



GOVERNMENT OF THE REPUBLIC OF SOUTH SUDAN

2015/2016 BUDGET SPEECH

Presented to the National Legislative Assembly

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INTRODUCTION

- 1 Right Honourable Speaker, Honourable Members of the National Legislature, in accordance with article 88 (1) of the Constitution, please allow me to present the 2015/16 draft national budget to you.
- 2 As required by the Public Financial Management and Accountability Act 2011, this draft budget proposal is accompanied by the draft Appropriation Bill for 2015/16 and a statement of the overall indebtedness of the Government of the Republic of South Sudan.
- 3 This draft budget proposal sets out our estimated resource inflows for 2015/16, and our planned expenditures. These expenditures are presented as ceilings by chapter for each spending agency. They have been discussed with the Under Secretaries and Executive Directors of spending agencies, and approved by the Council of Ministers. Following the appropriation of these ceilings by this August House, spending agencies will be required to break them down by line item for the Approved Budget Book.

CONTEXT OF THE 2015/16 BUDGET

- 4 Mr. Speaker Sir, the 2015/16 budget estimates have been prepared under extremely challenging circumstances. The substantial decline in oil prices and the ongoing conflict has reduced our available resources, while the cost of running government activities continues to increase. As a result the budget for the 2015/16 fiscal year is seriously constrained.
- 5 Mr. Speaker Sir, the fall in oil prices is not just hurting our budget, it is also hurting our economy. Lower oil prices mean less revenue for the Government, and they also mean fewer dollars in the market for exchange. If we could borrow externally, we would be able to alleviate the pressure in the market by accessing additional dollars, while also closing our fiscal gap. However, external financing has not been forthcoming, and therefore we have had to rely on domestic financing from the Bank of South Sudan. This has helped us maintain our expenditures, but cannot help us address the shortage of dollars, which is driving the current depreciation in the parallel

exchange rate. We are now also starting to see the beginning of the inflationary impact of this depreciation. In May, the National Bureau of Statistics reported annual inflation of thirty eight percent (38%), which is a painful burden for households that have not seen any nominal increase in their incomes over the past year.

- 6 Mr. Speaker Sir, it is evident to me that only a lasting peace settlement, that recognizes the fiscal context, can return our country to a sustainable fiscal path and revive the economy. In order to support a lasting peace settlement, the Ministry of Finance and Economic Planning has developed a three-year (2015-2018) strategic work plan for the government under the theme of: "Peace, Good Governance and Prosperity for All". This strategic work plan is based on South Sudan Vision 2040 and is a comprehensive framework of goals, objectives and performance targets for a period of three years, starting in 2015, and culminating with elections in 2018.
- 7 It prioritizes achieving peace and reconciliation, good governance and strengthening justice, enabling basic social service delivery, security and conflict resolution, infrastructure development, economic and financial management reform, and conducting a population census as a necessary step towards holding elections in 2018.
- 8 Mr. Speaker Sir, Honorable Members of the National Legislature, I recognize this plan is ambitious under the current circumstances, but I also believe that the priorities I have outlined are of the utmost necessity in the achievement of a lasting peace settlement. The 2015/16 budget is the first year of implementing this plan. However, as I have previously stated, our resources remain constrained until peace is achieved. As such, in 2015/16 we will pursue those priority activities that lay the groundwork for successful implementation of all of the priorities of the strategic plan by 2017/18.
- 9 Mr. Speaker Sir, the budget which I am presenting is a lean budget. We will use our limited resources to keep the government running and endeavour to provide core services to all communities of South Sudan, while seeking sources of financing externally and domestically to cover our deficit. We will also double our efforts to improve the sustainability of our finances through

meaningful public financial management reform in the areas of human resource management, procurement and non-oil revenue collection.

10 Mr. Speaker Sir, I wish to repeat, that the achievement of peace is the only way to return the country to a sustainable path of economic development. The cessation of hostilities will allow us to increase our oil and non-oil revenues, and access external financing. However, we cannot expect improvements in our fiscal situation overnight. It will take time to scale up oil production and for the economy to recover, while there will also be immediate costs associated with a peace settlement which will precede any subsequent scope for expenditure reduction through measures such as security sector reform.

11 Mr. Speaker Sir, I will submit a supplementary budget once peace is achieved to reflect the changed circumstances, but our trajectory will remain unsustainable if we cannot rationalise our current spending.

REVIEW OF 2014/15

12 Mr. Speaker Sir, before I lay out our budget estimates for 2015/16, let me give you an overview of our revenues and expenditures during the current financial year, what we have achieved and the challenges we have faced.

13 Mr. Speaker Sir, Honorable Members of the National Legislature, when the budget for 2014/15 was presented to this august house last year, we expected our net oil revenues to amount to eight billion eight hundred ninety nine million pounds (SSP 8,899 million) for the fiscal year. Non-oil revenues were expected to amount to two billion six hundred and fifty four million pounds (SSP 2,654 million). Grants from donors were expected to be one hundred and fifty eight million pounds (SSP 158 million). It was further expected that we would restructure our debt position by borrowing externally to repay domestic borrowings, reducing overall debt outstanding by four hundred and thirty three million pounds (SSP 433 million).

14 These estimates enabled this august House to approve a budget which contained nine billion five hundred and thirty two million pounds (SSP 9,532 million) in agency spending, an arrears fund of eight hundred million

pounds (SSP 800 million) for the payment of arrears, an emergency contingency fund of two hundred and fifty million (SSP 250 million) and an appropriation for interest repayments of two hundred and sixty million (SSP 260 million).

15 Mr. Speaker Sir, on a monthly basis we were expecting our combined revenues from oil and non-oil sources to average nine hundred and sixty three million pounds (SSP 963 million) per month, of which seven hundred and forty two million pounds (SSP 742 million) was expected to come from oil revenues and two hundred and twenty one million pounds (SSP 221 million) from non-oil revenues. These inflows were estimated to be more than sufficient to cover expenditures of nine hundred and four million pounds (SSP 904 million) per month.

16 Mr. Speaker Sir, our 2014/15 oil revenue estimates were based on an oil price of ninety dollars (USD 90) per barrel, at a time when the global oil price was trading at almost one hundred and fifteen dollars (\$115) per barrel. We thought this was prudent. But no sooner had the budget been approved by this August House, than the global oil price started to decline dramatically, on an unanticipated scale. By January this year, it had fallen to a low of forty six dollars (USD 46) per barrel.

17 Mr. Speaker Sir, when the oil price is this low, the Government of South Sudan's net oil revenues are badly affected, given our obligations to Sudan, which require us to pay twenty four dollars (USD 24) per barrel to Khartoum irrespective of the global oil price. By the third quarter, our net oil revenues amounted to just one hundred and sixty two pounds (SSP 162 million) per month, as compared to six hundred and ninety six million pounds (SSP 696 million) in the first quarter. Although we made significant and sustained efforts to improve our non-oil revenues, they were far from sufficient to close the gap, leaving us with a deficit of more than six hundred million pounds per month (SSP 600 million) against our planned expenditures. This left us with little choice but to cover the deficit by borrowing domestically from the Bank of South Sudan.

18 Mr. Speaker Sir, global oil prices have recovered somewhat since the third quarter, and are currently at sixty five dollars per barrel. However, we have

not yet seen a significant improvement in our net oil revenue inflows, as the Government's share of total oil production has fallen as a result of the decline in the oil price, and we are also currently clearing payment arrears to Sudan.

19 Non-oil revenue collections have increased throughout the year from an average of ninety one million pounds (SSP 91 million) per month in the first quarter to one hundred and sixteen million pounds (SSP 116 million) in the third quarter. This represents an almost forty percent (40%) increase in collection levels compared to 2013/14.

20 Mr. Speaker Sir, the increase in non-oil revenue collections is the result of administrative reforms implemented by our revenue generating institutions, to modernize non-oil revenue collection and increase compliance. These administrative reforms have included; rolling out the use of commercial banks for the payment of taxes and customs duties; the deployment of Ministry of Finance accountants to various revenue collecting units; the opening of customs stations at border posts in Eastern Equatoria, Central Equatoria and Northern Bahr El-Ghazal states. However, although non-oil revenue is increasing, it remains significantly below the 2014/15 budget forecast, which was described as ambitious by my predecessor, and with the benefit of hindsight, was overly optimistic.

21 Mr. Speaker Sir, the outturns that are tabled in the draft budget summary tables for 2015/16 are for the first three quarters of the year, up to the end March 2015. It is important to note that the expenditure figure of eight billion seven hundred and thirteen million pounds (SSP 8,713 million) includes salaries and state transfers for May and June, of the previous financial year that were deferred to July of this financial year. These one-off payments aside, spending is currently averaging nine hundred million pounds a month (SSP 900 million), as per the budget estimates.

22 Mr. Speaker Sir, indeed I cannot tell you how difficult it has been to execute the 2014/15 budget amidst pressure from spending agencies and revenue shortages. However, we have endeavored to prioritize the payment of salaries and transfer to states. But we must also recognize, that beyond the security and humanitarian costs of the current crisis, there has been

widespread fiscal indiscipline, leading to wasteful spending of scarce resources. These factors have led to an increasing wage bill and less resources available for the operating costs of many spending agencies. One of my first acts as Minister was to address this issue by guaranteeing spending agencies a monthly minimum threshold to cover their essential operating costs.

23 Mr. Speaker Sir, in spite of current fiscal difficulties, our efforts to improve services at the local level have continued, the crisis notwithstanding. We have successfully executed service delivery transfers for schools and hospitals in the amount of forty eight million pounds (SSP 48 million) and sixty million pounds (SSP 60 million) respectively. We have also executed transfers to education and health service delivery units at the county level in the amounts of sixty million pounds (SSP 60 million) and ten million pounds (SSP 10 million) respectively. Ensuring that more resources and services reach communities all over South Sudan is one of the priority areas of the Three-Year Work Plan, and we are therefore committed to continuing with this agenda.

PRIORITIES FOR 2015/16

24 Mr. Speaker Sir, let me now turn to outlining the priority areas of the Three Year Work Plan, and those that I propose to initiate in 2015/16.

25 The overarching priorities for 2015/16 are to achieve peace and begin the process of reducing the deficit to sustainable levels over the medium term, a process that can only be completed if a lasting and fiscally sustainable peace settlement can be achieved. I believe that introducing austerity now, in an attempt to stabilise our finances in advance of peace, would be counterproductive, and have therefore prepared what I consider to be a lean budget. This lean budget keeps non-essential expenditures to a minimum, while prioritizing our first steps towards implementation of the Three-Year Work Plan.

26 Mr. Speaker Sir, the Three-Year Work Plan has been formulated with the purpose of achieving peace and fiscal sustainability. While achieving reforms in the current context will no doubt be challenging, I believe that

with the help of this House, there are a number of actions we must take in order to lay the foundations for peace and fiscal sustainability. I have shaped proposals for the management of Government finances accordingly, which I will now explain to you.

27 Mr. Speaker Sir, we are making progress towards the establishment of a National Revenue Authority. This House has completed two readings of the Revenue Authority Bill, and I would hope that the third reading and passing of the legislation is now imminent. I have just described how the reforms carried out to date have resulted in a forty percent (40%) increase in revenues compared to last year. Further modernisation of revenue administration will help us maximize collections, minimize leakages and reduce the cost of doing business in South Sudan, making us less dependent on volatile oil revenues. I encourage you to proceed as quickly as possible in passing the National Revenue Authority Bill.

28 Mr. Speaker Sir, approximately fifty percent (50%) of expenditure during the first three quarters of the 2014/15 fiscal year has been on the salaries chapter, and this has continued to rise throughout the year. When the salaries component of State transfers is included, the figure rises to almost sixty percent (60%). This is a heavy payroll burden in fiscally constrained times, yet agencies continue to employ more staff with total disregard for their nominal rolls and the proper civil service hiring procedures. In order for our government to achieve a more sustainable fiscal position, we need to address the issue of the public sector payroll. All arms of Government should form a consensus around this issue, and mandate the Ministry of Finance and Economic Planning and the Ministry of Public Service and Human Resources to address the challenges and inefficiencies we have in the payroll once and for all.

29 Making cuts to salaries, as we did during the oil shutdown, is not a strategy for achieving long-term fiscal sustainability, given that salary levels are now very low in real terms. We can only achieve fiscal sustainability by reducing the number of people on the payroll. My Ministry and the Ministry of Public Service and Human Resource Development, are therefore commencing a process of reforming the public sector payroll. The first step

will be to screen the payroll and remove any ghost workers. The next step will be to rationalize the remaining numbers on the payroll. A process of retrenchment and compensation will have to be implemented for those staff that are no longer required, so that they have sufficient funds to transition to a new livelihood. At the same time all staff to be retained must be placed on the South Sudan Electronic Payroll System.

30 Mr. Speaker Sir, this is a daunting task, and one that cannot be achieved without the full support and cooperation of all the organs of government, and with support from our development partners in terms of technical assistance. It will be unpopular and difficult, but it is necessary. I can also say that there will be light at the end of the tunnel. For those staff that are not retained, there will be compensation packages and opportunities in other sectors of the economy particularly in construction and agriculture. For those who are retained, we will be able to pay them with a wage that is commensurate with their education and skills.

31 Mr. Speaker Sir, I must also note that security-related salaries, including the army and the organised forces, account for over sixty percent (60%) of our salary expenditures on a monthly basis, including the salaries component of conditional State transfers. Therefore, any measures to manage our civilian payroll must, once there is peace, be accompanied by measures to reform the security sector. This is clearly laid out in the Three-Year Work Plan.

32 Mr. Speaker, Sir, my comments so far have addressed the salary component of our expenditures. But I must note that there is currently limited scrutiny of public procurement, which is affecting the credibility of our budget execution when it comes to operating and capital expenditures. I appeal to this house to pass the Procurement Bill at the earliest possible opportunity. Passing this legislation will ensure that the Ministry of Finance and Economic Planning has the requisite powers to ensure that contracts are awarded competitively, to credible suppliers, on the basis of value for money, and within the limits of available resources. This legislation will introduce sanctions for non-compliance with procurement

procedures, and establish centralized committees to provide oversight for procurement and contracting duties.

- 33 Lack of enforceable procurement legislation, also contributes directly to the accumulation of arrears. This is a growing problem which needs to be addressed. In 2015/16 we will make a concerted effort to determine the actual size of legitimate arrears claims, and establish a plan for reducing the balance over the medium term.
- 34 Mr. Speaker Sir, as I have mentioned before, and wish to reiterate again, the overarching goal is to achieve peace and fiscal sustainability. The reforms I have outlined thus far are aimed at creating the fiscal space necessary for the development expenditure that will make peace attractive. In 2015/16 we will prioritise spending on those activities that will alleviate and reverse the negative impacts of conflict and lay the foundations for achieving peace.
- 35 Mr. Speaker Sir, the depreciation of the currency has eroded the value of real wages. As I have mentioned previously, I do not see cuts to salaries as a fiscally sustainable strategy. I am therefore maintaining spending on basic salaries and allowances at their current levels as a priority. The sooner the Ministry of Finance and Economic Planning and the Ministry of Public Service is given a mandate to reduce the payroll, the sooner we can bring the salaries chapter into line with what is fiscally sustainable over the medium term.
- 36 In 2014/15, cash shortages and spending pressures associated with the current crisis have meant that most agencies have been unable to access sufficient funds to execute their operating budgets. This is an issue I took steps to address once taking up my position in the Ministry, by guaranteeing agencies a monthly minimum threshold for their essential operating expenses. These monthly minimum thresholds form the basis for the operating budget.
- 37 Mr. Speaker Sir, a number of agencies have been given additional operating budget beyond these levels to achieve certain priorities which are essential for laying the groundwork for a lasting peace settlement.

These include allocations to; the National Bureau of Statistics to continue the preparatory work to conduct a national census; the Ministry of Commerce for the establishment of an EAC Secretariat which will continue the process of gaining accession to the East Africa Community; the Ministry of Education for examinations, school feeding, students studying abroad, and Teacher Training Institutes; the Ministry of Health for the procurement of pharmaceuticals, hospital feeding and training of health workers; the Ministry of Agriculture for the transport of tractors; and the National Constitution Review Commission for the drafting of the new constitution.

- 38 The operating budgets of priority agencies have been largely maintained. These include agencies in the security, rule of law and public administration sectors, as well as the Ministry of Finance and Economic Planning which requires operating expenditures to ensure tax and customs collections continue to increase. In order for funding to remain available for the priority activities I have mentioned, these agencies must play their part by keeping their operating expenditure within their budget ceilings.
- 39 Mr. Speaker Sir, a key priority of the Three-Year Work Plan, is the expansion of the delivery of basic social services. As such I have maintained the 2014/15 transfer budget with an additional allocation of SSP 141 million for the Greater Pibor Administrative Area, as well as allocations to expand delivery of healthcare and education at the local level. In 2015/16 we will expand access to basic healthcare services by making an allocation for an operating grant for 250 Primary Health Care Clinics at the local level. We will also improve teacher performance, by providing an operating grant for Teacher Training Institutes.
- 40 Mr. Speaker Sir, it is imperative that we scale up agricultural production in the country, in order to improve food security and reduce our dependence on imports. We are taking the first steps in this direction by providing the Ministry of Agriculture and Forestry with an allocation for the transport of one thousand (1000) tractors to production centres throughout the country.

RESOURCE ENVELOPE ESTIMATES FOR 2015/16

41 Mr. Speaker Sir, let me now turn to the resource estimates for financing the 2015/16 Budget.

42 Our gross oil revenues are expected to amount to three billion one hundred and eighty Six Pounds (SSP 3,186 million). These estimates assume that the current production level in the Upper Nile fields will continue, and conservatively estimate that the global oil price will average fifty five dollars per barrel, thus yielding a benchmark price for South Sudan's oil of forty five dollars (USD 45) per barrel.

43 Mr. Speaker Sir, as I have already mentioned, we are required to pay twenty four dollars (USD 24) per barrel of oil to the Government of Sudan, to cover oil tariff and transit fees, and to meet our obligations under the Transitional Financial Arrangements between our two countries. Under the terms of the Petroleum Revenue Management Act, we are also required to pay a further five percent of our oil revenues to oil producing States and communities.

44 Mr. Speaker, Sir, taking these obligations into account, only thirty eight percent (38%) of our gross oil revenues remain available to us to finance the budget. As such it will once again not be possible to make allocations to the Oil Revenue Stabilization Fund and the Future Generations Fund, and the Council of Ministers agrees with me on this point. The net oil revenue available to finance the budget is therefore estimated at one billion two hundred and one million pounds (SSP 1,201 million).

45 Our estimate for non-oil revenues for the next financial year amounts to one billion seven hundred and seventy six million pounds (SSP 1,776 million). Sales tax, excise duties and customs duties together account for nine hundred and thirty eight million pounds (SSP 938 million) of this estimate, while the remainder is expected to come from Personal Income Tax, Business Profit Tax and other Government revenues, including fees and licenses. This estimate assumes that we will continue to improve the efficiency of our revenue administration, enabling revenues to increase by a third as compared to this financial year, in spite of the pressures our economy is currently under.

46 Mr. Speaker Sir, in summary, total Government revenues from oil and non-oil sources are estimated to amount to two billion nine hundred and seventy seven million pounds (SSP 2,977 million) for the next fiscal year.

47 In addition, in the next fiscal year we will also be fortunate to receive three hundred and thirty eight million pounds (SSP 338 million) from our donor partners. One hundred and twenty eight million pounds (SSP 128 million) will be received in the form of grants and two hundred and eleven million pounds (SSP 211) in the form of loans. The details are incorporated in the sector aid tables I have provided.

48 Mr. Speaker Sir, in summary, taking all of the above into account, the estimated resources currently known to be available for financing next year's budget amount to three billion three hundred and sixteen million pounds (SSP 3,316 million).

RESOURCE ALLOCATIONS FOR 2014-15

49 Mr. Speaker Sir, I am proposing a total budget amounting to ten billion six hundred and forty two million pounds (SSP 10,642 million) for 2015/16 allocated as follows. A provision of one hundred million pounds (SSP 100 million) will be allocated for interest payments on our outstanding debts. Ten billion two hundred and four million pounds (SSP 10,204 million) for spending by Government Agencies from Government's own resources, while three hundred and thirty eight million pounds (SSP 338 million) will be allocated to Government Agencies for projects financed by our development partners.

50 In terms of budget chapters, five billion five hundred and thirteen million pounds (SSP 5,513 million) will be allocated for the salaries of Government employees. This is the single largest chapter, and accounts for fifty four percent (54%) of the overall budget. Two billion seven hundred and twenty three million pounds (SSP 2,723 million) will be allocated to state transfers. One billion seven hundred and four million pounds (SSP 1,704 million) will be allocated to the use of goods and services, otherwise known as operating costs. Two hundred and fifty six million pounds (SSP 256

million) will be allocated to capital expenditures. One hundred and eight million pounds (SSP 108 million) will be allocated to other expenditure.

51 Mr. Speaker Sir, we are allocating just two point five percent (2.5%) of the budget to capital expenditure. However, during these difficult times we have to focus our efforts on maintaining security and the provision of basic social services. Once peace is achieved, we can commit to reducing the payroll, and the realignment of resources towards the development of South Sudan in future years. In fact Mr. Speaker, Sir, we have no choice. We must achieve peace, and implement a DDR program for the army and organized forces, and reform the entire government payroll. This will signal to international lenders that we are serious about getting our fiscal affairs in order, enabling us to access the long term external financing required to stabilize the exchange rate and develop the infrastructure and economy of the country. This is the clearest path towards creating jobs for those that can no longer be employed in the public sector.

52 Despite our current constraints, I am pleased that twenty seven percent (27%) of our budget is allocated to state transfers. The block transfer allocation of one billion one hundred and two (SSP 1,102 million) enables state governments to finance their running costs and support county development. The conditional transfers, which amount to one billion six hundred and forty four million pounds (SSP 1,644 million) caters for the salaries of teachers, health workers, water engineers, agricultural extension officers and the organised forces at state level. They also support local service delivery by providing, capitation grants to primary schools and operating grants to county education, health and water departments. Finally, the Ministry of Finance and Economic Planning has a transfer allocation of sixty six million pounds (SSP 66 million) for Government membership fees of international organisations.

53 Mr. Speaker, Sir, it is the intention of the Three Year Work Plan to maintain and expand support to local service delivery. I am pleased to announce that the conditional transfers I have outlined include new allocations that are targeted towards improved access and quality in education and health. These include twenty four million pounds (SSP 24 million) for operating

grants for two hundred and fifty (250) Public Health Care Clinics, and six hundred thousand pounds (SSP 600 thousand) for nine (9) Teacher Training Institutes. Over the next three budget cycles we must ensure that this funding to local service delivery continues to flow. I am also pleased that we continue to receive support in the area of local government service delivery from both the World Bank and the EU, although the EU's funding doesn't flow through Government.

54 Mr. Speaker Sir, let me now turn to our sectoral allocations. For the sake of time, I shall present the figures rounded to the nearest million pound, but exact figures can be found in the Draft National Budget Plan. The Accountability sector will receive two hundred and seventy nine million pounds (SSP 279 million) from government funds. This allocation includes operating funding to the National Bureau of Statistics for the priority of conducting a National Census in advance of elections. In addition the sector will receive forty five million pounds (SSP 45 million) from the World Bank through its Local Government Services Delivery Project. It will also receive a combined thirteen million pounds (SSP 13 million) from both the World Bank and the African Development Bank for capacity building in public financial management.

55 The Economic Functions sector will receive two hundred and forty million pounds (SSP 240 million). This includes five million pounds (SSP 5 million) for the establishment of a National Communications Authority, and four million pounds (SSP 4 million) for the establishment of an EAC Secretariat within the Ministry of Commerce to continue to take forward South Sudan's accession to the East African Community. It also includes an allocation of four million pounds (SSP 4 million) as part of Government's contribution to the Fula Rapids project which is being co-financed with the African Development Bank and Norway. In addition the sector will receive twenty seven million pounds (SSP 27 million) from the African Development Bank for the Juba Power Distribution Project. The World Bank is also providing five million pounds (SSP 5 million) for capacity building in the sector.

56 The Education Sector will receive six hundred and seventy eight million pounds (SSP 678 million) for primary, secondary and tertiary education.

This allocation includes three hundred and fifty three million pounds (SSP 353 million) to pay for the salaries of over twenty eight thousand teachers at State level, provide capitation grants for up to 2,800 primary schools, support Teacher Training Institutes, and support State and County education departments. The Education Sector also receives support from development partners, particularly from the Girl's Education South Sudan Project, funded by the UK, which is providing capitation grants to 145 secondary schools, which are coordinated with the primary capitation grants provided through the budget. The US and the UK are the largest donors to this sector, but this funding does not flow through Government.

57 The Health Sector will receive three hundred and seventeen million pounds (SSP 317 million) of which one hundred and eighty two million (SSP 182 million) will be for salaries and operating costs for the delivery of health services at the local level, including a new operating grant of twenty four million (SSP 24 million) for 250 primary health care clinics. The sector also benefits from support from donor partners. The sector will receive twenty million pounds (SSP 20 million) from the World Bank for the Health Rapid Results Project. The sector also receives significant off budget funding from development partners including the UK, the US and the EU.

58 The Infrastructure sector has a total budget of one hundred and eighty six million pounds (SSP 186 million). As part of the Governments Three Year Work Plan these funds are for the rehabilitation of infrastructure affected by the conflict. The sector will also benefit from development finance loan disbursements of one hundred and fifty three million (SSP 153 million) from China Exim Bank, for the rehabilitation of Juba airport; and sixty seven million pounds (SSP 67 million) from the World Bank for the East Africa Regional Transport Project. The sector will also receive grants from the World Bank of twenty seven million pounds (SSP 27 million) for the Rural Roads Project and fifteen million pounds (SSP 15 million) in technical assistance. Other development partners are supporting off budget projects including the UK, Japan and Canada.

59 The Natural Resources and Rural Development sector will receive three hundred and sixty three million pounds (SSP 363 million). This allocation

includes the salary and operating costs of two hundred million pounds (SSP 200 million) for wildlife conservation at the state and local level, as well as the salaries and running costs of state agriculture and livestock departments amounting to forty six million (SSP 46 million). The sector will also receive ten million pounds (SSP 10 million) from the World Bank for the Safety Net and Skills Development Project, and three million pounds (SSP 3 million) for the response to the food crisis. The US, the EU, Canada, the UK and the FAO are also supporting the sector with off budget funding.

60 The Public Administration Sector will receive eight hundred and forty seven million pounds (SSP 847 million). The sector will fund the salaries and operating costs of key Government institutions, including the Office of the President, the National Legislative Assembly, the Ministry of Cabinet Affairs, the Ministry of Foreign Affairs, the Constitutional Review Commission and the National Elections Commission. Specific provision has been made to the operating budget of the National Constitutional Review Commission for the drafting of the new constitution. The World Bank's Institutional Development and Capacity Building Project is providing three million pounds (SSP 3 million) to the sector.

61 The Rule of Law Sector has an allocation of one billion five hundred and eighty five million pounds (SSP 1,585 million). The sector will pay the salaries for over 19,000 personnel at central government level, and make transfers to states to pay more than 53,000 personnel at state level, primarily for the Police, the Prisons Service and the Fire Brigade. It also has two hundred and sixty four million pounds (SSP 264 million) allocated to operating costs. The sector receives off budget support from the EU, the US, the UK, the Netherlands and UNDP.

62 Mr. Speaker, Sir, the Security Sector has an allocation of four billion six hundred and two million pounds (SSP 4,602 million), which accounts for forty five percent (45%) of our entire budget. Over three quarters of this, amounting to three billion five hundred and eighty million pounds (SSP 3,580 million) is for the payment of salaries to the army and veterans.

63 Finally, the Social and Humanitarian Affairs Sector has an allocation of ninety four million pounds (SSP 94 million). It will be used to support

salaries and operating expenses in the sector, enabling the sector to undertake its policy and advocacy functions in support of gender mainstreaming, youth development and protection of vulnerable groups. Our donor partners also provide considerable humanitarian support, and have increased their assistance in this time of crisis. The UN estimates that over one billion six hundred million dollars (USD 1,600 million) has been provided this year alone. However, their assistance is not channeled through Government agencies.

64 Mr. Speaker, Sir, I have completed my overview of our budget allocations by sector, and now wish to turn to the Government's debt position.

GOVERNMENT DEBT POSITION

65 Mr. Speaker Sir, as of the 31st March 2015, our total indebtedness is provisionally estimated at twelve billion three hundred and nineteen million pounds (SSP 12,319 million) including interest. This figure excludes any money we owe as a result of contractual arrears, because we do not currently have a reliable arrears estimate.

66 Mr. Speaker Sir, details of the total indebtedness of Government are included in section six of the draft National Budget Plan document. Let me summarize them here. At the start of the current financial year, total Government indebtedness amounted to seven billion four hundred and four million pounds (SSP 7,404 million). Out of this, nine hundred and twenty million pounds (SSP 920 million) was owing against advances from oil companies, and one hundred and forty nine million (SSP 149 million) for loans from the World Bank and China. Four billion three hundred and thirty four million pounds (SSP 4,334 million) was owed domestically to the Bank of South Sudan and domestic commercial banks.

67 Mr. Speaker, Sir, during the course of the current financial year, we received a further seven billion two hundred and twenty five million pounds (SSP 7,225 million) in new loan disbursements, drawing on our rolling overdraft from the Bank of South Sudan. However, we have also repaid two billion three hundred and ten million pounds (SSP 2,310 million) to the oil companies and the Bank of South Sudan. Therefore, on a net

basis, our borrowings this year have amounted to four billion nine hundred and fifteen million pounds (SSP 4,915 million).

68 Mr. Speaker Sir, you will see that the resource envelope we propose contains a sizeable deficit for the Government of the Republic of South Sudan. Estimated expenditures exceed revenues by seven billion five hundred and thirty seven million pounds (SSP 7,537 million). The only sources of loan financing which are currently projected to be disbursed during the 2015/16 financial year are from the World Bank for four projects in the amount of one hundred and eight million (SSP 108 million) and a China EXIM bank loan disbursement for Juba Airport of one hundred and three million (SSP 103 million). We will continue to seek sources of financing, both externally and domestically, to cover our deficit and enable budgeted expenditures to be executed in 2015/16.

Conclusion

69 Mr. Speaker Sir, the situation we face is not an easy one. We urgently require additional resources to help us bring peace and development to our nation. I have formulated the budget based on the promise of peace. I urge our leaders to now take the next steps in delivering on this promise.

70 Mr. Speaker, Sir, in conclusion, allow me to table the draft 2015/16 National Budget, and the 2015/16 Appropriation Bill for consideration and approval by this House.

71 I commend it to you. Thank you for your kind attention.