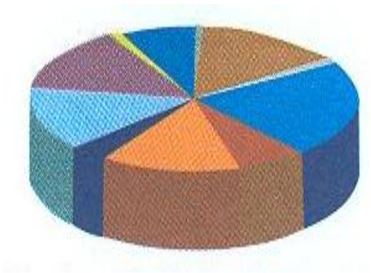
Republic of South Sudan (RSS)



Ministry of Finance and Economic Planning (MoFEP)

QUARTERLY MACROECONOMIC UPDATE

Macroeconomic Planning Department (MPD)

Q.4 FY 2014/2015

November 2015

CONTENTS

I. List of Abbreviations and Acronyms Regularly Used in Quarterly Reports

Institutions:

BoSS	Bank of South Sudan (Central Bank)
CoM	Council of Ministers
EU	European Union
GoRSS	Government of the Republic of South Sudan
IMF	International Monetary Fund
MoFEP	Ministry of Finance and Economic Planning
MoJ	Ministry of Justice
MPD	Macroeconomic Planning Department
MPMI	Ministry of Petroleum, Mining and Industry
NBS	South Sudan National Bureau of Statistics
NLA	National Legislative Assembly
RSS	Republic of South Sudan
SPLA	Sudan Peoples' Liberation Army
SPLM	Sudan Peoples' Liberation Movement

Legislation:

PFMA	Public Financial Management and Accountability Act
PRMA	Petroleum Revenue Management Act
PSA	Petroleum Sharing Agreement
SSDI	South Sudan Development Initiative
SSDP	South Sudan Development Plan

Misc. Units and Terms:

bbl / kbbl / mbbl	Barrels of Oil / Thousands of… / Millions of…
CPI	Consumer Price Index
FY	Fiscal/Financial Year
GDP	Gross Domestic Product
GNI	Gross National Income
PIT	Personal Income Tax
Q.*X*	Quarter No.*X*
SSP / SSP m./ bn	South Sudanese Pounds / Millions of… / Billions of…
USD / USD m./bn	United States Dollars / Millions of… / Billions of…
VAT	Value Added Tax (Sales Tax)

II. List of Charts and Tables

The quarterly macroeconomic report presents updated assessments of macroeconomic trends. It presents analysis and opinions held by the Macroeconomic Planning Department (MPD) and should not be seen to represent wider views of MoFEP. It serves as background information to Quarterly Budget Execution Report presented by the Minister of Finance and Economic Planning as part of the implementation the Public Financial Management and Accountability Act (PFMAA).

This report builds on information provided by National Bureau of Statistics (NBS) and the Bank of South Sudan (BoSS) as well as other departments in MoFEP supplied portions of the data.

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III. FORWARD

The economic performance for the Fiscal Year 2014-2015 was the worst that has ever been experienced by the Republic of South Sudan (RSS). The global price of crude oil continued to drop below $40 a barrel. Unfortunately, we have an obligation to meet the Transitional Financial Assistance (TFA) to Sudan, which works out at around $15 per barrel, as well as renting the oil pipeline and payments to oil companies. In totality, the RSS' entitlement adds up to just $6 a barrel, a tiny fraction of what RSS used to receive in early 2014, and less than 20 per cent of our needed revenue. To bridge the gap, our continuous borrowing from the Bank of South Sudan is harming our economic growth, as the borrowing comes with high inflation. The money market has dried up and the private sector competes for the few USD available on the market. As a result, few commodities were imported. Though the importers were granted dollars at an official rate of 2.96 SSP/USD, due to the lack of price control mechanism, the importers were tempted to price their goods at the parallel rate. Hence the commodity prices were and are still high in the market. This poor performance of our economy has lack resulted in low confidence. Consequently, lenders are shy to commit support to our economy. It is our holistic obligation to revise and rebuild rigorously the lost confidence by embarking on non-oil revenue collection, improve administrative management of revenue collected and minimize our borrowing from the Bank of South Sudan. We are also working hard to implement the realignment of the Exchange Rate Regime, as recommended by the Technical Technocratic Committee.

Each quarter, The Macroeconomic Planning Directorate (MPD) produces a quarterly macroeconomic update. The update contains key information and macroeconomic statistics for the most recent quarter. It also provides analysis about what is happening in South Sudan's economy, and why. My team work hard to sure that data, charts, and analysis are of high quality, and provide valuable insights. As well as the quarterly report, the MPD are also responsible for providing economic forecasts, which the Ministry of Finance uses to take important fiscal and macroeconomic decisions. I would like to take this opportunity to thank the dedicated MPD staff for their hard work.

This Macroeconomic Update for Q4 14-15 represents the end of the Fiscal Year, and so is particularly significant. This update takes stock of developments throughout 2014-2015, which has been a challenging year for South Sudan. The conflict, which continued throughout the fiscal year, supressed both oil production and non-oil production. In addition, the global collapse in the price of oil has been particularly painful for South Sudan, as mandatory transfers including TFA to Sudan have not fallen. This drastic fall in government revenues has come at a time where demands for expenditure increased due to the war efforts. The resulting fiscal deficit has been large, and led to inflation and devaluation of the currency.

Whilst the Ministry of Finance and Economic Planning is committed to prudent management of South Sudan's economy, the scale of the shock we are facing is severe. In addition, the internationally agreed IGAD Peace Deal will likely see a significant increase in expenditure needs – notably the cantonment and absorption of returning forces – which will put pressure on spending for basic service delivery. In order to adjust to this negative income shock, whilst ensuring the successful implementation of the peace deal, the assistance of our generous development partners will be vital. With peace at hand, we expect the resumption of oil production. With peace, tax-collection activities will start to improve and increase the tax and custom revenue. But these revenue sources will take time to develop, and in the gap, external support will be crucial. I would like to take this opportunity to thank our development partners for their support in helping the world's youngest country and the people of South Sudan, and implore them to continue and extend their assistance at this crucial time.

With hope for a peaceful and prosperous future,

Philip Boldit

Director General, Macroeconomic Planning

IV. HIGHLIGHTS

- The Macroeconomic situation worsened significantly through the fourth quarter of the 2014-2015 fiscal year (April, May, June 2015).
- The average monthly CPI inflation for April-June 2015 was 6.9%. This means prices were increasing 7% each month on average. If Q4 inflation continued for a year it would give an annualised month on month inflation rate of 332%. Inflation for the fiscal year 14/15 (i.e. July 2014 – June 2015) was 61%. This is a rapidly increasing rate of inflation. The annual inflation rate for 13/14 just 0.1%.
- The inflation was combined with a sharp depreciation of the unofficial exchange rate, which at the end of Q4 reached 10.7SSP/USD, up from 7.2SSP/USD at the end of Q3 and 4.24SSP/USD at the end of 13/14. Provisional data shows that these trends have continued, and possibly accelerated in the beginning of 2015/16 fiscal year. The unofficial exchange rate in October 2015 reached 20SSP/$.
- The sharp increase in inflation and depreciation had a common cause: the government's budget deficit. This has been funded by loans from the Bank of South Sudan, which has caused a sharp increase in money supply.
- In turn, the budget deficit has been driven by a collapse of oil revenues, in part due to the collapse in oil prices with the constant payment to Sudan (USD24pb) and the fall in production due to the recent conflict.
- In addition to the fall in oil-revenues, non-oil government revenues increased in 14/15 fiscal year by significantly less than forecast in the budget. The forecast was for SSP2.7 billion and collections at the end of Q3 were SSP0.96 billion, which should rise to around SSP1.3 billion by the end of Q4.

Table 1. Key Macroeconomic Indicators

	2013-14	2014-15	2014-15 (Q2)	2014-15 (Q3)	2014-15 (Q4)	2015-6 (Q1)
Inflation (tty* eop[1])	0.6	61.0	0.0	10.0	14.0	62.0
Inflation (annualised)			9.0	31.0	10.0	332.0
Parallel exchange rate (USD) [1]	4.24	10.70	4.85	5.82	7.20	10.70
Money Supply [2]	5524	10001	6082	7492	8510	10003
BSS credit to the Central Govt. [3]	5163	9822				

Notes: (1) end of period. (2) M2 end of period SSPm (3) Net claims on the Central Government SSPm *through the year
Sources: National Bureau of Statistics and the Bank of South Sudan

Table 2. Key Fiscal Indicators

	2011-12	2012-13	2013-14 (p)	2014-15 (e)
Gross Oil Revenue[1,2]	9833	374	10039	6682
Mandatory Transfers and Payments[1]	347	0	2802	2208
Net Central Gov Oil Revenue[1,2]	9536	374	7237	4474
Non-oil Revenue	300	915	951	1421
Grants	0	0	0	108
Total Revenues	**9835**	**1289**	**8188**	**6004**
Agency Expenditure	10142	6813	8964	13685
Interest Payments	-	-	107	175
Total Expenditure	**10142**	**6813**	**9071**	**13860**
Surplus / Deficit[1]	**-306**	**-5524**	**-883**	**-8026**

Notes: (1)) including Nilepet payments (p) provisional. (e) estimates

Table 3. Budgeted vs Actual Spending and Revenue for 2014-15

	Q1 14/15	Q2 14/15	Q3 14/15	Q4 14/15	Fiscal Year 2013-2014	Fiscal Year 2014-2015
Total Revenue (Budget)	2,928	2,928	2,928	2,928	9,289	11,711
Total Revenue (Outturn)	2,355	1,502	844	1,303	8,188	6,004
Total Expenditure (Budget)	2,820	2,820	2,820	2,820	10,403	11,279
Total Expenditure (Outturn)	2,747	3,363	2,715	5,035	9,072	13,860

V. MACROECONOMIC DEVELOPMENTS

1. ECONOMIC DEVELOPMENTS

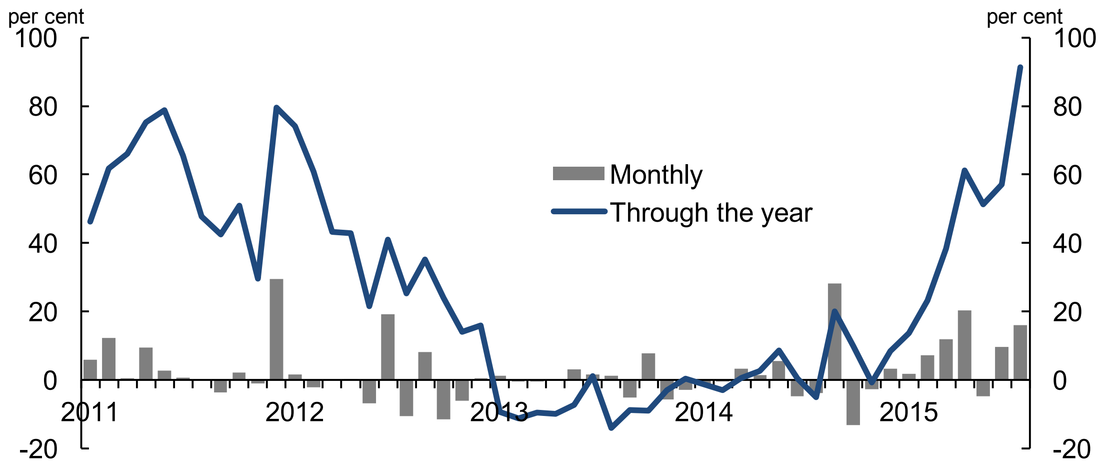
1.1. Inflation

National Bureau of Statistics collects Monthly data on prices in the basket of consumer goods and services. On the basis of this data, the consumer price index (CPI) is calculated. This index shows the average price of different categories of goods and services relative to the base Month which is June 2011. An example; the index of June 2011 was set at 100. September 2015 was 304.1, entailing an increase of 204.1 per cent in prices since June 2011. On the basis of Monthly price indices, we may compute price changes (inflation) between months and years.

From 2008 onward inflation fell, and then averaged close to zero per cent between January and November 2010. Starting in December 2010, inflation rose rapidly. After a brief period of falling inflation in the autumn of 2011 the inflation shot up again reaching 80 per cent in January 2012. From June 2012 onwards the price level stabilized, reflecting reduced demand due to the austerity budget and a strengthening of the exchange rate. Thus a large price hike one month does not necessarily signal sustained high inflation.

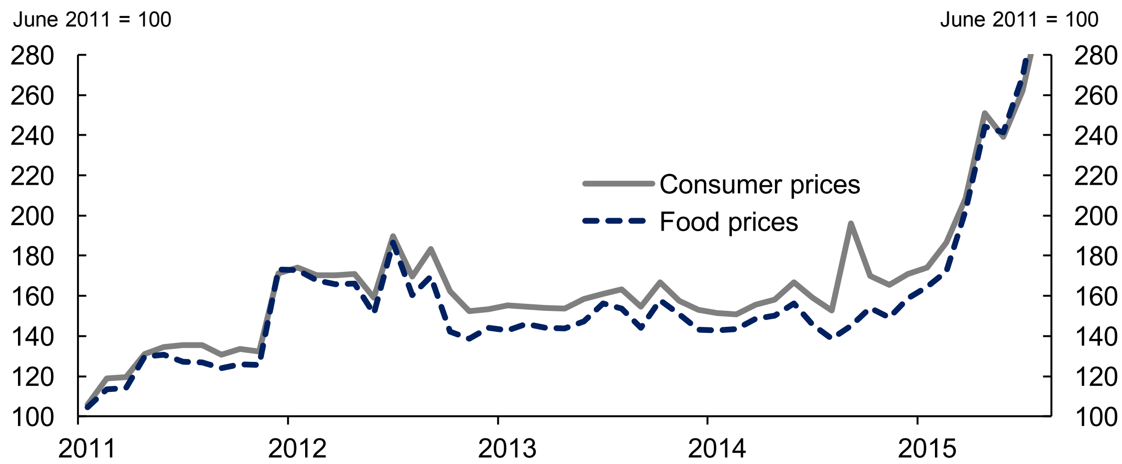
The average monthly inflation rate in 2013 was 1.7 per cent. From May 2013 to May 2014 South Sudan experienced deflation most months. During June to October 2014 the inflation rate was variable, ranging from 9 per cent in August to -5 per cent in October. Price developments in November 2014 marked a sharp departure from previous months. Prices increased by 28 per cent from October to November 2014. Prices fell 13 per cent in December 2014, and a further 2.6 per cent in January 2015. 12 month inflation fell to -0.8 per cent. However, since February 2015, there has been a steep increase in inflation, with through the year inflation exceeding 60 per cent by the end of the 2nd quarter 2015/16

Chart 1: Monthly and through-the-year inflation



Source: National Bureau of Statistics

Chart 2: The Consumer Price Index and food prices

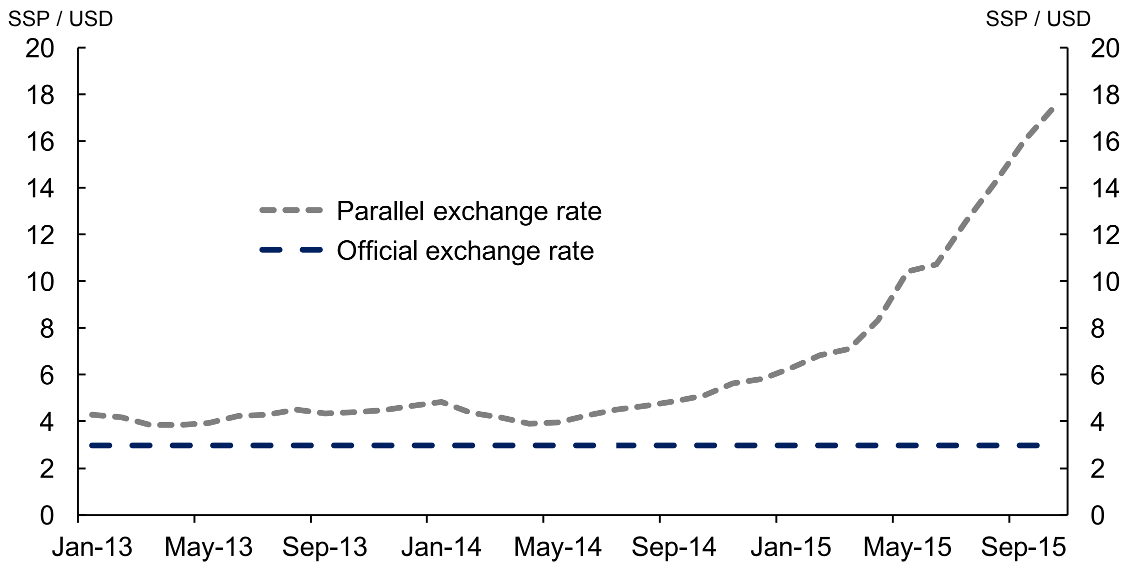


Source: National Bureau of Statistics

1.2 Exchange Rate

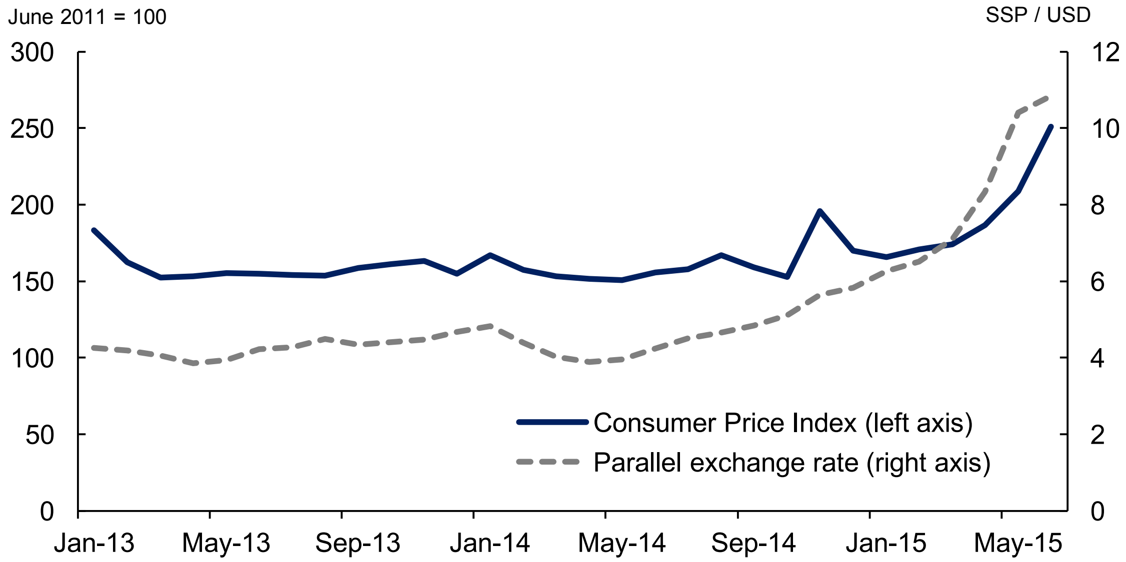
From independence until September 2014, the black market exchange rate was relatively stable. The rate between August 2012 and October 2014 moved within a band between 3.9 and 5.1. The development in the exchange rate from December 2014 represents a clear break with history. It rose to an average of 5.8 SSP/USD in December 2014 and then rose continuously in Q4 ending at 10.7 SSP/USD. In October 2015 it reached 20 SSP/USD.

Chart 3: Parallel and Official Exchange Rates (SSP: USD)



Source: BoSS

Chart 4: Developments in consumer prices and the parallel exchange rate



Source: BoSS and NBS.

Overall the patterns in prices development are in conformity with broader macroeconomic development in South Sudan. Reduced demand due to the austerity budget contributed to downward price pressures in the domestic markets and falling inflation in the second half of 2012. From 2013 onwards inflation gradually pick up, and accelerated sharply from December 2014.

Inflation developments were fostered by strong increase in government expenditures from January 2014 onwards. At the same time, a shortage of foreign currency due to reductions in oil revenue widened the deficit. By January 2015 reserves at the Bank of South Sudan were not sufficient to meet demand, and rationing began. These factors led to an increase in the SSP/USD exchange rate in the black market, which has driven up prices on imported goods.

The overall picture is gradually increasing trend inflation from spring 2014, driven by a weakened exchange rate but held back by weak demand in the domestic markets.

1.3 Output and Demand

In term of contribution to GDP, the petroleum sector, the agricultural sector and the government are the dominant sectors in the South Sudanese economy. Petroleum production increased more slowly than anticipated in 2013, and the crisis from December onwards caused a shutdown of the oil wells in Unity State and also reduced production in Upper Nile. Section 1.5 gives an overview of development in the oil sector.

In the agricultural sector, where crop production accounts for 75 per cent of production, there was a negative trend in net cereal production between 2005 and 2011. In 2013 there was a large increase of 13 per cent, which contributed to fairly high growth in non-oil GDP, despite the effects of the austerity budget. Due to greater availability of domestic agricultural products, food security was at its highest level in 5 years. The military conflict has had severe negative impacts upon agriculture, namely the reduction in planting due to the displacement of part of the rural population. Planting has been further reduced due to sharply reduced access to seeds (combined with the consumption of grain originally designated for planting). Destruction of market infrastructure, transport and storage infrastructure will further reduce the availability of both domestic and imported agricultural goods. Altogether it is estimated that agricultural production markedly decreased in 2014 and will remain subdued in 2015.

All in all, production in the private sector is expected to decline significantly in 2014 and decline further in 2015. Experiences from other African countries are that the impact of civil war will be felt for several years following the cessation of hostilities.

As we do not have current indicators for demand and production in the non-oil private sector, the quantification of expected development has to be based in circumstantial evidence and is subject to significant uncertainties, especially given the ongoing conflict.

Table 4. Contribution to overall GDP growth. Per cent

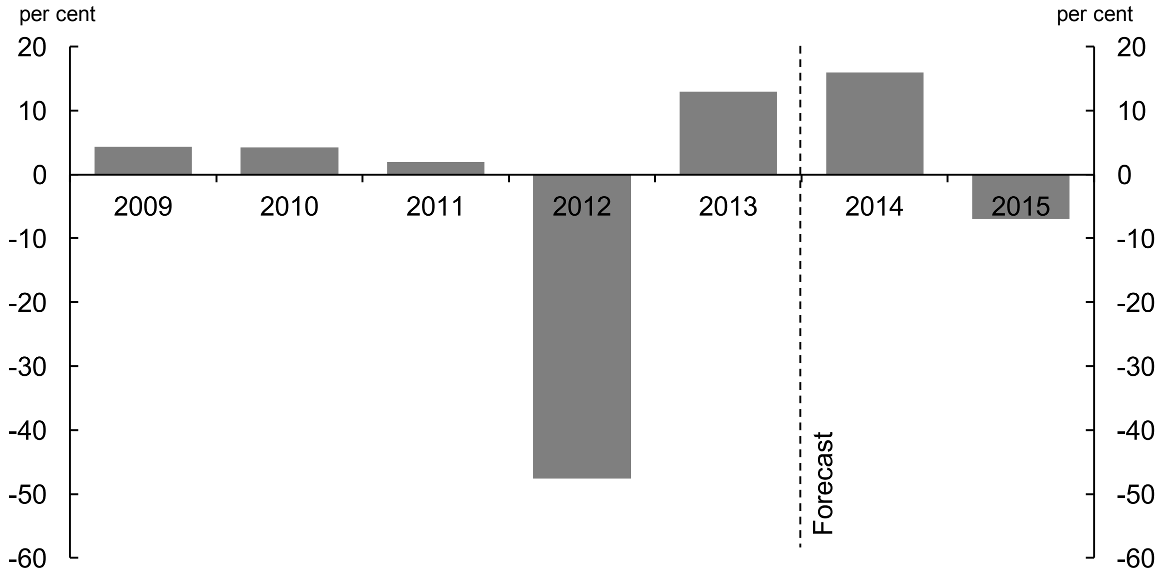
	2013*	2014**	2015***
Oil GDP	7	19	1
Non-oil GDP	6	-3	-7
Non-oil private sector		-10	-9
Public sector		7	0
Total GDP	**13**	**16**	**-6**

* NBS estimate, ** MPD estimate, ***MPD projections.

The above table illustrates that the resumption of oil production from the summer of 2013 contributed to exceptional growth rate in the oil sector and high growth in total GDP. Strong growth in agricultural production in 2013 explains the high growth in non-oil private GDP that year. The December crisis led to decline in this sector in 2014.

Total GDP growth is likely to be close to zero in 2015. Oil production is assumed to increase by 5 per cent, lower than previously assumed. The continuation of the conflict is likely to have a negative impact on the non-oil private sectors. The sharp decline in oil prices will sooner or later constrain public sector activities.

Chart 5: GDP Growth



Source: NBS, 2014 and 2015 are MPD estimates/projections

1.4 Employment and population

There are no regular surveys on employment in South Sudan. The 2008 census gave information on the composition of employment by sector. The data also shed light on unemployment among youth. But new data has not been collected since. Thus we will have to find indirect approaches in order to shed light on employment, unemployment and underemployment

The total population in South Sudan grew by an estimated 25 per cent from 2008 to 2014. If we assume a constant age structure, the working age population grew by the same growth rate, implying that labour supply grew by a similar rate. As GDP in the non-oil economy is predicted to have declined 2.5% in over period, unemployment / underemployment may have increased by 25% of the workforce from 2006 – 2013.

1.5 Developments in the oil sector

The Brent price of oil has fallen sharply to an average of USD56 for the month of July 2015, while the South Sudan discount, which averaged around USD10 the last two years, has fallen slightly from June to now be around USD6 a barrel. Total production has been stable at around 165,000 barrels per day since the beginning of 2014. Due to significant oil deliveries in kind of around

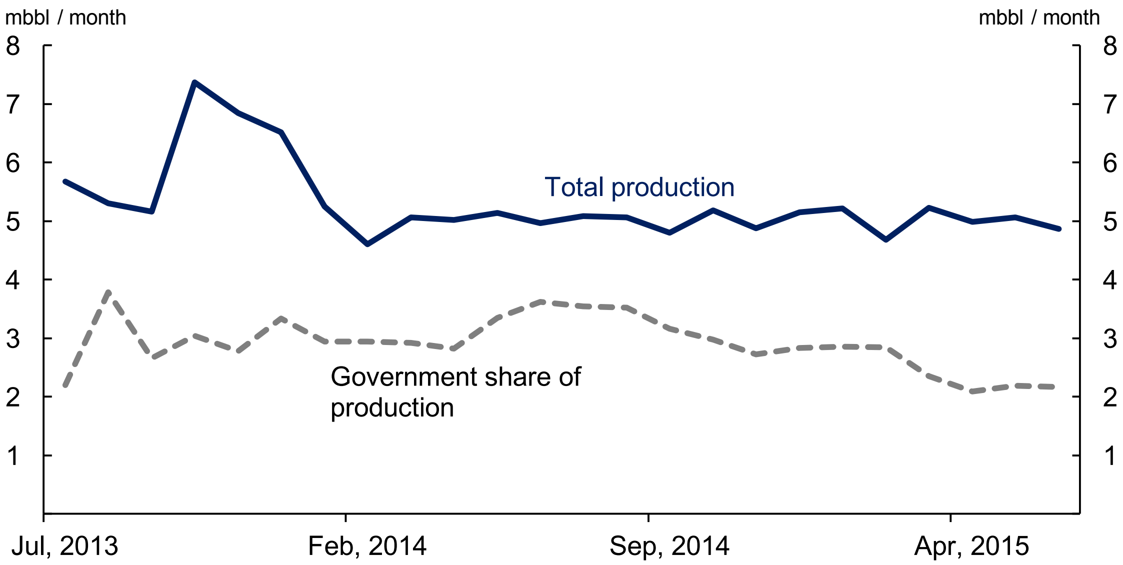
800,000 barrels per month, the Government contracted quantities have declined to around 2,200,000 barrels per month. Monthly gross oil revenues, excluding payments in kind declined from SSP1,000m per month in the summer of 2014 to around SSP300m per month in the summer of 2015.

Total oil production has been in decline since the last quarter of 2013 due to the disruption in production of oil in Unity State and from some wells in Upper Nile. There was a temporary dip in production in September 2014 due to an oil installation fire.

There have been marked changes in the government share of contracted quantities through the last two years. The low shares in the 2013 and the beginning of 2014 reflect costs related to start up of production after the close down of production in 2012 and the first half of 2013. The declining government share from October 2014 onwards is attributed to the decline of oil prices internationally. Since the last quarter of 2014-15, deliveries in kind to Sudan through the Kosti power plant have further reduced the Government's contract quantities.

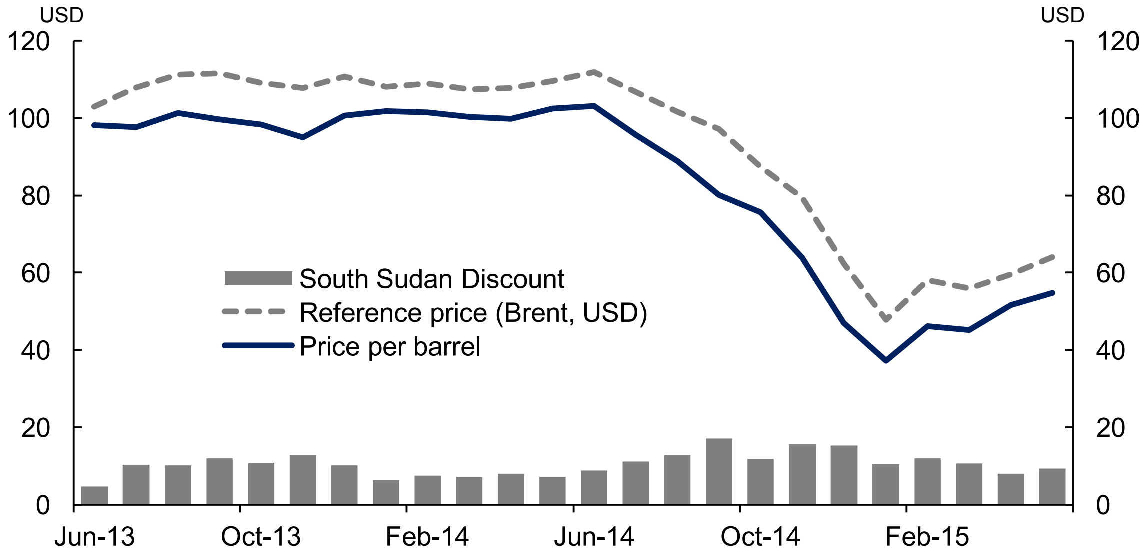
The South Sudan oil price has moved together with the international oil price (the reference price, Brent blend). On average (the discount varies from month to month) Dar blend-oil has been priced around USD 10 lower than Brent Blend. Prices started to decline in the summer of 2014, and the Dar blend price fell below USD 40 in January (Chart 2).

Chart 6. Oil production and government entitlements



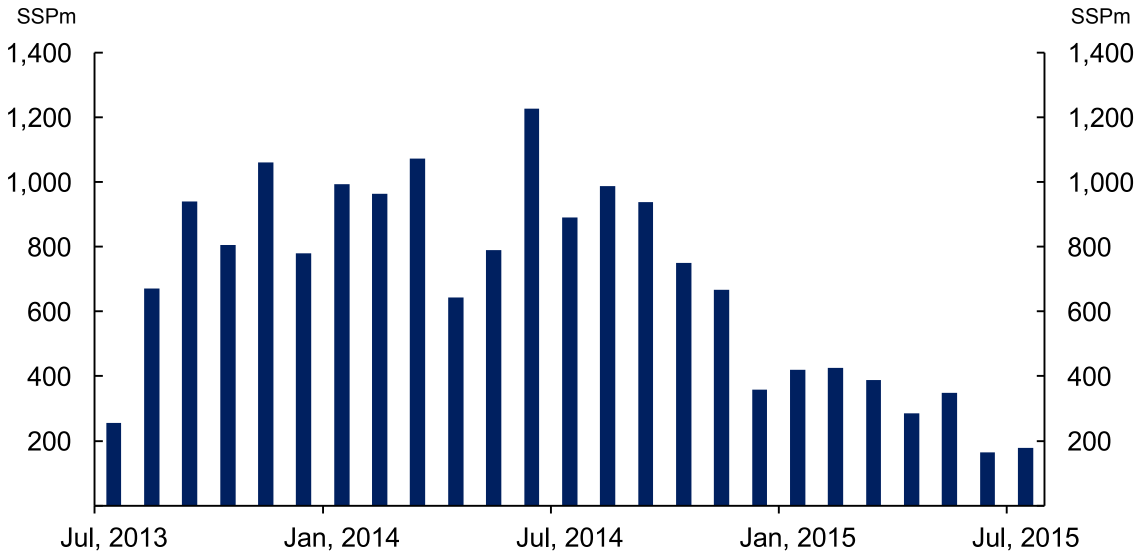
Source: Ministry of Finance and Economic Planning calculations

Chart 7 South Sudan Oil and Brent Blend prices



Source: Ministry of Finance and Economic Planning calculations

Chart 8 Gross oil revenues



Source: Ministry of Finance and Economic Planning calculations

2. FISCAL POLICY

2.1 Total Revenue and Expenditure 2014/15 Fiscal Year

The combined effect of reduced oil production and the large price declines in oil have radically reduced the purchasing power of South Sudan and the income of the government. If polices are not adjusted to account for the significantly lower income level, and sufficient external financing is not forthcoming, adjustments will take place through continued fall in the parallel exchange rate and increased inflation. This will reduce the purchasing power of the public and private sector, but probably a less predictable, stable and fair way than through realignment of the exchange rates and effective fiscal reforms.

Table 5. 2014/15 Expenditure

Expenditure Type	Budget (SSP *millions*)	Estimated Outturn *(SSP millions)*	Overspend (*SSP millions)*
Salaries	4,413	5,714	1,301
Operating	2,596	4,439	1,843
Transfers	2,475	2,663	188
Other	268	529	261
Capital	1527	515	-1,012
Total	**11,279**	**13,860**	**2,581**

Source: Ministry of Finance and Economic Planning estimates

Table 6. 2014/15 Revenue

Revenue Source	Budget *(SSP millions)*	Q1-Q3 Outturn *(SSP millions)*	Estimated Outturn 14/15 *(SSP millions)*	Estimated Shortfall *(SSP millions)*
Net Oil Revenue	8,899	3,660	4,474	4,425
Non-oil Revenue	2,654	962	1,421	1,233
Grants	158	76	108	50
Total	**11,711**	**4,698**	**6,003**	**5,708**

Source: Ministry of Finance and Economic Planning estimates

Table 2 shows government expenditure will likely be around SSP1.7bn above the budget ceiling for 2014/15.[1] This was driven largely by salaries and operating expenditures being over budget.

Spending was again dominated by the security sector, with over 50% of total spending attributable to the security sector. Almost 90 per cent of the total salary overspending can be attributed to the Ministry of Defence, Veteran Affairs, Finance & Economic Planning and the Police Service and the Office of the President.

Government Revenue was significantly below budget. Both Oil Revenue and Non-oil Revenue are likely to be around 50% of what was budgeted for, with Grants around 60%. This leaves a revenue shortfall of around SSP 5.5 billion. Combined with the 1.7bn overspend, the budget deficit will likely be around SSP7 billion.

Box 1. Fiscal policy and the inter-linkages with monetary policy

The Government's Budget Identity is defined as:

Total Revenue + Net Borrowing = Total Expenditure

=

(Oil Revenue + Non-Oil Revenue + Grants) – (Total Expenditure) = Surplus / Deficit = Net Borrowing

If expenditure is greater than revenues and grants, this has to be financed by new borrowing. The deficit may be financed through external borrowing or domestic borrowing. Currently, almost the entirety of this borrowing comes from the Bank of South Sudan. This is equivalent to printing money. The government can directly control public expenditure and non-oil revenues. In the short to medium term, oil revenues are determined by forces outside government control; production capacity in existing fields and the oil prices in international markets.

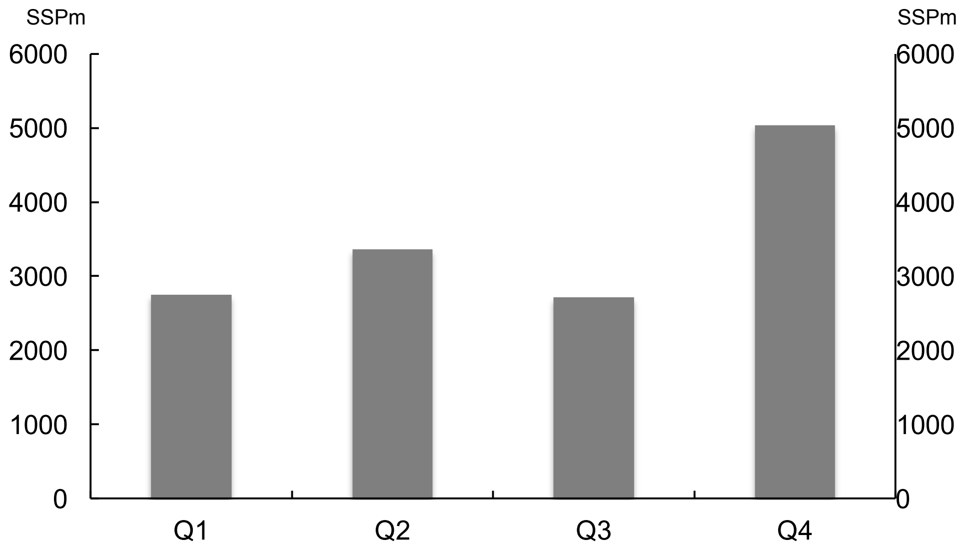
Fiscal and monetary policies together determine total demand, prices and the exchange rate. There is a direct link between fiscal policy and monetary policy. Oil Revenues increase the supply of US Dollars to the Government of South Sudan. The Bank of South Sudan can then use these US Dollars to protect the exchange rate, by purchasing SSP in the market.

[1] * The estimate was made by assuming Q4 revenue will be an average of the revenue for Q1-Q3.

The ability of the Bank of South Sudan to protect the exchange rate is determined by the amount of US dollar reserves, and the size of Oil Revenues. Due to the collapse in Oil Revenues, the Bank of South Sudan has a very depleted level of US dollar reserves. The Bank of South Sudan can no longer protect the currency, and so it is depreciating.

In absence of external borrowing, the Government's Budget Identity above reveals that the only way to reduce inflation and depreciation caused by borrowing from the Bank of South Sudan, is to reduce the deficit, by increasing non-oil revenue, and by reducing expenditure.

Chart 9: Spending by quarter



Source: Ministry of Finance and Economic Planning

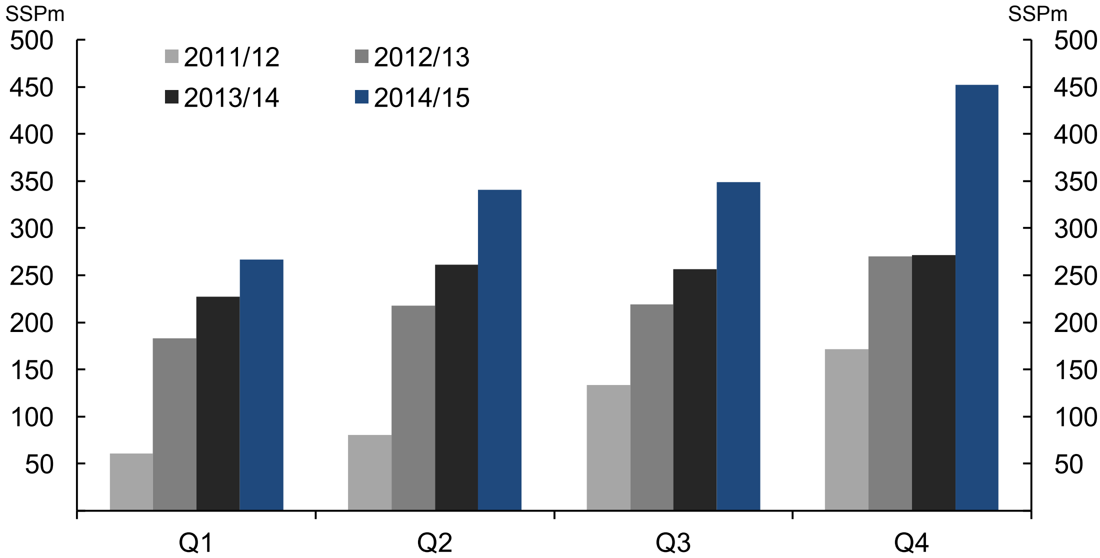
2.2 Non-oil Revenue

The outturn for non-oil-revenue 2014/2015 was SSP 1,400 million, just about half of the projected figure was SSP2,700 million. Non-oil revenue has increased sharply from 2011/2012, when it amounted to around SSP 500 million.

Comparing non-oil revenue per quarter for four fiscal years, there has been growth from quarter to quarter for all years except 2013/2014. In 2013/2014 non-oil revenue stagnated in the third and the fourth quarter. This reflected the impact of the conflict. In 2015/2016, non-oil revenue is projected to be around

SSP 1,800 million, which is an increase of SSP 400 million from the outturn in 2014/2015.

Chart 10: Non-oil Revenue per year



Source: Ministry of Finance and Economic Planning

Table 7: Non-oil revenue projections in SSP Million

	2014/2015	2015/2016
Budgeted non-oil revenues	2654	5328
Projected non-oil revenues *(from MoFEP's draft budget)*	1327	1776
Outturn	1408	X

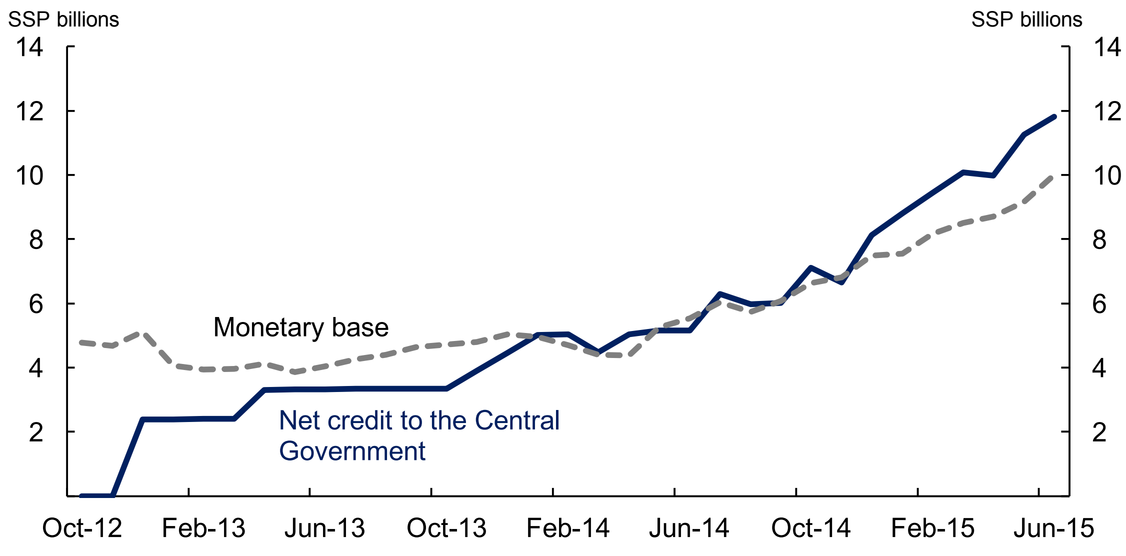
3.0 MONETARY SECTOR

The monetary base has grown sharply over the past two years, reflecting the significant build-up in loans from the Central Bank to the Central Government (Chart 11). At the same time, Net Foreign Assets have fallen, reducing the capacity of the Central Bank to limit the growth in the money supply by sterilizing the growth in credit to the Central Government.

The growth in net credit to the Central Government reflects the expanding deficit of the Government, which came about with the fall in the price and production of oil. Over the past twelve months, net credit to the Central Government has grown by an average of SSP550 million per month, which is consistent with the Budget shortfall over that period.

The continuation of the parallel exchange rate regime, combined with lack of fiscal adjustment and the expansion of net credit to the Central Government is the primary driver of the fall in the value of the South Sudanese Pound on the parallel market, and the sharp rise in inflation over the past year.

Chart 11: The monetary base and net credit to the Central Government



Source: Bank of South Sudan

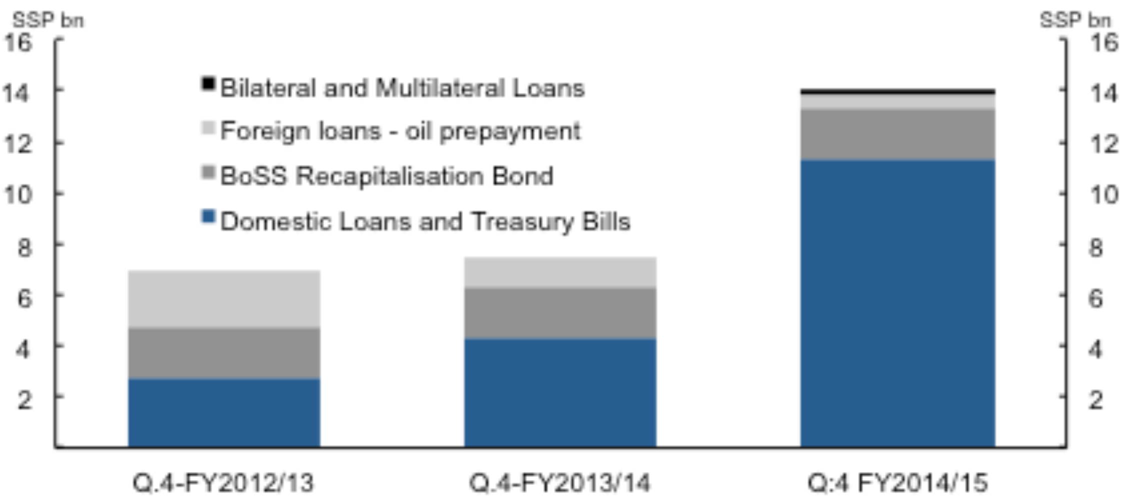
4.0. FINANCE AND DEBT

Both oil revenue and non-oil revenue failed to reach the levels approved in the 2014-15 Budget, while spending continued to be significantly higher than revenue. As a result, the government borrowed to meet monthly salaries and transfers. Consequently, the debt level has increased rapidly.

There has been a dramatic increase in the level of advances from Bank of South Sudan. At independence, South Sudan did not have any public debt. As of July 1, 2014, the debt was SSP7.4 billion. S of July 1 2015, it has grown to SSP10.4 billion. Three major sources of borrowing can be used to fund the fiscal gap. However, none of them are sustainable in the medium or long run. These are:

- *Loans or advances from the Bank of South Sudan*: Relying on borrowing from the Central Bank is highly detrimental to foreign reserves and carries a large inflationary risk (see Box 1 and Section 3). Over the past six month, borrowing from the Central Bank has grown by SSP3,000 million, which is not sustainable.
- *National commercial banks loans:* The commercial bank sector is little developed and is not robust enough to contribute with large borrowing.
- *External borrowing*: External financing is not really an option for South Sudan: countries and investors will be unwilling to invest given the risky macroeconomic situation. If they are willing to invest, the interest charged would be prohibitively expensive and unsustainable in the medium and long term.

Chart 12: South Sudan's Debt Position



Source: Ministry of Finance and Economic Planning

Table 8: Debt Position end June 2014 and end June 2015 (SSP millions)

Quarter	Domestic Loans and Treasury Bills	BSS Recapitalisation Bond	Foreign loans - oil prepayment	Bilateral and multilateral loans	Total loans
Q4 2012/13	2,748	1,947	2,278		6,973
Q4 2013/14	4,334	2,000	1,094		7,428
Q1 2014/15	5,279	2,013	662		7,954
Q2 2014/15	7,334	2,024	521	149	10,390
Q4 2014/15	11,325	2,034	521	161	14,041

Source: Treasury

5.0 DONOR AID AND EXTERNAL FINANCING

External financing comprises of development and humanitarian support in the form of loans and grants. The majority of external financing is currently implemented without the involvement of the government and is not appropriated in the budget, even though it may be captured in sector plans and referred to in the budget speech. Since the December 2013 crisis, many development partners have moved much of their funding previously allocated for development support to humanitarian support.

Where development support is implemented through government systems it is referred to as 'On-Budget'[2]. In Q4 a total of SSP 8.5 million was disbursed, of which SSP 2.16 million was in the form of loans and SSP 6.34 million were disbursed as grants. Table 9 shows the individual projects appropriated in the 2014/15 budget.

[2] A component of LGSDP (WB/WB-MTDF) which funds the Payam Development grants and Aid Information Management Systems (UNDP) are currently the only external financing that use government systems of delivery.

Table 9: Externally financed disbursements in Q4, 2014/15 (SSP millions)

Project Name (Donor)	Loan/ Grant	GRSS Agency	2014/15 Exp. (SSP)	Q1 (SSP)	Q2 (SSP)	Q3 (SSP)	Q4 (SSP)	2014/15 total (SSP)	YTD (%)
Emergency Food Crisis (WB)	Grant	Agriculture	16,200,000	4,428,586	7,179,986	3,143,121	-	14,751,693	91%
LGSDP (WB)	Loan	Public Serv.	39,530,000	-	8,802,469	12,472,891	-	21,275,360	54%
LGSDP (WB-MDTF)	Grant	Public Serv.	19,464,010	-	-	-	-	-	0%
Health Rapid Results (WB)	Loan	Health	15,508,570	-	-	-	-	-	0%
Health Rapid Results (WB)	Grant	Health	38,800,000	14,351,761	29,627,803	-	4,024,296	48,003,860	124%
Private Sector Dev. (WB)	Grant	Trade	7,400,000	-	-	-	-	-	0%
Rural Roads Project (WB)	Grant	Transport	36,300,000	5,486,344	9,584,455	6,261,675	1,651,115	22,983,589	63%
Inst. Dev & Cap. (WB)	Loan	Finance	7,400,000	1,468,850	475,593	-	393,299	2,337,742	32%
Statistical Capacity (WB)	Loan	Statistics	2,400,000	587,540	295,377	3,867	-	886,784	37%
Safety Nets and Skills (WB)	Loan	Agriculture	8,900,000	-	-	4,073,597	43,454	4,117,051	46%
Airport (China Exim)	Loan	Transport	150,000,000	-	-	-	-	-	0%
Fula Rapids Hydro (AfDB)	Grant	Elec. & Dams	25,610,000	-	-	-	-	-	0%
Fula Rapids Hydro (Norway)	Grant	Elec. & Dams	40,000,000	-	-	-	-	-	0%
Regional Transport (WB)	Loan	Transport	48,400,000	-	1,770,295	1,770,295	1,723,733	5,264,323	11%
Aid Info. Manag. (UNDP)	Grant	Finance	0	-	103,601	-	-	103,601	
Institutional Support to Public Financial Management and Aid Coordination (AfDB)	Grant	Finance	6,476,546				666,727	666,727	10%
Emergency Humanitarian Assistance (AfDB)	Grant	Humanit. & Social	2,950,000				2,950,000	2,950,000	100%
Total				26,323,081	57,839,579	27,725,446	11,452,624	123,340,730	27%

6.0 POVERTY REDUCTION

The Poverty Reduction Unit's (PRU) mission is to streamline and coordinate poverty reduction programs throughout the whole country. Following the PRU's establishment last year, the Unit started collecting data from neighbouring countries to see how their Poverty Reduction Strategic Plans (PRSP) were formulated. The PRSP will provide a baseline and references for streamlining and coordinating poverty reduction programs for the whole of South Sudan.

After the crisis of 15th December 2013, Norway Statistics temporarily withdrew their technical assistance on poverty reduction because of security concerns. Assistance was resumed in 2015. As a consequence the temperately withdrawal, progress on PRSP formulation has slowed down. The PRU staff has worked to acquaint themselves with the knowledge needed to complete the formulation of the PRSP as soon as the technical assistance on poverty is back in the country.

The unit is also looking into working with NGOs and other related units to establish financial and economic poverty reduction tools. There are ongoing discussions with the Cooperative Bank of South Sudan to develop the Individual Development Account Matching Fund to increase financial literacy and encourage the working poor in South Sudan to save money to invest in or start their micro-businesses and achieve their dreams.

7.0 MONITORING AND EVALUATION

The Monitoring and Evaluation Unit is an affiliate unit of the Department of Macroeconomic Planning. Its organizational structure has just been completed. The unit is gradually being staffed. Office space and funding is needed to permit onsite inspections of projects along with training of the staff. The Monitoring and Evaluation Unit will work closely with the other departments within the Directorate of Economic Planning and Budget and will take on a function of a task force that can focus on strategic and important areas.