,575,941**	**1,578,098,914,415**	**1,536,452,245,962**
DPOC	513,604,359,051		1,194,783,540,399
GPOC	173,447,168,390		272,465,896,540
SPOC	28,720,048,500		69,202,809,023
Non-oil Tax Revenues	**117,035,359,737**	**217,644,784,863**	**245,331,162,472**
PIT	43,630,106,867	154,790,960,004	134,869,019,033
Sales Tax	7,805,073,537	7,211,366,047	13,284,817,279
Excise duty	20,503,896,118	2,132,946,953	13,220,620,717
Business Profit Tax	37,106,051,697	14,310,492,309	26,154,209,623
Customs duty	6,914,565,042	38,222,565,830	51,617,418,649
Other non-oil revenues (fees and fines)	1,075,666,475	976,453,720	6,185,077,171
Grants	**-**	**214,259**	**56,180,035,024**
Total Expenditure (incl. Amortization)	**1,392,889,894,405**	**1,615,432,810,867**	**2,105,014,441,620**
Total Recurrent expenditure	**837,174,502,916**	**1,093,960,030,979**	**1,430,960,500,907**
Wages and Salaries	131,173,147,802	166,100,498,345	424,545,972,003
Operating expenses	158,157,364,674	300,229,098,601	270,438,974,086
Interest payment	27,472,207,500	3,056,537,928	52,591,900,000
Transfers (To States)	143,451,277,465	60,029,133,027	141,855,545,842
Other expenses	5,201,176,337	1,999,524,825	1,628,043,140
Peace Budget	12,000,000,000	20,566,885,997	50,000,000,000
Arrears Funds	67,080,000,000	-	50,000,000,000
Contingencies / Emergency Funds	13,529,891,770	2,388,432,150	20,882,133,752
Constituency Development Fund (CDF)		-	47,882,133,754
South Sudan Pension Fund	-	-	15,000,000,000
Agriculture Bank of South Sudan	-	-	3,000,000,000
Foreign Missions salaries arrears			32,550,000,000
Other Recurrent expenditure	**279,109,437,368**	**539,589,920,106**	**320,585,798,330**
Transfer to Sudan (Tarif, Transportation and Processing)	91,968,520,709	445,543,918,258	173,376,766,095
Transfer to Oil Prod. States (2%)	12,476,061,105	17,561,892,074	30,766,612,152
Transfer to Oil Prod. Comm. (3%)	18,714,091,746	25,423,873,851	46,152,567,145
Transfer to MOP (3%)	-	25,423,873,851	46,152,567,145
Payment Future G Fund (10% of net gross revenues)	62,380,305,523	8,561,867,083	0
Oil Revenue Stabilization Fund (ORSA) 15%, MoP charge 1%	93,570,458,285	0	0
10% NRA Gross Non-oil revenue (9% Retention and 1% Com)	-	17,074,494,988	24,137,285,793
Net acquisition of non-financial assets	**400,039,548,989**	**503,392,162,084**	**540,347,190,713**
Domestically financed	**400,039,548,989**	**503,392,162,084**	**540,347,190,713**
Oil for Roads Projects	-	462,026,037,623	435,667,219,746
Other Projects (Capital)	400,039,548,989	41,366,124,460	104,679,970,967
Foreign financed	-	-	-
Covid 19 Funds			
Fiscal balance	**(404,407,116,227)**	**198,391,720,474**	**(133,344,248,162)**
Amortization	155,675,842,500	18,080,617,804	133,706,750,000
Financing Gap	**(560,082,958,727)**	**180,311,102,671**	**(267,050,998,162)**

1. Performance and Prospects of the Global and Regional Economy

1.1. Overview of the Global Economy

The global economy made a steady return to growth in 2023-2024 following the Covid-19 pandemic and the Ukraine-Russian war. In the advanced economies, fears of a ‘double dip’ recession lessened as private demand increased, compensating for declining public stimulus. Nevertheless, continued high unemployment persists in the advanced economies, and high fiscal deficits and sovereign debt crises in Europe and the US have further dampened the recovery through 2023. Growth projections for most advanced economies for 2024 have been revised downwards in recent months but remain positive. In many emerging and developing economies, on the other hand, robust economic growth has normalized, with some now experiencing inflationary pressures. The challenge for these economies in the coming year will be prevention of overheating. Political turmoil in the Middle East and North Africa during 2024 has contributed to rising energy prices and may still threaten to disrupt the security of future supplies.

1.2. Global Growth

Throughout 2024, the economic recovery has progressed at varying rates globally. The advanced economies are recovering slowly, while emerging economies have experienced strong growth, in most cases returning to pre Covid-19 levels. High commodity prices are promoting increased growth in commodity-exporting economies, but simultaneously posing a risk to poorer households in low-income countries. The World real GDP growth forecast is 3.0 % in 2024 compared to 2.8 % in 2023, with emerging and developing economies expected to experience higher rates than those of the advanced economies.

Table 1 shows annual percentage change in GDP for a range of country groupings for 2020-2022, and projected growth rates for 2023-2024. The varying degrees of economic recovery can clearly be seen, with emerging and developing economies exhibiting output growth at 4.2 % below the global level. Sub-Saharan Africa is projected to grow at a rate of 3.6% and 4.2% in 2023 and 2024 respectively, seeing a return to pre-crisis growth rates.

Table 1: Percentage change in Gross Domestic Product (constant prices)

				Projections	
	2020	**2021**	**2022**	**2023**	**2024**
WORLD	-2.8	6.3	3.4	2.8	3.0
Advanced Economies	-4.2	5.4	2.7	1.3	1.4
Major Advanced Economies (G7)	-0.2	-3.7	2.8	2.3	2.5
Emerging and Developing Economies	-1.8	6.9	4.0	3.9	4.2
Sub-Saharan Africa	-1.7	4.8	3.9	3.6	4.2
Middle East and Central Asia	-2.7	4.6	5.3	2.9	3.5
Developing Asia	-0.5	7.5	4.4	5.3	5.1
Latin America and the Caribbean	-6.8	7.0	4.0	1.6	2.2

Source: IMF, World Economic Outlook Database, April 2023.

1.3. Global Commodity Prices

Throughout 2023 and the first months of 2024, commodity prices have been projected to decline faster than expected~~,~~ due to both weak growths in demand in emerging markets and positive supply shocks. Crude oil production has responded slowly to increased demand. However, OPEC is estimated to have sufficient spare capacity to compensate for reduced supply from the largest OPEC countries. The IMF expects crude oil price to decline at around $68 per barrel compared to 2022 of $100 per barrel, based on futures markets. Nevertheless, it is not yet clear whether the recent global debt downgrade and Eurozone instability may reduce global demand, thereby putting downward pressure on oil prices.

1.4. Global Consumer Prices

Consumer price inflation has risen in all regions, largely driven by commodity prices rising faster than expected. Core inflation has nevertheless remained restrained by persistently high unemployment in advanced economies. Many emerging and developing economies, on the other hand, have seen inflation pressure increasing. The rise in fuel prices is expected to lead to a sustained rise in consumer prices throughout 2022-2023. Inflation in emerging and developing economies is expected to exceed that of advanced economies, due to the higher share of food and fuel in consumption baskets.

Table 2: Percentage change in consumer prices

				Projections	
	2020	**2021**	**2022**	**2023**	**2024**
WORLD	2.9	4.5	8.5	6.6	4.5
Advanced Economies	0.7	3.1	7.3	4.7	2.6
Emerging and Developing Economies	5.2	5.9	9.8	8.6	6.5

Source: IMF, World Economic Outlook April 2023.

1.5. Overview of Regional Economic Performance

Sub-Saharan Africa grew strongly through 2023 and has recovered well from the Covid-19 and Russian-Ukrainian war amidst 2022, with several countries returning to pre-crisis levels of growth. Real output is projected to grow from 3.6% in 2023 to 4.2% in 2024 across the region, but within that, prospects vary markedly from country to country. Oil exporters are expected to see a sustained slow growth as oil prices declined, offering no opportunity to run fiscal surpluses and rebuild reserves.

1.6. Economic Growth in the Region

Economic growth in 2023 has generally been higher in our regional neighbours than for sub-Saharan Africa as a whole. Ethiopia has exhibited extremely strong growth rates in recent years, with GDP growth over the past five years averaging 6.6%. The East African Community members also achieved strong growth in 2023, all but Rwanda, South Sudan and Uganda in excess of 5%. Prospects for 2023 and 2024 are good, with two of our major trading partners, Tanzania and Kenya, expected to see increasing growth in 2023 and 2024.

Table 3: Percentage change in Gross Domestic Product Real GDP (constant prices)

				Projections	
	2020	**2021**	**2022**	**2023**	**2024**
East African Community					
Uganda	-1.3	6.0	4.9	5.7	5.7
Kenya	-3.0	7.0	5.4	5.3	5.4
Tanzania	4.9	4.9	4.7	5.2	6.2
Rwanda	-3.4	10.9	6.8	6.2	7.5
Burundi	0.3	3.1	1.8	3.3	6.0
Ethiopia	6.1	6.3	6.4	6.1	6.4
South Sudan	-6.5	5.3	6.6	5.6	7.1

Source: IMF, World Economic Outlook Database, April 2023.

1.7. Consumer Prices

Inflation in our regional neighbours remains well above the global average, with Ethiopia in particular, struggling to contain rising prices. That country has a history of high inflation~~,~~ which prompted substantial macroeconomic reforms, successfully reducing inflation to only single digit in 2016. Since then, the rate has been creeping up and is projected to reach 31.4% in 2023, before it slightly falls back to about 23.5% in 2024.

Consumer prices in South Sudan are closely related to those in Uganda as a large number of our consumption goods are imported, either formally or informally, from there. This includes food items (e.g. vegetables, sugar, water) and construction materials (e.g. cement, iron sheeting). Any increase in Uganda's CPI inflation rate may affect South Sudan economy positively or negatively. Since January 2022, inflation has been rising rapidly, driven by increasing food prices. Food inflation in Uganda now exceeds the rates seen at the height of the global food price crisis in 2022 caused by Russian-Ukrainian war, drought and famine, reaching 45.3% in July 2023. Rising food prices in Uganda are likely to impact on the price of food products in South Sudan. Given the lack of domestic production to replace higher-priced imports in the short-term, this trend would reduce the spending power of South Sudan's citizens.

Table 4: Percentage change in consumer prices

				Projections	
	2020	**2021**	**2022**	**2023**	**2024**
East African Community					
Uganda	2.8	2.2	6.8	7.6	6.4
Kenya	5.3	6.1	7.6	7.8	5.6
Tanzania	3.3	3.7	4.4	4.9	4.3
Rwanda	22.3	5.7	0.2	6.0	5.0
Burundi	7.3	8.3	18.9	16,0	13.0
Ethiopia	20.4	26.8	33.9	31.4	23.5
South Sudan	24.0	30.2	17.6	27.8	7.2

Source: IMF, World Economic Outlook Database, April 2023 and Ministry of Finance and Planning (MoFP) MPD projection.

FY 2022-2023 Performance and Prospects of the Domestic Economy

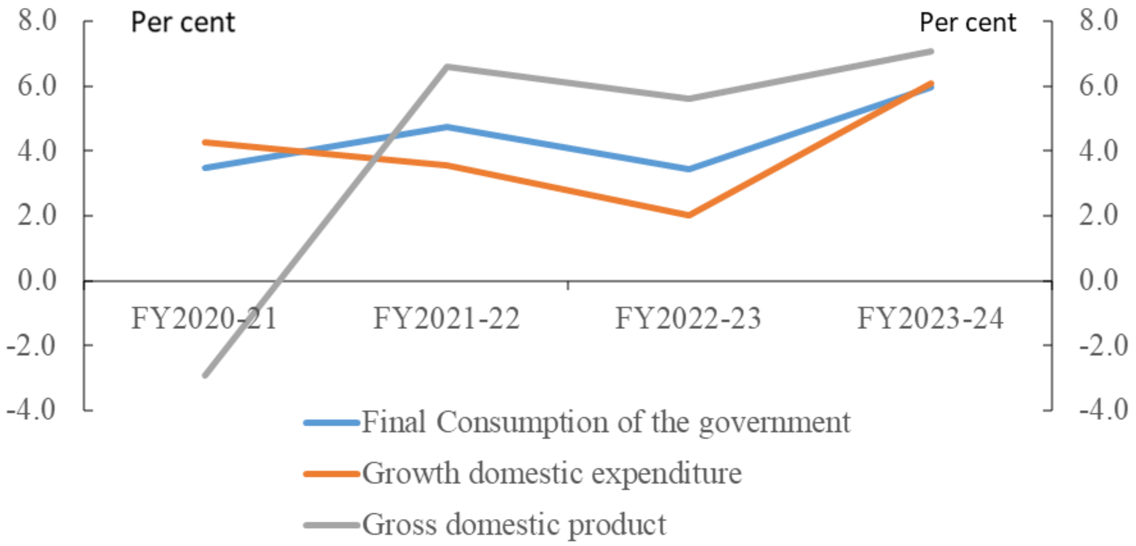
1.8. GDP estimates and growth

Gross domestic product (GDP) is the market value of all final goods and services produced in a country over one year. According to the 2021 released National Bureau of Statistics (NBS), estimates in calendar year, nominal GDP (current prices) of South Sudan was SSP 4.2 trillion Sudanese pounds. The figures for 2020 and 2019 are SSP 3.0 and SSP 2.5 trillion respectively. The GDP is dominated by the oil sector, with oil exports amounting to 29.1% of the value of GDP in 2021.

With this background, the Ministry of Finance and Planning converts NBS calendar GDP to Fiscal year and run estimates. FY 2023-2024 nominal GDP amounted to SSP 6.1 trillion compared to SSP 5.8 trillion in 2022-2023 being driven by growth in non-oil revenue growth, slight increase in oil production and expected exchange rate devaluation.

On the domestic economy, real GDP is expected to increase from 5.6% in 2022-2023 to 7.1% in 2023-2024 this was derived by components of GDP. The final consumption of government is expected to increase from 3.4% in FY 2022-2023 to 6% FY 2023-2024. This is mainly attributed to government consumptions increased from 6.0% FY 2022-2023 to 8.0% in FY 2023-2024 and capital formation increased from 5% in FY-2022-2023 to 8% FY 2023-2024, household consumption expenditure increased from 1% in 2022-2023 to 4% in 2023-2024. These increases were accelerated by the6 increase in wages and salaries of the government, continuous war of Sudan that may increase the capital and operational expenditures of the oil producing companies, immigration and its effects, flood and drought that increased the household's consumption.

Figure 1: GDP Growth and components for FY-2023-2024



Source: MoFP MPD projection.

1.9. Balance of Payments (Quarterly Trade Position) in 2022-2023.

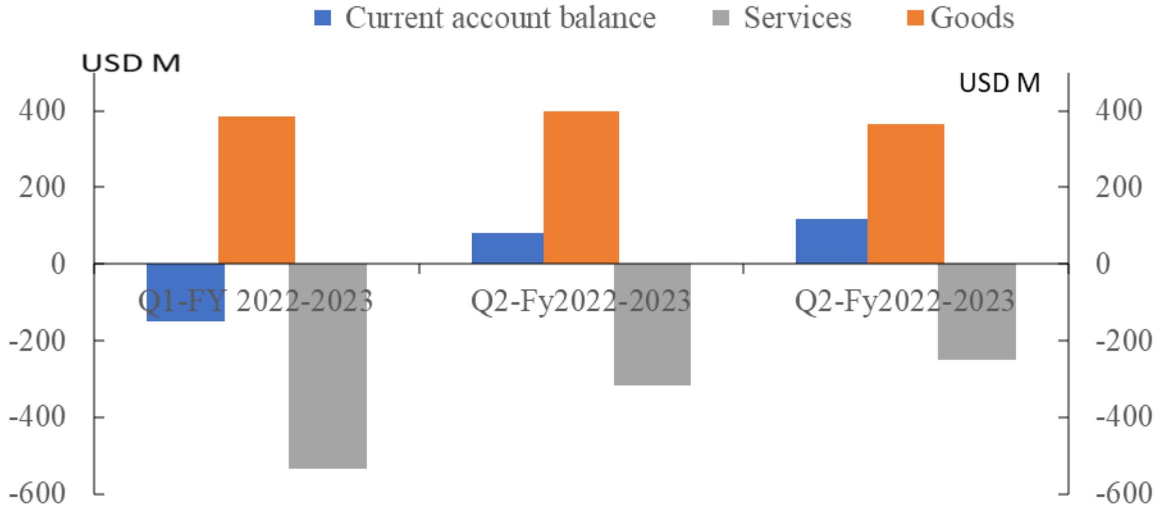
The Balance of Payments (current account + capital account) in South Sudan is dominated by the oil sector. There is relatively low oil production in 2022-2023 compared to 2009 and 2011, of which everything is exported, resulting to high goods exports figures. The positive contribution of oil exports to the balance of payments is partly offset by an outflow of income sent to the foreign owned oil companies as well as to Sudan. Therefore, 2022-2024 imports increased by 5% compared to 3% in 2022-2023 while export of goods and service decline from -6% in 2022-2023 to -7% 2023-2024.

Table 5: Trade position in the Balance of Payment for three quarters FY 2022-2023

BOP Position	*Q1-FY 2022-2023*	*Q2-Fy2022-23*	*Q3-Fy2022-23*
Current account balance	***-148.13***	***80.81***	***116.60***
Goods	*386.2*	*399.03*	*365.10*
Services	*-534.3*	*-318.22*	*-248.60*

Source: Bank of South Sudan (BoSS) - Research and Statistics Department - External Sector.

Figure 2: Quarterly Current Account developments from FY 2022-2023



1.10. South Sudan Inflation

South Sudan inflation is measured by consumer's price index (CPI), which reflects the change in basket of goods in the market with a given weighted average per ~~a~~ month. The compilation targets three major cities of Juba, Wau and Malakal.

The consumer price inflation (i.e., growth in CPI), measuring the change in living costs for the typical family in South Sudan, was recorded on monthly basis throughout the year. The CPI growth rates fall on average from the peak of 18.1% in Jan 2023 to (2.5) % March 2023, whilst the year trend was felt from 14.4% to 1.3 % same period.

The dominating category in household consumption is food, which accounts for decline by 98% of the consumption basket in FY 2022-2023 and non-alcoholic beverages declines by 18.9% same period. The decline in monthly inflation rate is very hard to explain, but it was assumed to be due to poor data recording system by NBS, reduced rate of new borrowing from the central bank since the start of first quarter and auctioning of dollars.

As explained in the global and regional outlook above, high food prices inflation has been a global phenomenon last year and more of the observed high inflation is therefore imported. Still, an inflation rate on food of 41% in Uganda indicates that there are additional factors at play to in South Sudan. Higher inflation advice of reducing the consumption of food may be difficult, this will most likely result in a substantial reduction in consumption of other goods and services for many households and a drawdown of any savings that they may have. For some households, it might also lead to a reduction in the quantity or quality of the food consumed.

Therefore, FY-2023-2024 consumer price inflation is projected to decline from 17.8% in 2022-2023 to 7.2% in 2023-2024. This is attributed to the declines in the price growth of some baskets i.e., food items, alcohol and beverages, hotels, and transport, as well as the lower growth of the money supply (15% compared to 80% in FY 2022-2023) resulting from a reduction in net claims from the central government each month (no borrowing from Central Bank).

Exchange rates

The official average exchange rate amounted to SSP/USD 1,006 compared to SSP/USD 636.7 in Q1 of FY-2022-2023 which is about a 58% depreciation, while the parallel market rate stood at average of SSP/USD 919.04 in Q4 compared to SSP/USD 620.40 in Q1 same period, that is about 48% depreciation. These huge devaluations were accelerated by reduction of foreign exchange auction, speculation of the future prices by foreigners, high demand to finance the absorptions capacity by government. The latest developments of a weakening South Sudan Pounds are likely to result in higher prices on imported goods and hence a higher CPI inflation.

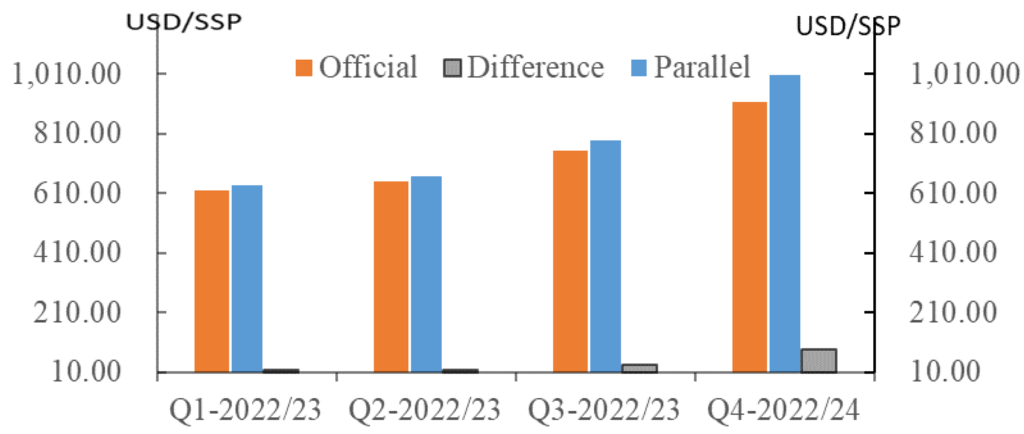
Therefore, the FY 2023-2024 official exchange rate is projected at SSP/USD 1,000 while parallel rate is estimated at average of SSP/USD 1,302.2. The drivers to these further devaluations are inflation and the government new wage bill table for implementation in the fiscal year.
Devaluation makes imports and loan repayment expensive in the budget execution, hence, creates deficits in the budget. However, whether these depreciations and destabilization can be sustained depend on whether these expectations reflect shifts in economic fundamentals.

Table 6: Average mid-rate Exchange rates for FY 2022-2023

Exchange rate	Q1-2022/23	Q2-2022/23	Q3-2022/23	Q4-2022/23	Aver. Exchange rate FY-2022-23
Parallel	636.70	667.80	789.00	1,006.00	774.8
Official	620.40	649.90	751.83	919.04	735.29
Difference	16.30	17.90	37.17	86.96	39.58

Source: BoSS (Research and Statistics-External Sector Department).

Figure 3: South Sudan Exchange Rates performance against United states America Dollars for four Quarters FY 2022-2023.



2. Preliminary FY 2022-2023 Budget performance

2.1. Revenue outturns

Total revenue collections were SSP 1,795.7 billion in FY 2022-2023, which was SSP 962.9 billion above the FY 2022-2023 Budget estimate of SSP 832.8 billion, or 215.6% of the target. The significant over-performance was due to oil revenue outturns of SSP 1,578.1 billion (220.5% of the budget estimate) and non-oil revenues amounting to SSP 217.6 billion (186.0% of the budget estimate). The higher than forecast oil revenue was due to higher-than-expected oil prices and the depreciation of the exchange rate against the USD compared with the original budget estimate. Meanwhile, the better than expected non-oil revenue performance was due to improved compliance efforts of the National Revenue Authority and the reduction in certain exemptions.

2.2. Oil production per Oil Producing Company

FY 2022-2023 total daily average oil production stood at 141,000 barrels per day compared to projected volume 151,000 barrels per day in the same fiscal year. DPOC contributes to a large production daily average production of about 3,000,000 barrels per day while GPOC and SPOC bear a minimum of (1,000,000 and 135,000 barrels per day).

These huge declines of about 10,000 barrels per day within the fiscal year were associated with the flood that affected Nile blend production and reduced opportunities for additional investment in Unity state. Monthly oil production is shown in the table below.

Table 7: Oil production in barrels for FY 2022-2023

Monthly Production FY-2022-2023	DPOC	GPOC	SPOC	Total Production
Jul-22	3,157,397	1,429,254	240,402	4,827,052.61
Aug-22	3,106,722	1,415,658	222,200	4,744,580.45
Sep-22	2,843,455	1,329,254	79,756	4,252,464.74
Oct-22	2,910,348	1,065,355	162,018	4,137,721.08
Nov-22	2,564,607	798,599	150,195	3,513,400.79
Dec-22	2,935,289	834,699	17,148	3,787,135.58
Jan-23	2,938,765	800,586	2,978	3,742,328.73
Feb-23	2,918,078	860,956	0	3,779,034.00
Mar-23	3,080,780	1,251,711	99,753	4,432,244.07
Apr-23	2,928,743	1,186,111	197,397	4,312,251.01
May-23	3,003,328	1,332,031	265,017	4,600,376.32
Jun-23	3,192,703	1,343,601	193,074	4,729,377.68
Total production	**35,580,215**	**13,647,815**	**1,629,937**	**50,857,967.06**

Source: Ministry of Petroleum (MoP).

2.3. Share of Profit oil sold in Volume for South Sudan.

The gross volume sold from the profits shared of the oil production amounted to 22.8 million barrels compared to 19.1 million barrels projected in the FY 2022-2023 Budget. The oil sales vary from oil companies and include transfers to Sudan. Dar blend lifting accounted for the largest share at around 10.6 million barrels compared with 5.9 million barrels for the Nile blend, while Transfers to Sudan for transit, transportation, and processing fees amounted to 6.3 million barrels in FY 2022-2023. However, unless both countries reach a compromise agreement on these fees, Sudan will continue to take a large share of oil production that reduces South Sudan’s share, which is essential to finance vital development expenditures.

Table 8: Oil sales in barrels for FY 2022-2023

Government of RSS Oil share in Million barrels	Q1 FY 2022-23	Q2 FY 2022-23	Q3 FY 2022-23	Q4 FY 2022-23	Annual Outturn FY-2022-2023
In-kind lifting to Sudan	**1,966,157.19**	**1,787,344.30**	**2,585,544.87**	**968,325.78**	**6,339,046.36**
DAR Blend Lifting	4,074,448.00	3,455,152.00	3,037,442	3,135,613	10,567,042.00
Nile Blend Lifting	2,594,523.00	2,084,231.00	1,256,682.00	2,458,973.00	5,935,436.00
RSS Total Lifting (NB+DB)	**6,668,971.00**	**5,539,383.00**	**4,294,124.00**	**5,594,586.00**	**16,502,478.00**
RSS Gross Total Lifting	**8,635,128.19**	**7,326,727.30**	**6,879,668.87**	**6,562,911.78**	**22,841,524.36**

Source: MoP.

2.4. Oil price development during the fiscal year

Average South Sudan sales oil prices declined over FY 2022-23 from a Q1 average of USD 100 per barrels to an average of USD 74 per barrels in Q4. While Brent prices followed the same trends, the price differential was volatile over the course of the fiscal year to end with an average price difference of USD 3.49 per barrel. Although the average Brent price from the EIA has historically been higher than South Sudan prices, the gap has narrowed with prices being almost the same. As oil prices are very difficult to predict, the FY 2022-2023 Budget projections underestimated the South Sudan oil price at an average price of USD 75 per barrel compared with the actual average of USD 85 per barrel, which helped improve oil revenue collection.

Table 9: South Sudan oil prices against Brent price.

AVERAGE OIL PRICE	*Q1 2022-2023*	*Q2 2022-2023*	*Q3 2022-2023*	*Q4 2022-2023*	*Aver. Price FY-2022-23*
SOUTH SUDAN PRICE	*100.38*	*85.17*	*81.01*	*73.68*	*85.06*
BRENT PRICE	*100.71*	*88.58*	*81.17*	*78.32*	*87.20*
PRICE DIFFERENTIAL	*0.33*	*3.41*	*3.87*	*6.37*	*3.49*

Source: MoP and EIA (the United States Energy Information Agency) Brent prices.

2.5. Quarterly Oil Revenues Outturns compared with the FY 2022-23 Budget

Table 10: FY 2022-2023 oil revenue outturns compared with the FY 2022-23 Approved Budget

Oil Revenue Outturns FY 2022/2023 (SSP, billions)								
	Budget	Outturns				Annual Outturn	Annual Outturn as % of Budget
		Quarter 1	Quarter 2	Quarter 3	Quarter 4		
Gross Oil Revenues	**715.8**	**687.2**	**276.8**	**260.0**	**354.1**	**1,578.1**	**220.5%**
Oil related transfers	**297.8**	**158.0**	**114.0**	**136.0**	**114.6**	**522.5**	**175.4%**
Transfer to Sudan	92.0	125.7	100.3	125.1	94.4	445.5	484.5%
Transfer to Oil Prod. States (2%)	12.5	7.0	3.6	2.4	4.6	17.6	140.8%
Transfer to Oil Prod. Comm. (3%)	18.7	10.7	4.3	3.6	6.7	25.4	135.9%
Transfer to MOP (3%)	18.7	10.7	4.3	3.6	6.7	25.4	135.9%
Payment Future G Fund (10% of net gross revenues)	62.4	3.8	1.4	1.2	2.1	8.6	13.7%
Oil Revenue Stabilization Fund (ORSA)	93.6	-	-	-	-	-	0.0%
Net Oil Revenue	**418.0**	**529.3**	**162.8**	**124.1**	**239.5**	**1,055.6**	**252.5%**

Source: MoP and MoFP.

2.6. Non-Oil Revenues

Gross non-oil revenue for FY 2022-23 amounted to SSP 217.6 billion, compared with the SSP 117.0 billion budget estimate, or 186.0% of the approved budget. The growth in non-oil revenue was due to: improved remittances in USD dominated currencies to the national block accounts; payment of salary arrears that led to increased PIT collections; an exchange rate devaluation that increased the value of USD collections in nominal terms; and improved NRA administration.

It is essential for the government to continue strengthening non-oil revenue collections by adopting strong PFM reform measures, widening the tax base, increasing the customs exchange rate from SSP/USD 95 to SSP/USD 200, 400, or align it to BSS official rate, installing digital machines and scanners along the borders, implementing a VAT policy, improving administration, as well as implementing the policies agreed in the SMP with the IMF to create fiscal space for fiscal sustainability.

Table 11: FY 2022-23 Non-oil Revenue compared with the Approved Budget (SSP, millions)

Non- Oil Revenue FY 2022/2023 (SPP, millions)							
	Budget	Outturns				Annual Outturn	Outturn as % of Budget
		Quarter 1	Quarter 2	Quarter 3	Quarter 4		
Non-oil Revenues	**117,035.4**	**41,964.6**	**50,830.0**	**51,925.4**	**72,925.0**	**217,645.0**	**186.0%**
PIT	43,630.1	33,840.4	36,555.5	33,718.9	50,676.2	154,791.0	354.8%
Public	-	*1,441.7*	*1,597.7*	*1,507.8*	*2,671.7*	*7,219.0*	
Private	-	*32,398.7*	*34,957.7*	*32,211.1*	*48,004.4*	*147,572.0*	
Sales Tax	7,805.1	255.3	316.4	335.4	6,304.2	7,211.4	92.4%
Excise duty	20,503.9	365.7	579.3	527.4	660.5	2,132.9	10.4%
Business Profit Tax	37,106.1	3,739.5	4,184.0	5,791.6	595.3	14,310.5	38.6%
Customs duty	6,914.6	3,762.5	8,815.1	11,272.9	14,372.1	38,222.6	552.8%
Other non-oil revenues (fees and fines)	1,075.7	1.1	379.5	279.2	316.7	976.5	90.8%
Grants	**-**	**-**	**0.2**	**-**	**-**	**0.2**	**-**

Source: NRA and Accounts Department (MoFP).

2.7. FY 2022-2023 debt position (interest payment and amortization)

South Sudan government did not contract any loans in FY 2022-2023. The current debt position at the end of March 2023 amounted to SSP 2.0 trillion compared with SSP 1.8 trillion at the end of December 2022.

The Domestic debt position amounted to SSP 501.6 billion in Q3 compared with SSP 488.3 billion in Q2. The position increased due to the depreciation of the official exchange rate and accrued interest rate growth per month.

The External debt stock position remains at USD 2.0 billion in Q2 and Q3 FY 2022-2023 but increased to SSP 1.5 trillion compared with SSP 1.3 trillion in Q2, with the increase due to the exchange rate devaluation.

Table 12: Debt position by Creditor as at 31 March 2023

External Debt by creditors in USD	**End 30th March 2023**	**Debt position as % Total**
Multilateral	349,663,596	17%
Bilateral	117,008,657	6%
Commercial	1,573,473,273	77%
Total	**2,050,145,526**	**100%**

Source: MoFP Debt Management Unit.

Table 13: Domestic outstanding external debt as at 31 March 2023

Creditor (Sources)	*Amount (SSP)*
Government Direct Borrowing from BSS (SSP)	*425,034,913,077.7*
Interest accrued on the GRSS Direct Borrowing from BSS (SSP)	74,318,462,244.3
Subtotal	**499,353,375,322.03**
Government debt related to Capital Restoration of the BSS (SSP)	*1,917,373,479.74*
Interest accrued on the re-capitalisation of the GRSS debt (SSP)	306,619,975.64
Subtotal	**2,223,993,455.38**
Total Lending to Government of South Sudan	**501,577,368,777.41**

Source: Debt Management Unit (MoFP) and BoSS.

2.8. FY 2022-2023 Expenditure Performance

Total expenditure by Chapters (excluding oil revenue-related transfer payments) amounted to SSP 613.8 billion in FY 2022-23 compared with the budget estimate of SSP 958.1 billion, or 64.1% of the budget. Wages and salaries, operational spending, and capital expenditure accounted for the largest shares of total spending.

Table 14: Expenditure by Chapter FY 2022-2023 outturns by Quarter

Expenditure by Chapter FY 2022/2023 Outturns (SPP, millions) (a)							
	Budget	Outturns				Annual Outturn	Outturn as % of Budget
		Quarter 1	Quarter 2	Quarter 3	Quarter 4		
Wages and Salaries	198,253.1	39,425.9	47,140.9	27,536.1	51,997.6	166,100.5	83.8%
Use of Goods and Services	158,157.4	59,973.4	62,679.6	65,664.5	111,911.6	300,229.1	189.8%
Other expenses	5,201.2	-	358.4	410.0	1,231.1	1,999.5	38.4%
Transfers (To States)	143,451.3	14,986.5	17,463.5	9,928.9	17,650.3	60,029.1	41.8%
Peace Budget	12,000.0	8,362.2	3,855.3	3,559.6	4,789.8	20,566.9	171.4%
Contingency Fund	13,529.9	-	2,000.0	388.4	-	2,388.4	17.7%
Interest payments	27,472.2	1,683.6	486.7	524.3	362.0	3,056.5	11.1%
Capital Expenditure	400,039.5	154,381.0	118,999.3	92,654.5	137,357.4	503,392.2	125.8%
Total	**958,104.6**	**278,812.6**	**252,983.6**	**200,666.3**	**325,299.8**	**1,057,762.3**	**110.4%**

(a) Excludes Oil revenue-related payments, NRA Operations expenditure and loan principal payments.

3.9 FY 2023-2024 Resource envelope and Budget

Several significant challenges affect the FY 2023-2024 Budget, including rising global food prices, oil price declines, decreasing oil production, and new wage bill and other payment demands. However, with ongoing reform in the non-oil sector there is a hope for improvements that will accelerate economic growth and development. It is with this in mind that the FY 2023-2024 Budget focuses on improving infrastructure, the welfare of government staff, debt repayment, and increasing allocations to sectors that are catalysts for stability and growth according to the National Development Strategy, such as agriculture and physical infrastructure (e.g., roads, schools). Furthermore, in acknowledging the high poverty level in South Sudan, where more than 60% of the population experience acute food insecurity, this budget has increased allocations to the social sector to help reduce poverty and the vulnerability of our people.

3. FY 2023-2024 Macroeconomic Policies

The recovery in global oil prices has helped improve economic conditions in South Sudan which, in turn, has given some fiscal space to adequately provide for Governments priority spending. However, oil production during FY2023-2024 is projected to be lower than in FY2022-2023 due to the depletion of some oil wells and the effects of floods.

In the wake of this daunting challenge, we must remain resolute and ensure that the fundamental policies that have contributed to our recent growth and macroeconomic stability continue. At the same time, we must meet these new challenges by acting decisively and start a rapid diversification program while safeguarding vital social services to cushion the impact of the crisis on our people.

In terms Government’s objectives, the following are the broad macroeconomic objective for the FY2023-2024:

(a) Achieve real GDP growth of 4% in FY2023-2024
(b) Reduce inflation to not more than 10%.
(c) No domestic borrowing from the Bank of South Sudan.
(d) Reducing budget deficit not more than 8% of GDP.

3.1. FY 2023-2024 Monetary and Financial Sector Policies

The Bank of South Sudan produces the monetary policy statement twice a year. Normally at the end of the year (December) to provide direction of monetary policy stance for the next six months and the second statement is produced in June the cover the remaining months of the year. It summarizes achievements and challenges encountered at the last periods and provides way forward for the medium and long run.

The monetary policy committee in press statement in January 2023 justified the economy continued to focus on maintaining macroeconomic stability in the wake of the global crises caused by the Covid-19 pandemic, Ukraine-Russian war, drought, persistent flood, inter-communal violence as well as increasing prices in the market. The Bank of South Sudan will continue to implement measures aimed at enhancing the resilience of the financial system, to both internal and external economic and financial shocks. In addition, risk management will be enhanced by adapting the following monetary policy targets.

1. Maintain the Central Bank rate of interest (CBR) at 12% per annum.

2. Maintain the minimum reserve requirement ratio (RRR) at 20% of commercial bank deposit both in local and foreign currency.
3. Maintain a nominal growth of broad money at around 11%, with margin of (+/-) 1%.
4. Headline inflation of single a digit of 8%
5. Encourage Commercial Banks to increase lending to private sectors of up 40 % of their total deposit.
6. Build international reserves equivalent to about 4.5 month of imports cover.
7. Finally, maintain the liquidity ratio of at least 20% of local and foreign denominated currency.

The monetary and Banking policies target for the year 2023 were geared toward achieving the strength of exchange-rate value against USD (financial price stability), maintain low level of general prices, and support the growth in real GDP.

FY 2023-2024 Fiscal Policy

The FY-2023-2024 concerns of the Government on the fiscal front is adoption of the half new wages and salaries approved by the Council of Ministers, interest and amortization of the debt portfolio, and arrears accumulation clearance. While the MoFP will continue with the help of development partners to develop an arrears strategy that will inform the Government on best cause of actions to dismantle the outstanding arrears, Government's commitment is to ensure no further accumulation of arrears going forward. In this regard, the FY2023-2024 budget aims to ensure that spending is executed without arrears accumulation. Adequate resources have been allocated for priority spending including wages and salaries, social spending, critical investment, and peace keeping.

On the revenue side, we will continue with the Public Financial Management (PFM) reforms to strengthen non-oil revenue mobilization including expanding digitization, modernizing the tax collection system with the use of scanners, adapt VAT, minimized tax exemptions, widening the tax base, make sure government profits share is sold and remitted to the Ministry of Finance accounts. In addition, we will continue support the NRA administration to implement its internal plans to improve the contribution on non-tax revenues to the treasury.

3.2. FY 2023-2024 Structural Reforms.

In July 2021, the Council of Ministers approved the PFM concept note. PFM will be critical in supporting not only good governance and transparency but also for effective and efficient delivery of the essential goods and services on which citizens and economic development rely. The Government is now working with stakeholders: PFM secretariat, Cash Management Unit and committee as well as oversight committee to adopt and implement Action Plan for reforms in R-ARCSS PFM priorities. In FY2023-2023, the Government will start the implementation of some of the immediate actions:

(a) Development of a comprehensive implementation plan in partnership with our Development Partners in support of budget.
(b) Use macro-fiscal framework and cash plan to persuade the government operations.
(c) Start implementation of the Treasury Single Account to increase the revenue and minimized

the government expenditure.

(d) Expedite the monthly cash limit/allocation on the use of goods and services to spending agencies base on the fiscal year approved budget.

(e) Ensure that salaries for civil servants are paid monthly and through bank accounts.

3.3. FY 2023-2024 Government Share of Profits oil and Revenues.

Government oil production from oil companies was projected at average gross total oil production of 150,000 barrels per day with government profits share of 36.6%. This gives a total gross production for FY 2023-2024 amounting to 54.9 million barrels compared to outturn of 50.8 million barrels in 2022-2023 while total government share of profit oil production amounted to 18.64 million barrels in the same period. The assumptions for the increases were lingered around the reduction in flood affecting the oil fields, resumption of new oil fields and innovation taking place for Nile and Dar Blend.

Table 15: Oil production and entitlement for FY 2023-2024 proposed budget.

YEAR	FY2020-21	FY2021-22	FY2022-23	FY2023-24
Oil Production (Total) (bbl)	**64,056,412**	**54,545,697**	**50,857,967**	**54,900,000**
DPOC	44,231,872	38,513,630	35,580,215	36,234,000
GPOC	19,824,540	15,200,760	13,647,815	14,640,000
SPOC	0	831,307	1,629,937	4,026,000
Oil Production (Gov't. entitlement) (bbl)	**27,498,397**	**23,464,636**	**21,916,704**	**18,636,354**
DPOC	19,462,024	16,945,997	15,910,760	11,957,220
GPOC	8,036,373	6,162,008	5,231,291	4,951,980
SPOC	0	356,631	774,653	1,727,154
Brent Price (USD)	**54.2**	**90.3**	**87.1**	**80.1**
SSD Benchmark Price (USD)	**55.9**	**90.6**	**86.5**	**80.1**

Source: MoP and MoFP projection.

3.4. FY 2023-2024 Oil revenue, Non-oil revenue and Grants from donors.

3.4.1. Oil Revenue:

Total FY 2023-2024 revenue is projected to reach to SSP 1,838.0 billion of which oil revenue accounts for SSP 1,536.5 billion, non-oil revenue accounts for SSP 245.3 billion, and grants amount to SSP 56.2 billion.

3.4.2. Non-Oil Revenues

Non-oil revenues are forecast using the growth in nominal GDP, inflation growth of 7.2%, the exchange rate, and tax measures using the effective tax rate method. Therefore, the estimated growth combined with ongoing reforms taken by the National Revenue Authority will increase nominal non-oil revenue by about 5% of GDP. Non-oil revenue in the FY 2023-2024 Budget is expected to reach SSP 245.3 billion compared with SSP 217.6 billion in FY2022- 2023, and increase of 12.7%.

3.4.3. Grants from Cooperating Partners

Grants are projected to amount to SSP 56.2 billion, making a 1% contribution to GDP. These grants are from multilateral, bilateral, and other donors.

Table 16: Revenue projections for FY-2023-2024 (SPP, millions)

FY -2023 2024 Proposed Budget	FY 2022-2023 Approved Budget	FY -2022-2023 outturns	FY-2023-2024 Proposed Budget	FY-2023-2024 Proposed Budget as % Total Budget	FY-2023-2024 Proposed Budget as % GDP
Gross Total Revenues	832,807	1,795,744	1,837,963	100.0%	31%
Oil Revenues	715,772	1,578,099	1,536,452	83.6%	24%
Non-oil Revenues	117,035	217,645	245,331	13.3%	5%
Grants	0	0.21	56,180	3.1%	1%

Source: MoFP.

3.5. Government expenditure.

Total government expenditures for FY 2023-2024 comprise recurrent expenditure, net acquisition of financial assets and amortization. Expenditure is projected to be SSP 2.1 trillion, or about 35% of GDP. Recurrent expenditure accounts for SSP 1.4 trillion about 68% of total spending and 24% of GDP, while net acquisition of financial assets amounts to SSP 320.6 billion about 15% of total spending and 5% of GDP. Interest payments and amortization amount to SSP 186.3 billion, or 9% of the total spending and 3% of GDP.

3.6. Government Spending by Functional Classification of the Government (Sectors)

As can be seen from Table 17 below, the budget allocation to the security and infrastructure accounts for a large share of total spending accounting for 17% and 33% respectively and about 10% of GDP in aggregate. This indicates that the Government's commitment to addressing the peace and security and infrastructure development challenges of the people of South Sudan is a priority. Allocating more budget to capital expenditure (road and other capital projects) for improving infrastructure and creating a more conducive environment for investment and diversification. Again, the FY 2023-2024 budget has significantly increased budget allocations to Public Administration and Education by 18% and 13% of the total. These allocations were analyzed categorically on the basis of increased human capital to increase productivity in the public sectors development, while other sectors bear the minimum contributions.

Table 17: Functional Classification of FY 2023-2024 ~~B~~udget for Sectors

Spending Agencies by Sectors	Approved Expenditures FY2023-2024	Sectors Total Expenditures FY2023-2024 as % Total	Sectors Total Expenditures FY2023-2024 as % GDP
Accountability	3,708,284,557	0%	0%
Economic Functions	45,837,628,352	3%	1%
Education	172,202,579,247	13%	3%
Health	42,261,263,383	3%	1%
Infrastructure	445,394,431,868	33%	5%
Nat. Resources & Rural Devt	65,413,066,555	5%	1%
Public Administration	237,478,551,772	18%	4%
Rule of Law	92,912,278,483	7%	2%
Security	222,807,342,487	17%	5%
Social & Humanitarian Affairs	9,159,952,294	1%	0%
Total	**1,337,175,378,999**	**100**	**22%**

Source: MoFP

4. **Financing (amortization and Interest Payment in Proposed FY 2023-2024 Budget.**

The Government of South Sudan contracted loans from different creditors i.e., Multilateral, Bilateral and Commercial Creditors as shown in table below. The interests accrued and principal amount in either USD or SSP vary from creditors and types of loan contracted. Commercial creditors have higher interest rate compared to Multilateral and Bilateral creditors. FY 2023-2024 total amortization and interests accrued amounted to USD 203.4 million, an equivalent amount of SSP 203.4 billion about 13% of total government spending and 3% of GDP.

Table 18: FY 2023-2024 Government Obligation on the Debt Repayment.

Loan Repayment by Creditors	Principal/ Amortization in USD	Interest Due in USD	Proposed Principal /Amortization and Interest payment FY-2023-2024 in USD	Proposed Principal /Amortization and Interest payment FY- 2023-2024 (SSP)
Multilateral	200,000	770,000	970,000	970,000,000
IDA	200,000	660,000	860,000	860,000,000
AFDB	-	110,000	110,000	110,000,000
Bilateral	9,990,000	2,900,000	12,890,000	12,890,000,000
China	9,990,000	2,900,000	12,890,000	12,890,000,000
Commercial	92,401,461	38,155,750	130,557,211	130,557,211,045
QNB	45,200,000	35,805,750	81,005,750	81,005,750,000
Afrexim	47,201,461	2,350,000	49,551,461	49,551,461,045
Oil Advances	48,277,530	10,765,750	59,043,280	59,043,280,260
Sahara Energy	26,215,371	4,765,750	30,981,121	30,981,120,652
Nasdec	22,062,160	6,000,000	28,062,160	28,062,159,607
Total	**150,868,991**	**52,591,500**	**203,460,491**	**203,460,491,304**

Source: MoFP Debt Management Unit.

4.1. FY 2023-2024 Financing Gap

The financing gap arises when the total available resources are less than total government spending. The FY 2023-2024 proposed budget estimates a financing gap of SSP 267.1 billion about 12.7% of total Spending and 4% of GDP less than FY 2022-2023 Budget financing gap of SSP 560 billion. This is almost hitting the Eastern African Community convergent criteria. The macroeconomic prospective of these deficits are financed through non-concessional borrowing rather than domestic that is seen inflationary in nature.

Table 19: Deficit position FY 2023-2024 Proposed Budget (SSP, millions)

FY 2023-2024 Proposed Budget	FY 2022-2023 Approved Budget	FY 2022-2023 Outturn	FY 2023-2024 Proposed Budget	FY 2023-2024 Proposed Budget as % Total Budget	FY 2023-2024 Proposed Budget as % GDP
Gross Total Revenues	832,807	1,795,744	1,837,963	100%	30%
Oil Revenues	715,772	1,578,099	1,536,452	84%	25%
Non-oil Revenues	117,035	217,645	245,331	13%	4%
Grants	-	0.2	56,180	3%	1%
Total Gov't Expenses	1,392,890	1,615,433	2,105,014	100%	34%
Total Recurrent expenditure	809,702	1,093,960	1,430,961	68%	23%
Net acquisition of non-financial assets	400,040	503,392	320,586	15%	5%
Total Amortization and Interest Payment	183,148	21,137	186,299	9%	3%
Financing Gap	**-560,083**	**180,311**	**-267,051**	**-13%**	**-4%**

Source: MoFP.