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Public Expenditures In South Sudan: Are They Delivering?

World Bank

South Sudan Economic Brief

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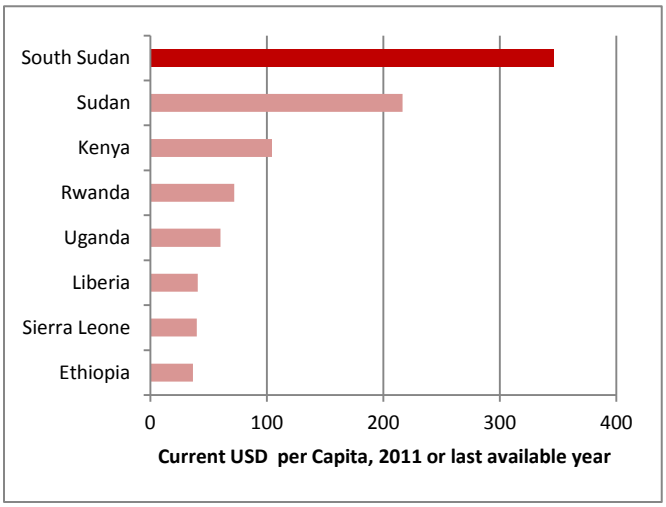
This is the 2nd in a series of briefs on economic policy, public expenditure management and current development challenges in South Sudan, published by the World Bank.

1. Introduction: Context and Objectives

Budget expenditures have been on the rise in South Sudan since the Comprehensive Peace Agreement (CPA), reaching levels that are quite in excess of those of its East African neighbors. The approved budget surged from SSP3.4 billion in 2006 to SSP5.9 billion after independence in 2011, almost a twofold increase. The vast oil resources that fund almost entirely these expenditures have allowed the newly born South Sudan to sustain public expenditures of more than US$ 300 per person[1], much higher than its neighbors.

Figure 1: Government per capita current expenditures are comparatively large.



This note examines to what extent the oil resources that finance most public expenditure are productively used to address the huge development challenges of South Sudan. The quality of leadership and economic management with respect to these issues will largely determine whether South Sudan will follow the path of those middle-income oil producing countries, such as Gabon, Nigeria, or Equatorial Guinea which have been unable to provide basic services to the majority of their population, or alternatively reflect the experience of those other African countries, which in the last decade, have seen remarkable progress in both economic growth and social indicators.

Acknowledgements:

The note relies on three main data sources: MoFEP, MoH and NBS. The World Bank is grateful for data and assistance provided by these institutions in drafting of this note.

This note was written by Kimo Adiebo, with contributions from Luca Bandiera, and Paolo Zacchia

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[1] Over most of 2011, the official and black market exchange rate were not markedly different, so this figure is resilient to the use of either measure of the exchange rate.

The note looks at the three key dimensions in which the public budget affects development outcomes: (i) the macro-dimension, i.e. the ability of the budget to shape an overall macro-economic policy that promotes stability and economic growth; (ii) the strategic dimension, i.e. the ability of the budget to translate consistently the nation's strategic priorities into actual spending patterns; and (iii) the service delivery dimension, i.e. the ability of the budget to deliver quality public goods and services to the population. The primary objective of this brief review of budget policy is to assist the Ministry of Finance and economic Planning (MoFEP) in identifying appropriate measures to improve the effectiveness of government expenditure with particular focus on health and education sectors.

2. The budget as an instrument of stability and economic growth

The purpose of this section is to analyze the capacity of the government to maintain fiscal discipline, and review the impact of public expenditure on political and economic stability, and on economic growth. As an oil-dependent country, South Sudan faces important challenges to its fiscal management. Oil revenues tend to show high volatility and uncertainty compared with other fiscal revenues given volatility of oil prices and possible uncertainty associated with the size and exhaustibility of oil reserves. Moreover, as oil revenues are largely originating from abroad in the form of export proceeds, they may also impact on the real exchange rate. Therefore, South Sudan should address a number of critical questions, including: (i) how to protect social expenditures and the non-oil economy from the high volatility in oil revenues? and (ii) how to achieve long-term fiscal sustainability and adequate savings for future generations while allocating sufficient resources to meet development needs?

In the context of South Sudan, where oil revenues are mostly determined by exogenous factors and non-oil revenues are still very limited, due to the underdevelopment of the non-oil economy, the overall fiscal policy stance is overwhelmingly determined by public expenditure policy rather than by revenue policy. It is hoped that this analysis will assist the government in identifying its medium-term fiscal challenges and appropriate policy responses.

The aggregate parameters of fiscal policy have a direct impact on state security. As the recent events following the shutdown of oil production in January 2012 have demonstrated, given the extremely volatile security situation in which South Sudan operates, the ability of fiscal policy to set aside fiscal reserves is a critical ingredient in allowing the country to weather the political shocks. This requires both a responsible overall fiscal policy, by setting aside some fiscal reserves, as well as the ability to implement consistently the set fiscal policy during the budget year.

The aggregate parameters of fiscal policy have a direct impact on the economic stability. The marked increase in the level of public expenditures since the beginning of 2011 had been associated with very high price inflation and currency depreciation in South Sudan in 2011[2]. Rising levels of public expenditures have translated into an almost corresponding increase in the demand for imported goods

[2] See World Bank, South Sudan Economic Brief, Issue No.1, May 2012: "Inflation in South Sudan".

and services, given the extremely limited domestic productive capacity. This has, in turn, led to a depreciating exchange rate on the parallel market, since the Bank of South Sudan was holding some of the foreign currency to build up its reserves, creating therefore an imbalance in the demand for and supply of foreign currency. The depreciation of the currency, in turn, had fuelled inflation through higher import prices in local currency. As shown in Figures 2 and 3, this had led to a situation in which public expenditure, the parallel exchange rate and consumer inflation moved jointly in 2011. Another sign of this dynamics was seen in the summer of 2012, when public expenditure fell drastically, both price inflation and exchange rate depreciation continued shortly, but, since September 2012, helped also by the announcement of the Addis Ababa agreement with Sudan, they subsided drastically.

Figure 2: Inflation has increased with Government expenditure.

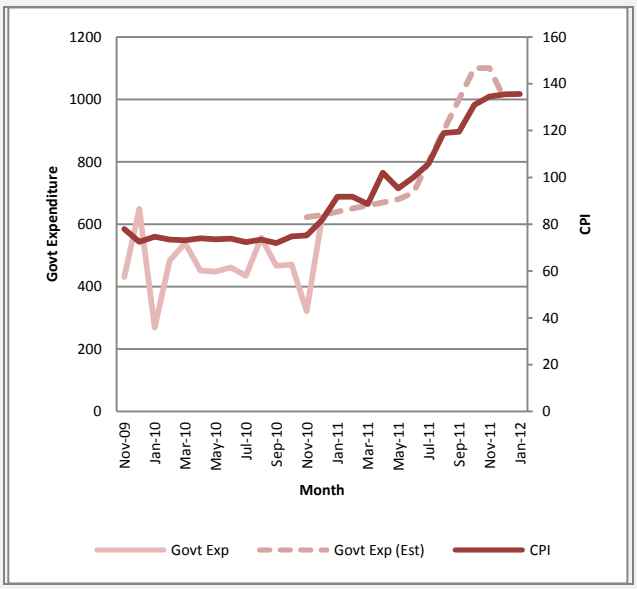
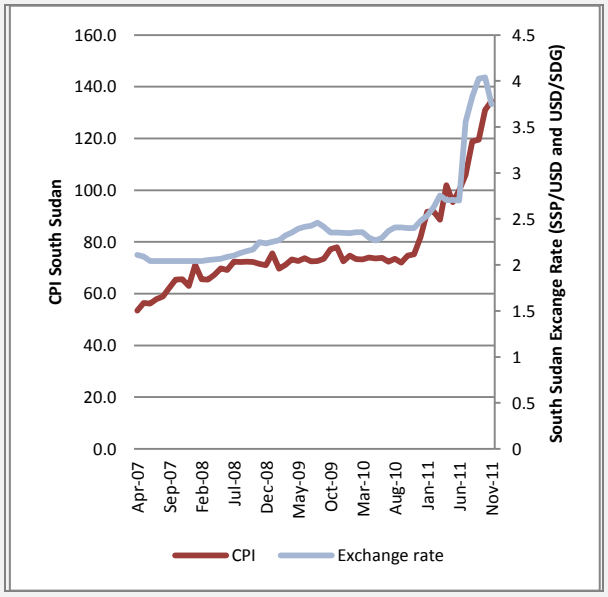


Figure 3: Inflation and Exchange Rate have shown similar trends.



While approved budgets in the last few years have been inspired by a cautious fiscal policy, high public expenditures have been caused mainly by large budget overruns, making approved budgets of little significance to actual macroeconomic policy. Actual spending in the first six months of 2011 was SDG 4.4 billion. Overspending exceeded 50% of the approved budget, as highlighted in Fig. 4. As shown in Fig. 5, 2011 was not an exception, since the CPA spending had also been driven by available revenue rather than by sticking to planned expenditure levels.

Figure 6 highlights budget and outturn by broad functions. For the education sector, outturns were far less than budgetary allocation in 2011. Budgetary allocations were almost identical with outturns for the health sector, except that most of the outturns accrued to the Ministry of Health, and very little to HIV/AIDS Commission. Outturns were more than double the budgetary allocations for public administration and security and 60 percent more than budgeted for infrastructure.

Figure 4: Systematic overspending of the budget in 2011

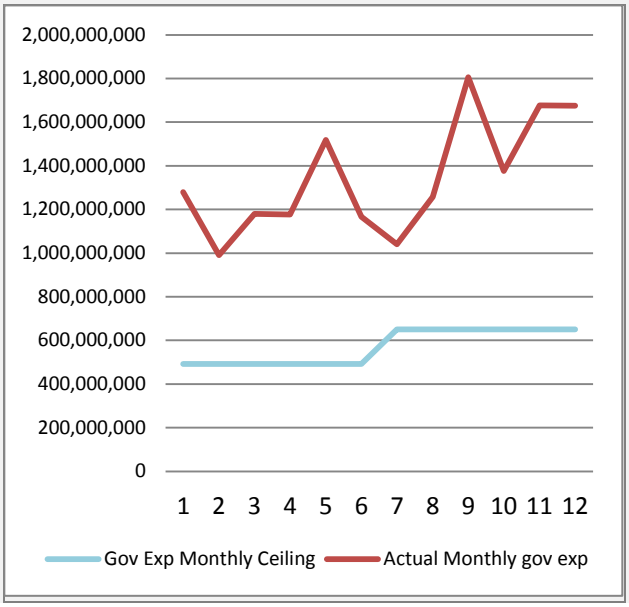


Figure 5: Since CPA expenditures driven by revenues , not approved budget[3]

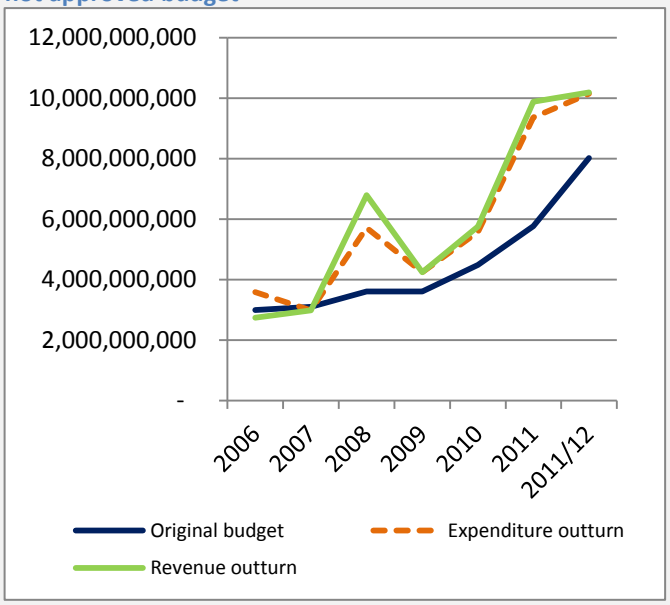
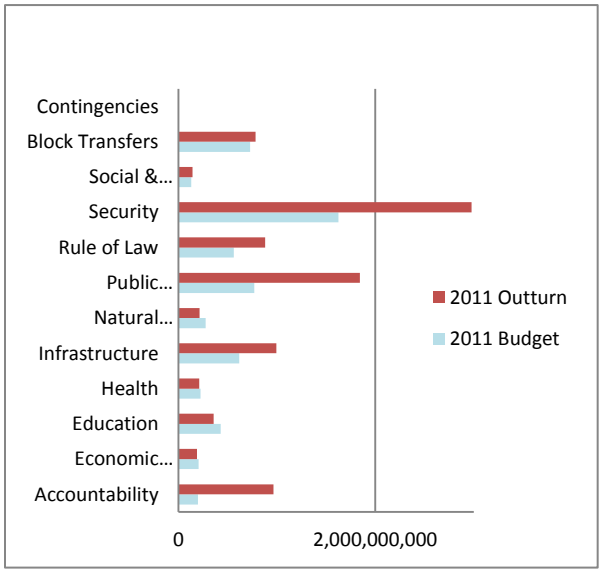


Figure 6: 2011 Budget and Outturn ('000 SSP).



The Government is fully aware of the weakness in execution control, and the Minister of Finance announced in the 2012/13 budget speech very significant measures to tighten budget execution control procedures in line with the Public Finance Management & Accountability Act, 2011. These measures are aimed at ensuring that only claims which have been properly approved by accounting officers and directors general within the approved monthly expenditure limits will be paid, by using only cheques printed directly from FMIS while the manual transfer letter system is eliminated; that all required contracting procedures have been followed, including advance approval by the Ministry of Justice and MoFEP, and that payments are made only to vendors who have delivered the goods or services in the contract.

The economic growth orientation of the budget can be analyzed by looking at the share of expenditure dedicated to investment and to support priority productive sectors, such as agriculture.

[3] Analysis of the 2011/12 Draft Budget and the 2012/13 Budget Ceilings, Peter D'Souza, Economic Advisor, Joint Donor Team

High growth countries in East Asia were able to allocate above 30 percent of their expenditures to capital during the years of fast growth and poverty reduction.

In the early years of the CPA, the government was able to spend a reasonable share of its resources on capital, but since 2008 the investment share has been declining. In 2006 and 2008, capital expenditures were above 25% of the total, and after 2008, the capital share started gradually declining reaching below 20% in 2010 and 2011, and 17% in the first 6 months of 2012 (see Figure 7) . Capital expenditure decreased only in relative terms. In USD equivalent, capital expenditure decreased in 2009, in correspondence of a sharp decrease in oil revenue, due to falling oil prices, and then increased gradually, but less than current expenditure.

The declining trends in investment spending over the last 4 years were dramatically accelerated by the need to adopt austerity budget. The budgeted amounts for capital expenditures show even a more dramatic decline in the last three budgets, going from 17% in the FY2011/12 budget to 6% in the FY2012/13 budget (see Figure 8), demonstrating how capital expenditures bore the brunt of the fiscal austerity adjustment. In fact capital expenditures have been cut by 80% in the FY2012/13 budget, compared to 22% for salaries, 9% for transfers, and other expenditures have been cut by 47%. This is largely expected as it is easier to cut investment spending than to reduce salary payments in the face of temporary revenue shortfalls.

Figure 7: Share of Capital Exp. in Total Actual Expenditures (%)

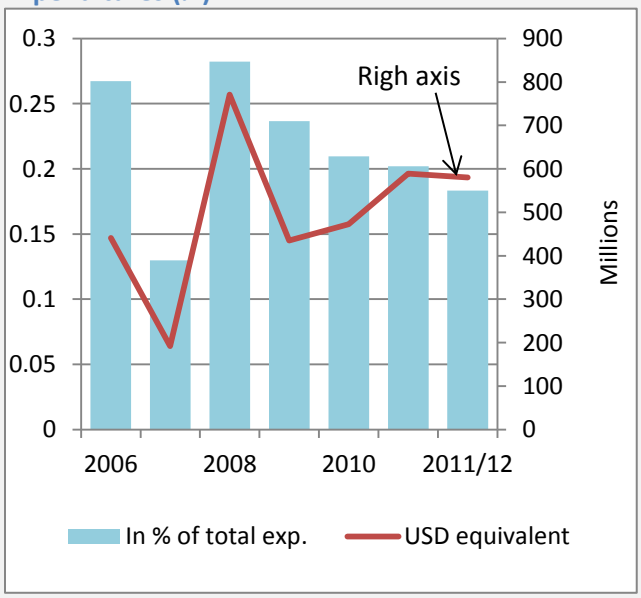
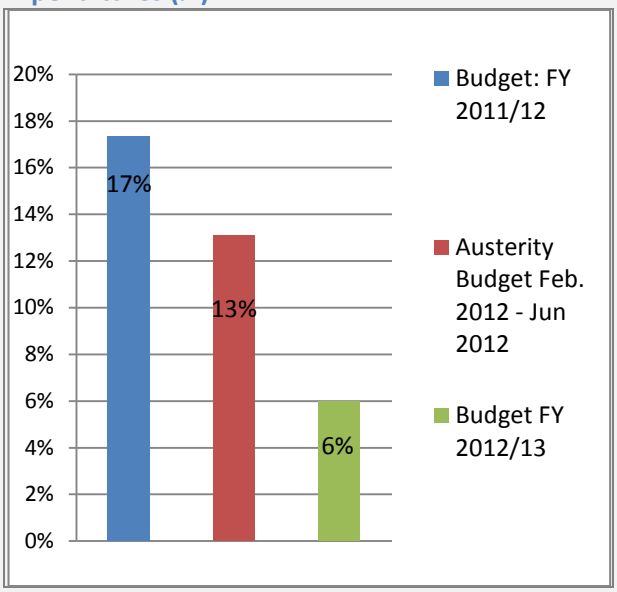


Figure 8: Share of Capital Exp. in Total Budgeted Expenditures (%)



Without policy reforms to reduce its very large public wage bill, South Sudan will find it difficult to fund capital expenditures at a satisfactory level. The declining share of capital expenditures from 2009 to 2011 was actually accompanied also by a reduction in the share of the wage bill (the wage bill increased, but at a slower pace than overall expenditures, hence lowering its share). However, because of their rigidity, the share of wages and salaries went up again in the context of the last austerity budget,

as they are difficult to cut (see Figure 9). This seems to indicate that the level of the wage bill, which is on the very high side by international standards, needs to be addressed structurally to allow for a more investment- and growth-oriented budget in the years to come.

Figure 9: Wage bill Share in Total Expenditures (%)

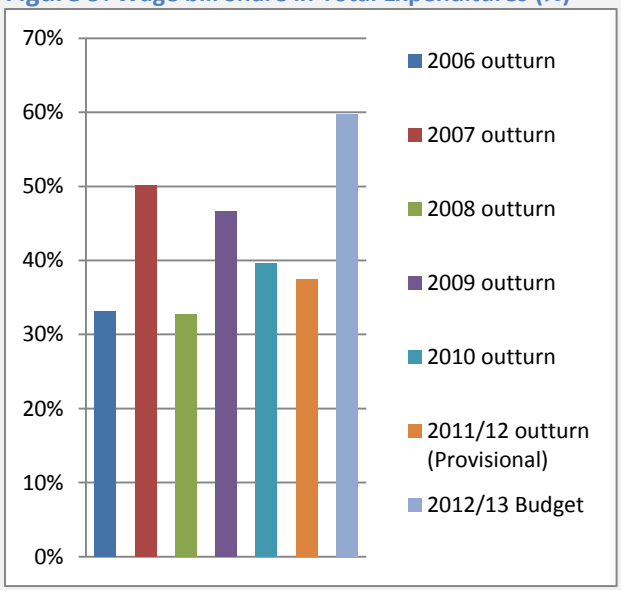
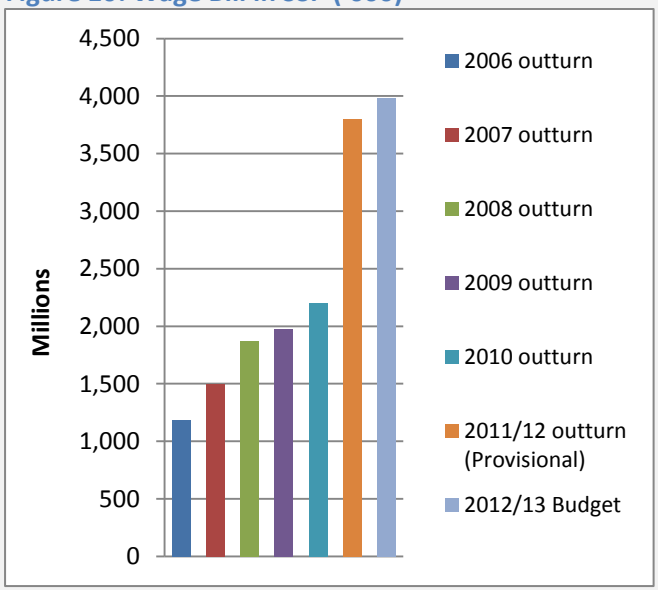


Figure 10: Wage Bill in SSP ('000)



A rationalization of operating expenditures also appears necessary in view of their high and growing share in total expenditures. Operating expenditures are high, at around 40 percent of total expenditure, and they have been growing in the last few years. It will be important to analyze, and in case re-classify, operating expenditures, which often include many wage and salary elements and transfers. It may also be necessary to identify areas for cost savings and rationalization.

Section's Take Away

The inability to implement the budget as approved, leading to significant expenditure overruns, has been at the root of the budget's inability to provide enough fiscal reserves for managing security shocks, and also behind the strongly inflationary impact of recent fiscal policy. In this respect, the government commitment to enforce control measures introduced in the FY2012/13 budget is to be highly commended, and their effective implementation will be a critical element to monitor. The adoption of an Oil Revenue Management law that sets aside a proportion of annual oil revenues to provide an adequate fiscal buffer will also be critical.

In order to reverse the decline in the growth orientation of the budget, by increasing the share of capital expenditures, there will be a need to look for creative and bold initiatives to reduce the weight of the wage bill, in a way that is consistent with security considerations, and with the role of public wages as an instrument of national political and socio-economic cohesion. Rationalizing operating expenditures is also important.

3. The budget as an instrument of implementation of national choices

3.1. Recent trends

This sub-section reviews to what extent the Budget has allocated resources in a way that is consistent with the Government's own strategic priorities. The Government of Southern Sudan (GoSS) had identified six top expenditure priorities for the period 2008-2011, which included: (1) security; (2) roads; (3) primary health care; (4) basic education; (5) water; and (6) production. For the 2011-13 period, the Government's strategy and outlined priority programs are set out in the South Sudan Development Plan (SSDP). SSDP emphasizes channeling resources towards development, basic education and health service delivery and development of a vibrant agricultural sector. It also recognizes the importance of continuing to provide security to the people of South Sudan. The Government's budget documents recognize that "the budget for 2012/13 comes against a background which was not envisaged at the time the SSDP was completed. As a result, the ability of the Government to allocate resources to the budget sectors in order to deliver SSDP priorities has been constrained."

Security sectors and core public administration functions were indeed prioritized in the 2011 budget. Figure 11 and Figure 12 below show that 38% of public expenditures were allocated to the security and rule of law sectors while the outturns were 40% in 2011 for the same sectors. Overspending was also visible in the public administration sector: the budget allocated 13% of total public expenditure to the sector while outturns amounted to 19%.

The road sector was also prioritized, although to a lesser extent. The 2011 budget appropriated 10% of total public expenditures to the infrastructure sector, and the actual allocation was 11%, of which 88% accrued to the Ministry of Roads and Bridges.

Health and education expenditures, on the contrary, appear to be very low priority in the 2011 budget. For health and education, the 2011 budget appropriated 8% and 4% respectively, and for the two sectors together, only 6% was in fact actually disbursed to them, meaning that the actual allocation to the two sectors was halved. These sectors are left highly dependent on donor funding, a fact which may have been internalized by the government to limit the budget funding of these sectors. For instance, prior to oil shutdown in January 2012, donors were funding 75% of South Sudan's health provision. However, in the face of austerity and delayed resumption of oil production, this proportion is likely to remain the same or increase. Most donors provide health services using parallel systems with the view of minimizing fiduciary risk, but this practice entails high operating costs and limits domestic ownership.

Productive sectors, i.e. mainly agriculture, have not been prioritized in the 2011 budget. The share of the natural resources function in the budget was 5%, while almost 80% of the population lives in rural areas, mainly engaged in agriculture and livestock. Execution was particularly problematic at 2% of total expenditures. This represented only a modest increase of the allocated expenditure, compared to previous budget years, and a reduction in USD equivalent terms. It is important to note that while the share of public spending on agriculture is important for the sector, public spending on other sectors such as education, roads and water, for example, also supports the development of agriculture.

Figure 11: Allocation of Expenditures by functions: 2011 budget.

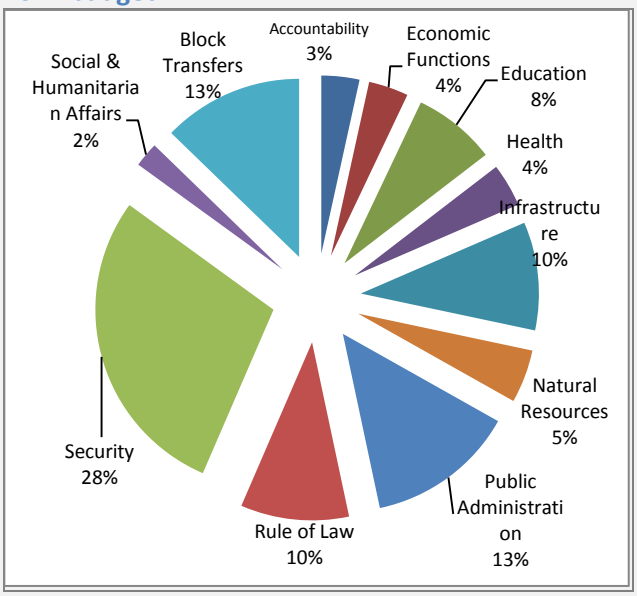
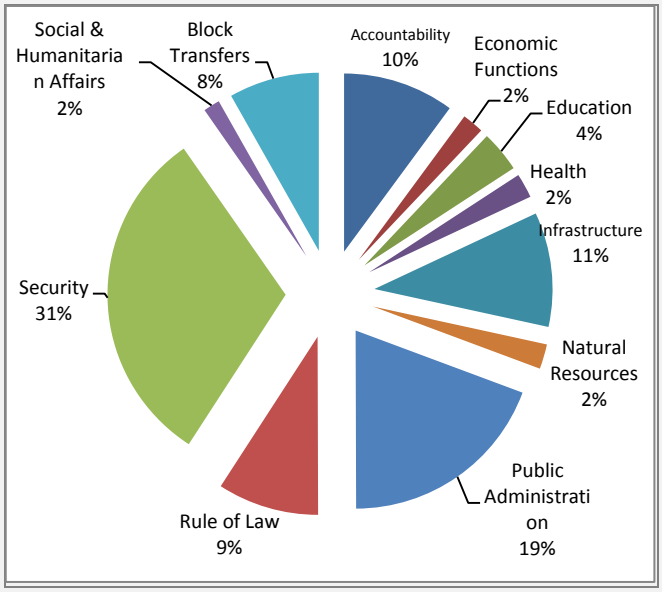


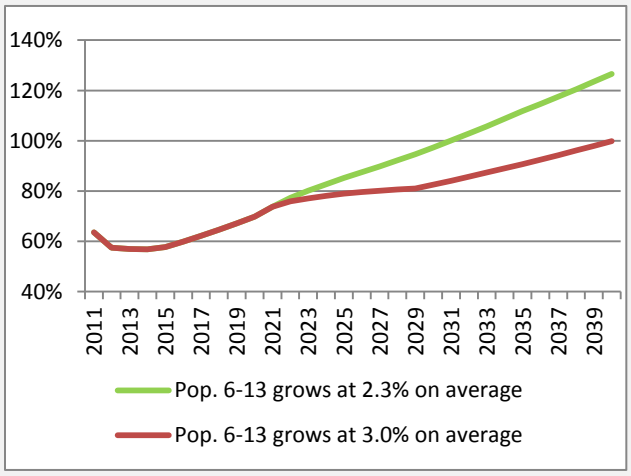
Figure 12: Allocation of Expenditures by functions: 2011 outturn.



3.2. Achievement of long-term strategic objectives on education and health

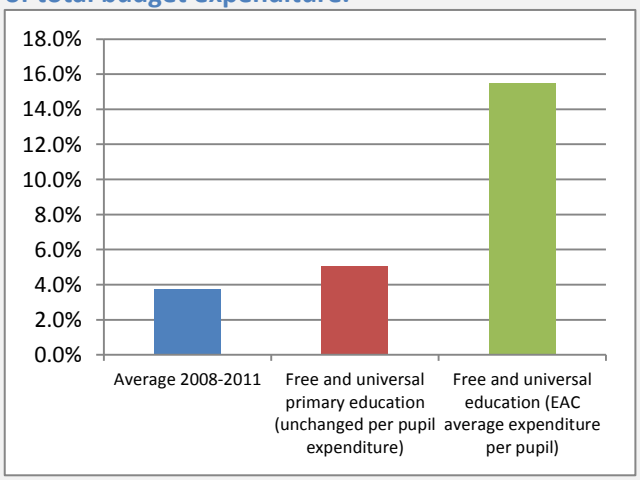
This sub-section projects the analysis of the previous pages into the future by asking whether continuing the current expenditure policies is consistent with attaining South Sudan's objectives for primary education and health spelled out in Vision 2040.

Figure 13: Gross Enrollment Ratio.



Source: NBS, "Education in the Republic of South Sudan", The World Bank, 2012, EMIS 2011 and World Bank staff estimates and projections.

Figure 14: Budget for Primary Education, in percent of total budget expenditure.



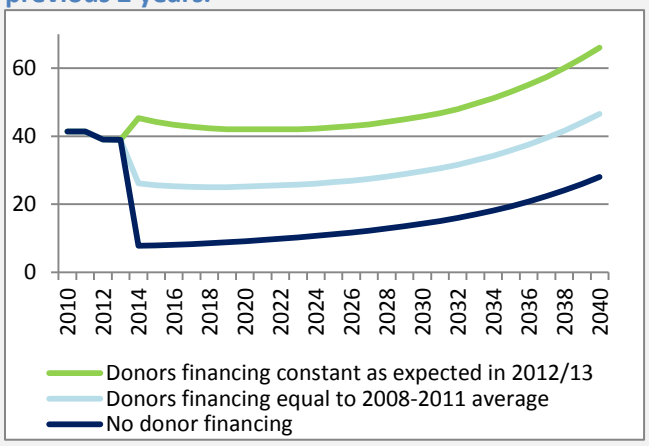
Source: World Development Report, NBS, EMIS 2011 and World Bank staff estimates and projections.

Through simple macroeconomic, unit cost, and population assumptions (see Annex 1 for detailed assumptions), projections show that it will take South Sudan a generation, under current policies, to reach gross enrollment rates (GER) for primary education similar to today's EAC average, which is

slightly below universal primary education. Under the assumptions of constant expenditure per student for primary education (see Figure13, including donors' financing), constant share of expenditure for primary education in total budget expenditure and growth of pupils aged 6-13 averaging between 2.3% and 3%, the GER is expected to increase above 2011 level of 64% only in 2018, reach 100% in 2031 and the average for EAC countries (127%, see Figure 14) only in 2040. Higher population growth would slow down the catch-up, unless more resources are destined to primary education.

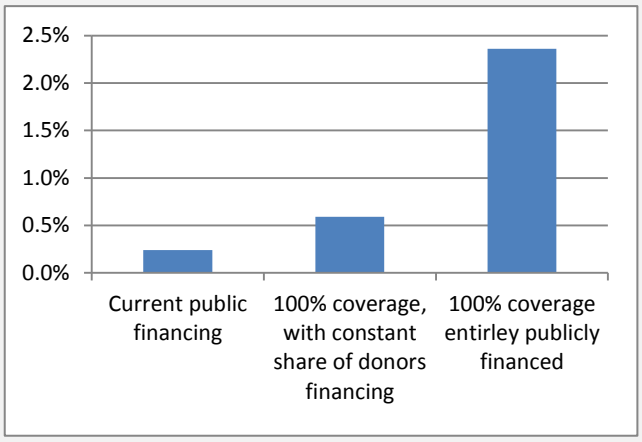
Projections for the Health Sector, (see Annex 1 for the underlying macro, population and budget assumptions), show that the percent of women receiving ante-natal care would not even approach the EAC average in the next 30 years if additional resources are not provided. According to the 2010 NHBS, only 44.4% of pregnant women have at least one ante-natal visit before delivery. Under the assumption of no increase in the efficiency of delivery of PHC services and that donors would continue to finance about 80% of health expenditure, as in FY2012/13, the percentage of women receiving pre-natal visits would increase to 63% by 2040. If donors support decreases to the average for 2008-2011 (about 70% of total PHC expenditure), given plausible projections of total fertility rates, there would be a large drop in the percentage of women accessing ante-natal services, and more so if donors support would not be available (see Figure 15).

Figure 15: Women receiving one or more ante-natal visit, in % of women giving birth in the previous 2 years.



Source: 2010 Household Health Survey, NBS; GRSS 2011 budget; World Bank staff estimates and projections.

Figure 16: Budget for ante-natal care in 2010, in percent of total budget expenditure.



Source: 2010 Household Health Survey, NBS; GRSS 2011 budget; World Bank staff estimates and projections.

4. The budget as an instrument to deliver quality basic services to the population at large

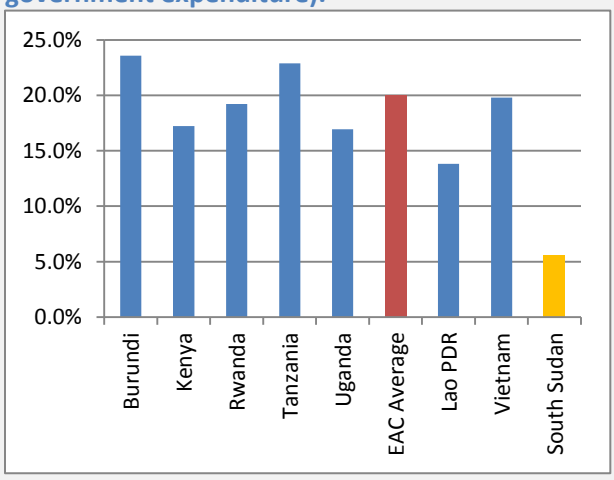
This section looks at how much South Sudan is getting in terms of service delivery from its public expenditures in education and health.

4.1. Education expenditure

This section analyses the education budget of GRSS and how it relates to the achievement of key indicators of access to primary education. It compares GRSS education budget and key education indicators with countries in the East African Community (EAC) and other Low Income Countries (LICs).

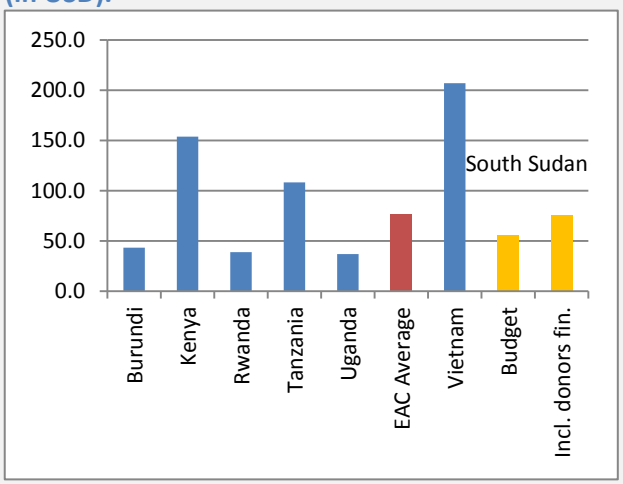
Overall spending in absolute per-capita terms on education in South Sudan is not low compared to countries in the EAC, but it accounts for a much lower share of the government budget. According to the latest available budget data, on average EAC countries invest 20% of their budget in education, compared to 5% in South Sudan (see Figure 17a). Among the other comparator countries, Laos, the poorest among the East-Asian Countries invests 14% of total expenditure, while Vietnam, the fastest growing East-Asian LICs invests almost 20%. Average spending per student in *primary* schools in current USD, as measured over the period 2008-2011, is comparable to that of other EAC countries (Figure 17b) if donor contributions are accounted for.

Figure 17a: Public spending on education (% of government expenditure).



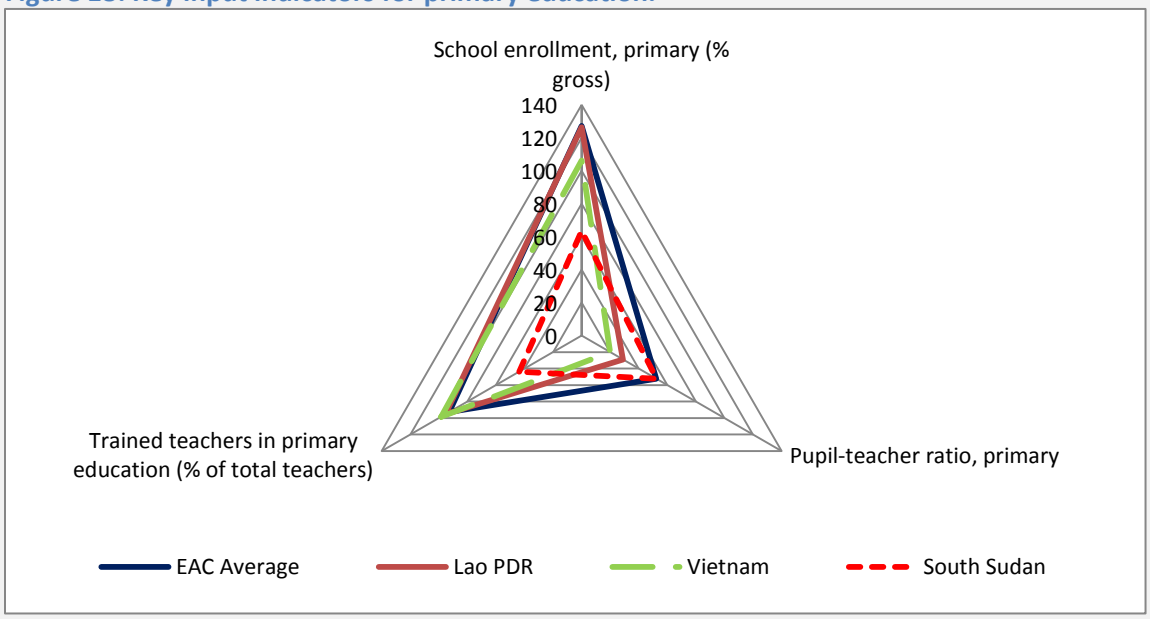
Note: For South Sudan, average 2007-2011, including Donors' financing, for all other countries, average 2006-2010.Source: World Development Report; 2012/13 Approved Budget and NBS.

Figure 17b: Expenditure per student, primary (in USD).



Note: For South Sudan, average 2008-2011, for all other countries, average 2006-2010. Source: World Development Report; 2012/13 Approved Budget, NBS, and World Bank staff estimates.

Figure 18: Key input indicators for primary education.



South Sudan lags behind in terms of gross primary enrollment. GER in South Sudan was 64% in 2011, half of the average for EAC countries and Laos and well below Vietnam's.

Even though unit costs for primary education in South Sudan are comparable to the average for EAC, low gross enrollment rate and a prevalence of untrained teachers are likely to have significant implications for learning quality. South Sudan has a number of pupils per teacher comparable with the average for EAC countries, but it has a much lower percentage of trained teachers in primary schools. Actually, only 44% of primary school teachers are considered trained in South Sudan, compared to more than 90% for all other countries. Also, about 40% of teachers are volunteers and therefore not on the Government payroll, a situation that reduces costs, but is hardly sustainable. There are also wide disparities in the resources available to the different states, which results in wide differences of per student spending in primary schools (see *Education in the Republic of South Sudan, 2012)*.

Figure 19 Share of Education in Total Expenditure, 2006-2012.

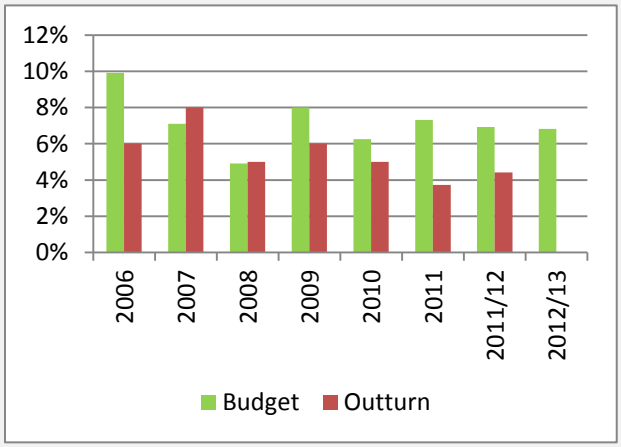
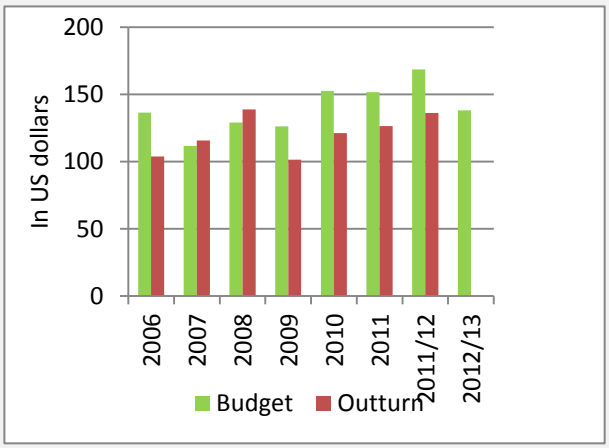


Figure 20 Total Expenditure in Education, 2006-2012.



After the remarkable progress in the early years of the CPA, the recent trends in the education sector are not particularly encouraging, as a number of indicators in the education sector have deteriorated since 2009. In South Sudan, demand for school has increased rapidly. Primary enrollment has doubled from 0.7 million in 2005 to 1.4 million in 2009 and then remained constant until 2011. The GER decreased from 72% in 2009 to 63% in 2011 (for 8 year cycle). The pupil-teacher ratio (PTR) slightly increased from 52.0 in 2009 to 52.4 in 2011; the pupil-classroom ratio decreased from 129.5 in 2009 to 124.7 in 2011, and from 2010 to 2011, the pupil-textbook ratio has worsened from 4.0 to 4.9 for English textbooks and from 4.1 to 4.8 for math textbooks.

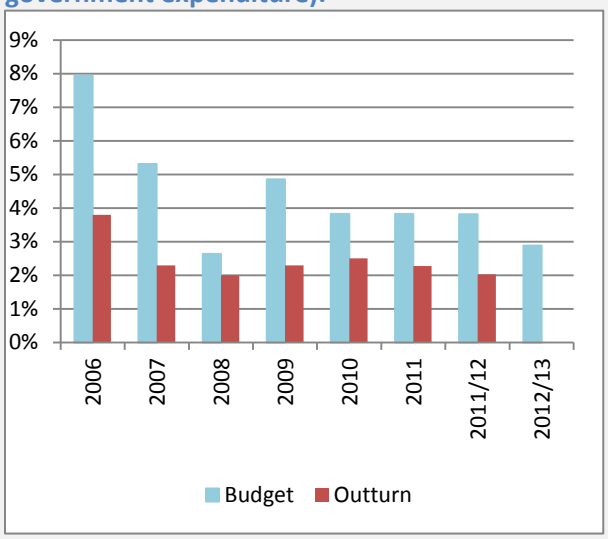
Moreover, in education budget allocations have been trending downwards, and budget outturns were always lower than initial budget allocations. Budget outturns for education, including higher education and transfers to States, have varied from a maximum of 8% in 2007 to a minimum of 4% in 2011. Budget allocations were on average 2 percentage points higher than final outturns (see Figure 13). Since 2009, the budget outturns, in U.S. dollar terms, were always lower than the approved budget allocation, despite significant increases of the actual overall public expenditure with respect to the approved total budget.

Overall, relatively low, and declining, education expenditures, in face of growing demand for education, mean education is provided to still too few South Sudanese children and with lower-quality human and material inputs. It would appear that the current spending levels and composition of public expenditures for education are not putting the country on the path to achieve neither universal nor quality primary education.

4.2.Health expenditure

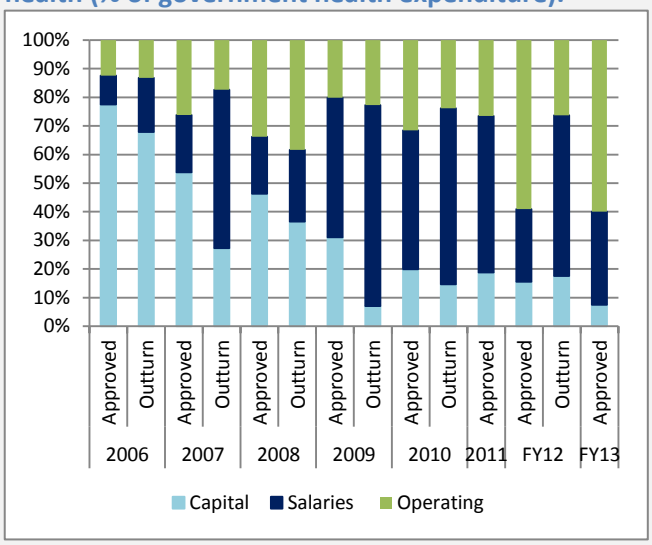
Government budget expenditure in health has been declining since 2006, per capita spending is low and budget execution averages only 65%. Since 2010, the share of health in the budget has been below 4%. In FY2012/13 health expenditure has declined further to 3% of public expenditure. The share of capital expenditure in health expenditures averaged less than 19% since 2009, and has been further reduced to less than 6% (i.e. 5.3%) in the FY12/13 budget. Budget outturns deviated from the approved budget by 65% on average over the period 2006-2012 (see Figure 21). In addition, the share of capital budget outturn has been consistently below the approved one, which could undermine the planning and financing of investment in health facilities.

Figure 21: Public spending on health (% of government expenditure).



Source: GRSS Approved Budget Documents.

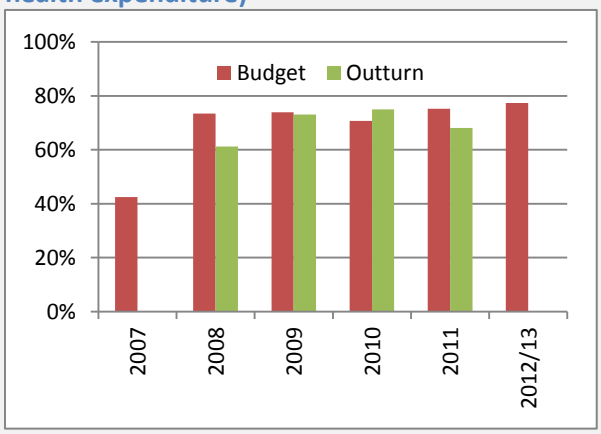
Figure 22: Recurrent and capital expenditure in health (% of government health expenditure).



Source: GRSS Approved Budget Documents.

Since 2009, donors have been financing more than 70% of total expenditure for health. The share of donors financing has remained constant over time, ensuring the delivery of basic health services in the States. However, as argued further below, the dependency on donors poses a problem for the type of health system that the GRSS will choose to develop and the financing that will be necessary to offer free primary health care, as stated in the South Sudan Transitional Constitution, 2011.

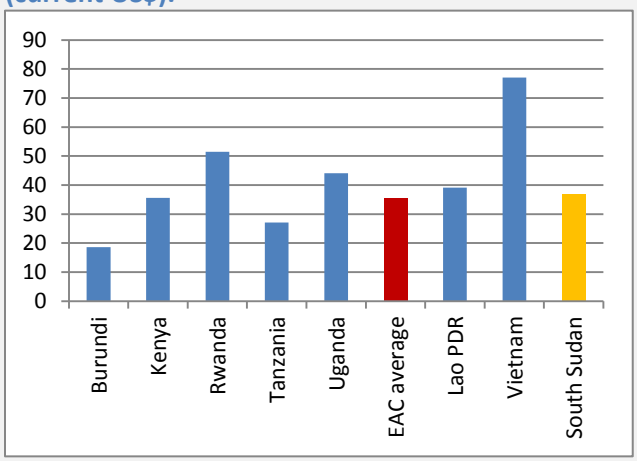
Fig. 23: Donors financing for health (% of total health expenditure)



Source: GRSS, Approved Budget Documents; NBS.

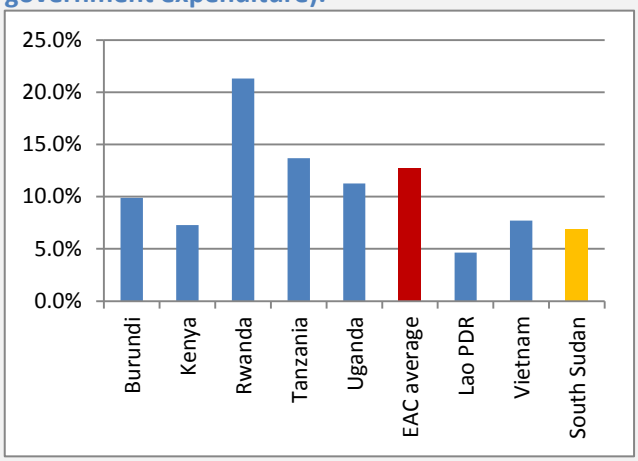
The total public and private health expenditure in 2009 was comparable to other EAC countries, but the share of health expenditure in the budget is about half of that of the EAC average. In 2009, private spending on health care roughly equaled government spending, and consequently wealth is a crucial determinant of health outcomes. Thanks to continued donor financing, the GRSS has been spending much less than the EAC average. Given its context, South Sudan needs to exceed its neighbors' spending in order to achieve the same outcome.

Figure 24: Health expenditure per capita, 2009 (current US$).



Sources: World Development Report, The World Bank; for South Sudan, approved budgets of the Government of Southern Sudan, 2010 and NBHS, 2009.

Figure 25: Public health expenditure (% of government expenditure).

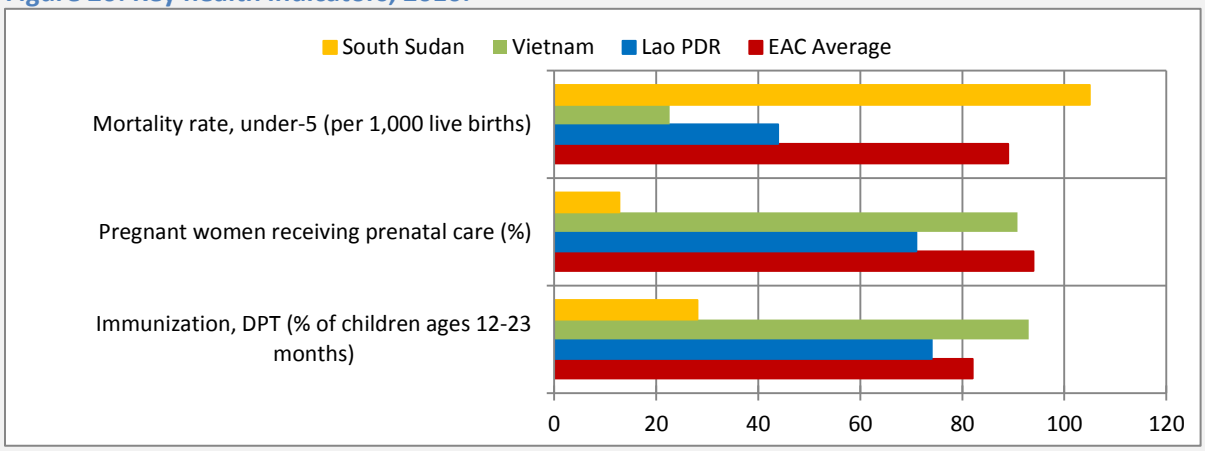


Note: for South Sudan, average 2007-2011; for all other countries, average 2006-2010. Sources: World Development Report, The World Bank; for South Sudan, approved budgets of the Government of Southern Sudan, and GRSS.

The country has made impressive progress in provision of basic health services since the signing of the CPA but still faces massive challenges. In 2006, one year after the signing of the CPA, under-five mortality rate was 135 per 1000 live births and decreased to 105 per 1000 live births by 2010. Infant mortality rate was estimated at 75 per 1,000 live births in 2010; this is compared to 102 per 1,000 live births in 2006. Among women of reproductive age with a pregnancy, skilled birth attendance (births attended by a doctor, nurse midwife or village midwife) increased from 41% of live births between 2004 and 2006 to 48% between 2008 and 2010. This result was driven by an increase in the number of births delivered by nurse midwives, medical assistants and health visitors. The gains in professional support during childbirth, however, have been limited primarily to women in urban areas. On average, health interventions for children under the age of five reach about 50% of children in need. Between 2006 and 2010, the nutritional status of South Sudan's children improved.

Despite the dramatic improvement in health outcome indicators, since the signing of the CPA, South Sudan still lags far behind its EAC neighbors and other comparator countries. Under-five mortality rate remains well above EAC average. The number of pregnant women receiving health services is extremely low, only 12.8%, compared to EAC average of 94%. Only 28% of infants are immunized against DPT, compared to an average of 82% in the EAC.

Figure 26: Key health indicators, 2010.



Sources: World Development Report, the World Bank; for South Sudan. NBS.

Overall, the health sector has experienced positive developments since the CPA, but the government budget seems to have played a relatively minor role, as most of the sector is financed by donors and most health operations are managed by non-government actors. It is unlikely that the current structure and level of funding will allow South Sudan to see significant further progress in the health status of the population, and it would leave any potential for improvement in the hands of donors to continue and/or expand their health programs.

Section's Take Away

Since the signing of the CPA in 2005, the government has been able to guarantee significant improvement to the health and education status of the population.

The current level and composition of public expenditures in these two sectors is however insufficient to guarantee that similar progress will be achieved in the 5 first years of independence, as relatively low and declining budget shares translate into insufficient levels and low quality of service delivery, while high reliance on donor funding limits the ability of the government to influence these sectors.

The government needs to create the conditions (PFM safeguards and capacity for service delivery) for donors' money to be channeled through, and align with, the government budget to support local service delivery through country systems. This would reduce operating costs and ensure domestic ownership of the health sector

5. Key Policy Issues

This section discusses the key policy implications of the analysis carried in the note.

5.1 South Sudan Budget as an instrument of stability and economic growth

It would be important for the government to reach a broad and firm internal consensus on an explicit medium-term fiscal policy framework that recognizes that the aggregate parameters of fiscal policy are of critical significance for state security and economic stability. Given the extremely volatile security situation in which South Sudan operates, the fiscal policy should be able to set aside fiscal reserves to allow the country to weather political and economic shocks, and curb the inflationary impact of current fiscal policy. The level and growth of public expenditures should be determined as to be consistent with low inflation and an appropriate debt and exchange rate policy.

There is need for strict adherence to budget discipline, especially to implement the commitment control reforms measures embodied in the FY2012/13 Budget Speech. Since the signing of the CPA in 2005, expenditures have been driven by available revenue rather than by sticking to planned expenditure levels. The government commitment to enforce control measures introduced in the FY2012/13 budget is to be highly commended, and their effective implementation will be a critical element to monitor.

The government will want to put effort in finding an internal consensus to start an agenda of policy reforms aimed at reducing the very huge public wage bill in South Sudan, as a prerequisite for funding capital and social expenditures at satisfactory levels. In order to reverse the decline in the growth orientation of the budget, by increasing the share of capital expenditures, there is a need to look for creative and bold initiatives to reduce the weight of the wage bill, in a way that is consistent with security considerations, and with the role of public wages as an instrument of national and soci-economic cohesion. Rationalizing operating expenditures is also important.

5.2 South Sudan Budget as an instrument to meet its national strategic objectives of delivering quality basic services to the population.

This note shows that the current pattern of public expenditures, if left unchanged, will not allow meaningful gains in social outcomes in health and education over the foreseeable future. The Government would want to review whether the current arrangements in terms of strategic planning, budget preparation, and the link between these, are sufficient to tackle the challenges of reallocating expenditures towards development and achieving quality service delivery. South Sudan has developed a long-term vision, a shorter-term South Sudan Development Plan, and a well-designed process of budget preparation. As important and well-run these processes are, the Government needs to ascertain whether, in the current operating environment, they will be able to deliver a radically different pattern of budgetary spending, attuned with the Government's strategic objectives.

As oil revenues are expected to start flowing again, the government will have the opportunity to implement appropriate fiscal arrangements to fund development expenditures. The government has finalized an oil revenue management bill which operationalizes a constitutionally-mandated future generation fund. It will be important to allocate a portion of this fund to invest in the human capital of the country, while ensuring competent and transparent management of the service delivery chain.

Annex 1. Assumptions underlying projections of primary education and primary health care

Macroeconomic assumptions

- Real GDP growth projected at 5% from 2013 to 2040;
- Overall budget expenditure expected to remain 18% of GDP, equal to the average 2008-2011.
- All variables are expressed in 2009 prices.

Population assumptions

- Total population projected to grow at 4.5% on average during 2012-2015 as projected by NBS, including a net migration rate of 1.9% a year; population growth would drop to 2.5% from 2016 to 2040.
- Under 5 mortality rate projected to remain at 105 per 1000 per live births; mortality rate projected to be 1 percent afterwards;
- Total fertility rate would decline from 4.7 in 2012 to 4.3 in 2015, as projected by NBS. It would gradually reach 2.1 by 2040, equivalent to a reduction of the total fertility rate by 1 every 15 years.

Primary education

- Unless otherwise stated, budget for primary education projected to remain constant at 3.8 percent, corresponding to the average for 2007-2011 in percent of total budget expenditure;
- Primary teacher salary expected to remain constant at SSP 4,932 per year as in 2009;
- As a result of the population assumptions above, population aged 6-13 will grow at 2.3 percent, unless otherwise stated.

Primary health care

- Unless otherwise stated, the average per-capita cost of PHC is estimated equal to the PHC 2010 budget divided by the sum of the number of women age 15-49 receiving ante-natal care and children under 5 receiving treatment or vaccination, derived from the 2010 Household Health Survey.
- According to the assumption above, ante-natal care amounts to 10% of the 2010 PHC budget both for the GRSS and for the donors. This share would remain constant for the projection period.
- The total GRSS budget for PHC is projected to amount to 2% of total budget for GRSS, equal to the average budget outturn from 2008 to 2011.
- Donors' resources for PHC would amount to 20% of donors budget in 2014, equal to the average budget outturn from 2008 to 2011, and remain constant in real terms during the projection period.