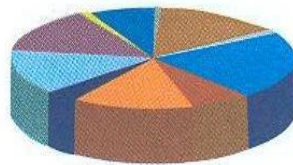


Republic of South Sudan

Ministry of Finance and Planning



Q 4 2016/17 Fiscal Report

December, 2017

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EXECUTIVE SUMMARY

- The aggregate revenue was SSP 13,905 million in the fourth quarter, with oil contributing SSP 5,089 million, while non-oil revenues amount to SSP 8,816 million. This is equivalent to 85% of the FY 2016/2017 annual budget in Q4 alone. Over the entire year, 231% of budget was raised.
- Gross oil revenue was SSP 30,308 million in Q4, and overall performance in dollar terms was above forecast due to the higher-than-expected price. However, little reached the budget due to the need to refinance, as well as the pressures of Nilepet and Addax – just SSP 4,039 million before new oil advance borrowings.
- Net oil revenue was equivalent to 70% of the annual budget. This performance was largely due to continued weakening of the pound against the US dollar. Nilepet and Addax received substantial payment for oil subsidies amounting to SSP 7,650 million or 1275% of their total annual budget over the twelve months to June 2017.
- Non-oil revenue raised more than estimated in the budget owing to improvement in fees/charges on the Financial Act (174% of annual budget). In dollar terms, non-oil performance rose in sharply in Q4 relative to the preceding seven quarter trend, primarily due to one-off windfalls associated with resource industries.
- Expenditure from government sources was 96% of budget, totalling SSP 32,216 million. However, while chapter performance in salaries was high due to allowances over expenditures, primarily in the salaries were left with at least three months in arrears at the end of the year, due to competing pressures including central ministry goods and services and poor financing. Capital, transfers and peace expenditures were well below budget.
- Net financing was negative SSP 3,586 million, against poor Treasury Bill performance relative to budget and poor oil advance inflows relative to expectations in the budget. Donor projects underperformed, although reporting challenges meant there was no definitive picture at the end of the year.

FISCAL SUMMARY

Q4 2016/17 FINAL

1: Fiscal summary	Budget, SSP m	YTD Execution, SSP m	Q4, SSP m	% of budget executed YTD	% of annual budget executed, latest quarter
Gross Oil Revenue	46,833	81,144	30,308	173%	65%
Nilepet and Addax	1,512	19,274	7,650	1275%	506%
Other deductions	0	47	0		
Revenues to Sudan (TFA and PTT)	37,623	42,587	17,553	113%	47%
Transfers to producing communities and states	461	35	16	8%	3%
Oil production costs	0	124	0		
Net oil revenue	7,238	19,076	5,089	264%	70%
Non-Oil Revenue to GRSS central gov't	9,256	16,074	8,816	174%	95%
Total GRSS revenue	16,494	35,150	13,905	213%	84%
Donor Grants	2,041	510	52	25%	3%
<i>GRSS Expenditures</i>					
<i>General Fund</i>					
Wages and Salaries	14,358	13,539	4,431	94%	31%
Use of Goods and Services	5,106	12,523	4,270	245%	84%
Capital Expenditure	1,588	1,889	1,012	119%	64%
Other Expenditure	38	384	160	1010%	420%
Transfers and Grants	6,311	3,623	1,139	57%	18%
General Fund Total	27,401	31,958	11,013	117%	40%
ARCISS implementation payments	4,500	100	21	2%	0%
Contingency Fund	1,333	54	0	4%	0%
Interest and bank charges	155	74	16	48%	10%
GRSS expenditure total	33,389	32,186	11,049	96%	33%
<i>On-budget donor activity</i>					
Grant	2,041	510	52	25%	3%
Loan	2,644	144	30	5%	1%
Total grants and loans (on budget)	4,685	654	82	14%	2%
Total expenditure	38,074	32,840	11,132		
<i>Overall balance</i>	-19,539	2,820	2,826		
Unfunded budget/ Actual reporting gap	-15,770	-765	2,588		
Net Financing (excl. deposit changes and Sudan)	3,769	-3,586	-238	-95%	-6%
BOSS	0	2,792	0		
BOSS Recap.	0	0	0		

FISCAL SUMMARY

Q4 2016/17 FINAL

1: Fiscal summary	Budget, SSP m	YTD Execution, SSP m	Q4, SSP m	% of budget executed YTD	% of annual budget executed, latest quarter
Oil Advance Sales	-7,875	-7,374	-370	94%	5%
Treasury Bill Interest	0	0	0		
Treasury Bills	9,000	852	103	9%	1%
World Bank & China Loans	2,644	144	30	5%	1%

Revenue

- **Total net revenue in the fourth quarter was SSP 13,905 million. This was from net oil revenues which totalled SSP 5,089 million, with SSP 8,816 million from non-oil revenues.** This is equivalent to 84% of the annual budget. Part of the over-performance is due to inflation, and the fall in the value of the South Sudanese pound in relation to US dollar receipts. Total revenues in dollar terms for the year were USD 172 million non-oil and USD 241 million net oil.
- Net oil revenues were equivalent to 70 % of the annual budget in Q4 alone. This over-performance was primarily due to exchange rate factor and oil prices, which raised the revenue accrued to above expected gross revenues.
- In addition, transfers were made to oil-producing states and communities at only SSP 16 million in the fourth quarter, which is only 8% of the allocated amount.
- Payments to Nilepet & Addax in Q4 alone were over 506% of the annual budget to date.
- Gross oil revenue was SSP 30,308 million in Q4, equivalent to 65% of the annual budget. This was primarily due to the exchange rate exceeding the budgeted rate of 70 SSP/USD.
- Non-oil revenues total 95% of the annual budget in Q4 alone, thanks to improvement in the collection, one-off oil-related windfalls and arrears collections, and new Financial Act rates applied.

Government Spending

- **Total government spending was SSP 11,049 million in the fourth quarter, which was equivalent to 33% of the annual budget.** Although overall government expenditure was close to budget, expenditure levels across the main chapters and sectors deviated from budget considerably.
- Total expenditure on salaries in Q4 was SSP 4,431 million, above budget and equivalent to 31% of the annual budget.
- Transfers were significantly below budget, equivalent to only 18% of the annual budget; this is mainly because of unpaid arrears.
- Expenditure on operating was over budget, with 84% of the annual budgets spent in Q4 alone. All agencies received two minimum operating allocations, typically SSP 1,000,000 and SSP 500,000, to ensure all agencies could function throughout the year.
- Besides, several reforms were implemented by the Ministry of Finance and Planning, targeting expenditure control. The effect of these measures can be seen in the large

reduction in spending on capital and operating in later quarters, in particular by those agencies which overspent by the most in the first three quarters.

- In the fourth quarter, spending on peace implementation was recorded at SSP 21 million and SSP 16 million for contingency.

Fiscal Deficit and Financing

- The overall fiscal balance was SSP 2,820 million in surplus for the fourth quarter. Exchange rate changes not reflected, and lack of financing, were key contributors.
- Thanks to fiscal reforms, according to BoSS figures, the government refrained from BoSS borrowing in the last quarter of the year.
- Net financing for the fourth quarter of the year was SSP -238 million.
- The Government repayment on oil advances was recorded at SSP -370 million in Q4. This means that on a net basis, there was lower new borrowing than repayments on oil advances. For the whole fiscal year, the pattern was similar.

REVENUE SUMMARY	Budget (SSP m)	Executed, year to date (SSP m)	Executed, Most recent quarter (SSP m)	Budget execution YTD, %	Budget execution, most recent quarter, %
<i>Oil Revenue</i>					
Sudan	37,623	42,587	17,553	113%	47%
Nilepet and other ref. prods.	1,512	19,274	7,650	1275%	506%
Other*	0	47	0		
Transfers to producing communities and states	461	35	16	8%	3%
Oil production costs	0	124	0		
Net oil revenue	<u>7,238</u>	<u>19,076</u>	<u>5,089</u>	<u>264%</u>	<u>70%</u>
Trafigura repayments	7,875	15,037	4,081	191%	52%
GRSS (to bank)	-637	4,039	1,008	-634%	-158%
<i>Direct expenses</i>					
Civil Aviation (Direct expense)	0	323	33		
Commercial Bank Commission (Direct expense)	0	64	17		
Customs (Direct expense)	0	362	0		
Government shares - Co-op (Asset purchase)	0	282	72		
<i>Non-Oil Revenue</i>					
Personal Income (Private)	2,483	3,434	1,869	138%	75%
Advance Income Tax	0	281	78		
Personal Income (Public)	0	655	183		
Business Profits Tax	1,295	807	310	62%	24%

REVENUE SUMMARY	Budget (SSP m)	Executed, year to date (SSP m)	Executed, Most recent quarter (SSP m)	Budget execution YTD, %	Budget execution, most recent quarter, %
Sales	2,630	1,414	379	54%	14%
Customs Duties/Fees	1,170	953	228	81%	19%
Excise	0	465	147		
Excise Tax	1,034	468	162	45%	16%
Unidentified remittance	0	6,555	5,091		
Other non-Tax revenue	644	1,041	369	162%	57%
Miscellaneous/BoSS	0	0	0		
<u>Total non-oil revenue</u>	<u>9,256</u>	<u>16,074</u>	<u>8,816</u>	<u>174%</u>	<u>95%</u>
Donor Grants	2,041	510	52	25%	3%

*not identified

Oil Revenues

- The Government made direct payment of SSP 17,553 million for in-kind payments, TFA, Tariff and for transit payments combined to Sudan.
- In addition, no transfers to oil producing states and communities were made in the fourth quarter of the fiscal year, and the total for the whole year was less than 10% of that budgeted.
- Nile Pet and Addax took almost SSP 7,650 million in oil shipments and other refined product subsidies in Q4 alone. The annual expenditure on this item was 1275% of the budget.
- Net oil revenues were SSP 5,089 million in the fourth quarter of the fiscal year. The annual execution was higher than envisaged, at 264% of budget.
- The requirement to repay previous oil advances to Trafigura required SSP 4,081 million. This is also reflected in the financing.
- A dollar terms summary of oil flows is found below. It shows substantial over performance on the gross and net revenue from oil, due to the higher-than-budget-forecast price. After Trafigura repayments and other deductions including Sudan and Nilepet refined oil deductions and USD grants to Nilepet, South Sudan took just 24% of the gross revenue, but could not refinance from oil advances. After net oil advances, GRSS received just 14% of Gross Oil revenues.

Non-oil revenues

- Total identified non-oil revenue collections were SSP 9,519 million, which was SSP 102% of the total estimated non-oil revenue.
- An additional SSP 5,091 million in non-oil revenues was accounted for by Treasury from unidentified remittances in Q4 alone, totalling SSP 6,555 million for the year.
- All revenue categories came in meaningfully below budget, except other revenues and PIT. Of the major tax lines, sales tax underperformed the worst compared to budget.
- Non-oil revenues increased in the fourth quarter of the fiscal year, due to implementation of measures in the 2016/17 Financial and Appropriation Acts and the continuing depreciation of the SSP. It should be noted that budget forecasts assumed these measures would be in

place from July. This could explain why those revenue categories with new measures may be over-performing compared to budget forecasts, for example sales tax.

- Net oil revenues are at risk in real value, due to continued pressures from repaying advances and payments to Sudan.

OIL, USD					
2: Oil dollar overview	Budget (indicative, USD m)	Executed, year to date (USD m)	Executed, Most recent quarter (USD m)	Budget execution YTD, %	Budget execution, most recent quarter, %
<i>Oil Revenue</i>	662	1,009	299	152%	45%
Sudan (USD)	537	480	156	89%	29%
Nilepet in - kind (USD)	22	90	26	418%	121%
Nilepet Ref/Prod (USD)	0	31	12		
Other Ref/Prod (USD)	0	84	28		
<i>GRSS central revenues from oil</i>	104	241	45	232%	43%
GRSS (to bank) (USD)	-9	56	9	-615%	-98%
Trafigura repayments (USD)	113	184	36	164%	32%
Other (USD)	0	1	0		
<i>Oil related borrowing</i>					
Trafigura advances (USD)	0	82	32		

See discussion above.

EXPENDITURE OVERVIEW

	Budget, SSP m	YTD expenditure, SSP m	Latest quarter expenditure, SSP m	% of budget spent YTD	% of annual budget spent, latest quarter
<i>A: Summary of expenditure by sector</i>					
Accountability	3,427	4,627	1,692	135%	49%
Economic Functions	502	398	89	79%	18%
Education	1,406	960	365	68%	26%
Health	668	410	155	61%	23%
Infrastructure	634	386	214	61%	34%
Nat. Res. & Rural Devt	747	599	191	80%	26%
Public Administration	11,128	9,299	3,646	84%	33%
Rule of Law	3,760	3,661	1,197	97%	32%
Security	10,946	11,651	3,414	106%	31%
Social & Humanitarian Affairs	172	194	87	113%	51%
Grand Total	33,389	32,186	11,049	96%	33%
<i>B: summary of expenditure by chapter and fund</i>					
<i>General Fund</i>					
Wages and Salaries	14,358	13,539	4,431	94%	31%
Use of Goods and Services	5,106	12,523	4,270	245%	84%
Capital Expenditure	1,588	1,889	1,012	119%	64%
Interest, grants, loans & donat.	38	384	160	1010%	420%
Transfers and Grants	6,311	3,623	1,139	57%	18%
<i>ARCISS implementation payments</i>					
Wages and Salaries	0	27	0		
Use of Goods and Services	4,500	73	21	2%	0%
<i>Contingency Fund</i>					
Use of Goods and Services	1,333	54	0	4%	0%
<i>Interest and debt payment</i>					
Use of Goods and Services	0	71	14		
Interest, grants, loans & donat.	155	4	2	2%	1%
Grand Total	33,389	32,186	11,049	96%	33%

EXPENDITURE

- **Total government spending in the fourth quarter was SSP 11,049 million, which was equal to 33% of the annual budget.**
- It should be noted that several reforms were implemented from August 2016, to better control budget execution. These include:
 - Unpresented cheques being recalled and cancelled;
 - Introduction of a cash management committee;
 - Cheques being signed only when funds are available to prevent the accumulation of new un presented cheques; and
 - Ministries are being paid equitable operating costs to cater for their expenses on regular basis.
- These reforms have contributed to better budget execution, most notably by preventing government expenditure taking place when resources are not available, which has previously led to accumulation of un presented cheques and arrears.
- Total salary execution is SSP 13,539m, just 94% of the annual budget, due to lack of available resources against competing Government priorities.
- In comparison, transfers are executed at only 57% of the allocated budget. This is due to a combination of arrears, crowding out from goods and services expenditures in a few central government agencies, delays in health and education extended to all government employees, eligibility considerations, and late introduction of the revised salary scales at the advent of the budget.
- Capital expenditure was above-budget in the fourth quarter. However, this overall aggregate masks over-expenditure in some agencies and under expenditure in others.
- Expenditure on operating was SSP 12,523 million for the year, which is 245% of budget.

SECTORAL EXPENDITURE

- The dispersal of expenditure between agencies and sectors was very unequal in the year to date, and this trend continued in all four quarters.
- Security, public administration and Accountability dominated the distribution at the expense of services delivery sectors. See annex.
- Ministry of Education and Health sectors spent 68% and 61% of their annual budgets respectively.

DONOR OVERVIEW

v: Donor table	Budget (SSP m)	Executed, year to date (SSP m)	Executed, Most recent quarter (SSP m)	Budget execution YTD, %	Budget execution, most recent quarter to date, %
<i>Donor Revenue</i>					
Grant	2,041	510	52	25%	3%
Agriculture Development and Food Security Project	0	6	0		
Emergency Food Crisis Response (World Bank)	189	6	0	3%	0%
Gender Equality and Economic Empowerment (ADB)	69	0	0	0%	0%
Good Governance & Capacity Building in NRM (ADB)	49	0	0	0%	0%
Institutional Support to PFM and Aid Coordination (AfDB)	175	0	0	0%	0%
Juba Power Distribution (AfDB)	1,021	0	0	0%	0%
Procurement Capacity Development (World Bank)	29	34	0	117%	0%
Resilience, Water & Sanitation (ADB)	92	0	0	0%	0%
South Sudan Rural Roads Project (SSRRP) (World Bank)	0	464	52		
Strengthening the Capacity of Audit Chamber (World Bank)	3	0	0	0%	0%
TA for the Transport Sector (AfDB)	414	0	0	0%	0%
Loans	2,644	144	30	5%	1%
East Africa Regional Transport Project (World Bank)	280	15	0	5%	0%
Energy Sector Technical Assistance (World Bank)	88	2	0	2%	0%
Juba Airport (China EXIM)	0	0	0		
Juba Women's and Children's Hospital (Kuwait Fund)	0	0	0		
Local Governance and Service Delivery (World Bank)	1,813	39	0	2%	0%
Safety Net and Skills Development (World Bank)	183	27	0	15%	0%
Statistical Capacity Building (World Bank)	280	61	30	22%	11%
Total grants and loans (on budget)	4,685	654	82	14%	2%

DONOR FUNDING

- South Sudan receives some development and humanitarian support in the form of loans and grants. Some of this funding is implemented with the involvement of the government and may use government financial systems. These projects are therefore appropriated in the budget. Donors are requested to report their disbursements on a quarterly basis and these are compared with the budgeted amount in donor Table above. However, lack of reporting from several donors makes the aggregates incomplete.
- On this quarter, donors reported disbursing a total of SSP 82 million, of which SSP 52 million was grants and SSP 30 million was loans. Some projects continue to underperform, due to the security situation and lack of reporting.

FINANCING OVERVIEW

w: Financing summary table	Budget (SSP m)	Executed, year to date (SSP m)	Executed, Most recent quarter (SSP m)	Budget execution YTD, %	Budget execution, most recent quarter to date, %
Net Financing (excl. deposit changes and Sudan)	3,769	-3,586	-238	-95%	-6%
BOSS	0	2,792	0		
BOSS Recap.	0	0	0		
Oil Advance Sales	-7,875	-7,374	-370	94%	5%
Treasury Bills	9,000	852	103	9%	1%
World Bank & China Loans	2,644	144	30	5%	1%
New Borrowing	11,644	16,371	5,641	141%	48%
BOSS	0	2,890	0		
BOSS Recap.	0	0	0		
Oil Advance Sales	0	7,663	3,711		
Treasury Bills	9,000	5,674	1,900	63%	21%
World Bank & China Loans	2,644	144	30	5%	1%
Repayments	7,875	19,957	5,878	253%	75%
BOSS	0	98	0		
BOSS Recap.	0	0	0		
Oil Advance Sales	7,875	15,037	4,081	191%	52%
Treasury Bills	0	4,822	1,797		
World Bank & China Loans	0	0	0		

- Total financing was budgeted at SSP 3,769 million more payments in, than payments out. Instead, according to BoSS and AidCo records, outflows exceeded inflows by SSP 3,586 million on a net basis.
- Treasury bills did not meet their target of SSP 9,000 million on a gross basis; less than SSP 1 billion was raised.
- Oil advances fell by SSP 7,374 million close to the estimate, and new advances were not available to the extent required to replace existing ones.
- The debt to Sudan was not recorded over the year. It is estimated that positive net repayments are made, since the recorded USD value of payments was around USD 20 million greater than new obligations.

DEBT OVERVIEW	End prev. FY (SSP m)	Change, most recent quarter (SSP m)	Change, YTD (SSP m)	Final debt
Total Debt, end of month	35,194	3,132	24,745	59,939
BOSS	14,790	0	2,792	17,582
BOSS Recap.	1,917	0	0	1,917
Oil Advance Sales	11,410	1,541	9,868	21,278
Treasury Bill Interest	0	0	0	0
Treasury Bills	1,759	103	852	2,611
World Bank & China Loans	5,318	1,489	11,233	16,551
<i>Gains/losses on Stock value</i>	Change, YTD (SSP m)	Change, later quarter		
Exchange rate effect on debt stock	28,331	3,370		
BOSS	0	0		
BOSS Recap.	0	0		
Oil Advance Sales	17,242	1,911		
Sudan	0	0		
Treasury Bill Interest	0	0		
Treasury Bills	0	0		
World Bank & China Loans	11,089	1,459		
<i>Reconciliation table</i>	YTD	Latest quarter		
Overall balance	<u>2,820</u>	<u>2,826</u>		
Net Financing (excl. deposit changes and Sudan)	-3,586	-238		
Decrease / (Increase) in Cash	n/a	n/a		
Other financing	656	n/a		
Total Financing	<u>-3,586</u>	<u>-238</u>		
Unreconciled	-765	2,588		

- Other financing is the estimated additional arrears to government employee pensions of SSP656 million. The fiscal year unreconciled amount was SSP 765m, which could be due to unreported changes in cash balances and changes not captured in the exchange rates on either expenses or revenues.
- Sudan debt is not included in the above. Estimated arrears were reduced this year in dollar terms due to overpayment in terms of cargoes seized and cash transferred relative to the accrual of PTT and TFA liabilities.
- Large revaluation of external debt due to the falling pound accounts for the increase in the value of debt in SSP.