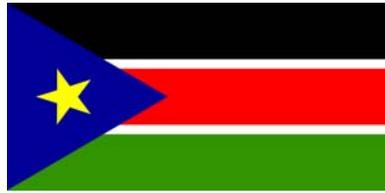


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**GOVERNMENT OF SOUTHERN
SUDAN**

**FISCAL CHALLENGES & PROGRESS
IN PUBLIC FINANCIAL
MANAGEMENT**

Prepared for the 2008 Sudan Consortium

Ministry of Finance & Economic Planning

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Executive Summary

Over the past three years, the Government of Southern Sudan (GoSS) has received \$3,300 million in oil revenues; the resulting expectations for reconstruction and service delivery have been enormous. However, managing substantial inflows of resources from a baseline of severely limited capacity has been, and continues to be, extremely challenging.

As a result of limited capacity within the Ministry of Finance, and across the Government of Southern Sudan as a whole, almost no active management of budget execution took place between 2005 and 2007. Budget execution reports were produced with a considerable lag. Spending patterns were governed by cash availability, and reflected institutions' capacity for spending, rather than their approved Budget appropriation. There was no active management of reserves, and all available funds were spent. Weak procurement capacity gave significant cause for concern, as GoSS entered into high-value contracts without taking into account the long-term implications for the budget.

GoSS also faced specific fiscal challenges, which complicated fiscal management. These included volatile and unpredictable revenue inflows from oil, almost total dependency on oil as a revenue source, and an increase in fixed costs as a share of the budget, as a result of a burgeoning pay roll.

In spite of these challenges, GoSS took significant steps towards improving its Public Financial Management framework. A Public Financial Management Act has been drafted. Budgets have been prepared and approved every year from 2005 to 2008. The capacity for accurate execution of the Budget has increased with the introduction of a Single Treasury Account, clear payment procedures and timely budget execution reports. GoSS has prepared its Accounts for 2005 and 2006, which are now being externally audited. Steps to improve the efficiency of public spending include the introduction of interim procurement regulations, and pay committees to oversee GoSS salary payments.

GoSS has also begun to attempt to diversify its revenue base. Modalities for collecting and sharing national non-oil revenues have been agreed with GoNU, and a GoSS Revenue Bill has been drafted. The GoSS Personal Income Tax Order has been approved.

GoSS now wishes to achieve a number of longer-term objectives:

- Reduce fiscal dependence on oil revenue
- Reform the Public Service, to improve efficiency and reduce the share of the wage bill in overall expenditures
- Execute the budget as planned
- Ensure full accountability & transparency for all spending

GoSS has identified the activities it intends to undertake in 2008 - 2009 to meet these objectives, and has identified the areas in which additional donor support is required.

1. Introduction

The 2005 Joint Assessment Mission (JAM) report provided the following assessment of institutional capacity in Southern Sudan:

“In order to be able to manage, deliver and account for the range of critical programmes needed to accelerate development in Southern Sudan, the entire public service, including personnel and systems, has to be built up virtually from scratch... Public financial management and procurement systems .. urgently need to be built from the ground up¹”.

In the three years since the JAM report, the Government of Southern Sudan (GoSS) has received \$3,300 million in oil revenues. GoSS is fortunate to have access to substantial domestic resources with which to finance its expenditures, and the resulting expectations for reconstruction and service delivery have been enormous. However, managing substantial inflows of resources from a baseline of severely limited capacity has been, and continues to be, extremely challenging. The capacity limitations faced by GoSS range across all aspects of public financial management, from planning, budget preparation and budget execution to payroll management, accounting and auditing. The limitations manifested at GoSS level are magnified several times over at State level.

Against this backdrop of capacity limitations, GoSS has been faced with several acute fiscal challenges, including volatile revenue inflows from oil, severely limited capacity for non-oil revenue generation, and a burgeoning payroll. These challenges have significantly increased the complexity of fiscal management in GoSS.

This paper seeks to develop a common understanding among development partners of the fiscal challenges facing GoSS and the States. It also sets out GoSS’s progress in developing its Public Financial Management (PFM) framework and managing its finances since 2005, and identify its PFM objectives for the coming year. It also highlights the areas in which it would like to receive support from partners, both at GoSS and State level.

2. Basic Capacity for Public Financial Management

The Interim Constitution of Southern Sudan (ICSS), which was passed in 2005, established the basic principles of Public Financial Management in Southern Sudan. These include:

- All revenue collected for or by the Government of Southern Sudan shall be pooled in a Southern Sudan Revenue Fund administered by the Ministry of Finance and Economic Planning.
- All revenues & all expenditures must be on-budget operations.
- GoSS must prepare an annual budget, for approval by the Southern Sudan Legislative Assembly.

¹ Joint Assessment Mission (JAM) report, Vol I, Pages 46 & 47

- Once the budget is passed, no money shall be spent on an item that is not provided for in the budget without the approval of the Assembly.
- Surplus funds over revenue estimates and funds out of the legal reserve shall not be spent, except through a supplementary appropriation law passed by the Assembly.
- Accounting procedures, standards and fiscal accountability in Southern Sudan shall be regulated by law.
- The Southern Sudan Audit Chamber shall supervise the financial performance of all levels of government in Southern Sudan in accordance with the budgets approved by their respective legislatures. The Auditor General shall present an annual report to the President of the Government of Southern Sudan and the Southern Sudan Legislative Assembly.
- GoSS shall fulfil its obligations to provide financial transfers to all levels of government in Southern Sudan, and revenue sharing shall reflect a commitment to devolution of powers and decentralisation of decision-making in regard to development, service delivery and governance.

The basic requirements of the Constitution with respect to Public Financial Management are clear. GoSS's challenge has been to put in place the necessary laws, regulations and institutions implement them. Moreover, while building up a comprehensive Public Financial Management system from scratch takes time, even years, oil revenues started flowing to GoSS almost as soon as the Constitution was approved.

The Ministry of Finance has been faced with the dual challenge of developing its own core systems for budget preparation, execution, procurement and accounts, in an environment of extremely limited capacity, while developing a common understanding of budget, finance and accountability issues across Government. This has included familiarising officials with, and convincing them of, basic concepts such as:

- the limitation of resources
- the need to build financial reserves
- the need for expenditure discipline
- the purpose of competitive procurement
- the need for financial accountability & transparency
- the meaning of fiscal decentralisation.

This task has been made all the harder by the high levels of domestic resource inflows from oil, as funds are generally assumed to be abundantly available. From the outset, there has been a general lack of understanding of a resource-constrained approach to budgeting at all levels of Government (the allocation of 'budget ceilings' to institutions against a limited resource envelope), with most officials and institutions wanting to budget according to their needs, rather than according to the prioritised allocation of limited resources.

In addition, there has been very little adherence to the Budget once passed, with institutions at both GoSS and State level entering into spending plans and contracts which

far exceed the resources available to them. Moreover, until recently, the Ministry of Finance's capacity to manage the budget execution process by tracking expenditure requests and expenditure performance on a timely basis has been constrained, as the externally-contracted Government Accounting Agent made limited use of GoSS's computerised Financial Management Information System (FMIS), and produced budget execution reports with a considerable time lag.

Procurement capacity is also extremely limited. The concept of competitive procurement has proved unfamiliar to many GoSS officials and institutions. In 2006 in particular, GoSS entered into a number of high-value contracts, without taking into account the long-term implications for the budget, without necessarily following appropriate procurement procedures. These contracts were subsequently investigated by a committee appointed by the President. No centralised system for controlling and recording contractual commitments is yet in place, meaning that GoSS does not have overall information on the value of its contractual obligations, and cannot track when they fall due, either for purposes of budget preparation, or for budget execution. As a result, it frequently incurs short-term arrears to suppliers, and the lack of information on contractual obligations prohibits the development of comprehensive cash management procedures.

As a result of these capacity challenges, almost no active management of budget execution took place between 2005 – 2007. The budget appropriation made by the Assembly was not adhered to, as spending patterns simply reflected institutions' capacity for spending, coupled with cash availability. There was no active management of reserves, and as a result, all available funds, including from the reserve, were spent. Reports were only available at a considerable time-lag, often of several months, and the data recording was not of a high standard. Inevitably, these weaknesses generated a pattern of spending with a marked bias towards recurrent expenditures (salaries & operating costs), as plans for capital expenditures outside of GoSS contributions to the Multi Donor Trust Fund were not well-formulated, and recurrent spending is generally easier to enter into.

The Ministry of Public Service faced a particular challenge in trying to manage the size of the Public Service, with consequent implications for the wage bill. The JAM envisaged a lean and efficient public service. In practice, the size of the Public Service quickly burgeoned at GoSS and State level, as a result of the amalgamation of the Civil Authority of New Sudan (CANS) and CCSS (Co-ordinating Council of Southern Sudan) administrations, both for civil institutions and the Organised Forces. In addition, once established, GoSS & State institutions commenced recruiting new personnel, while procedures for vetting & approval remained extremely weak. Latterly, the size of the Organised Forces has been increased further by the transfer of excess personnel across from the SPLA, primarily as a result of the amalgamation of Other Armed Groups (OAG). On current estimates, over 80,000 personnel are employed by GoSS, including almost 70,000 in the Organised Forces, and a further 130,000 are employed at State level, including teachers. These estimates exclude the army. Nonetheless, no comprehensive

payroll exists, to validate these estimates, or to ensure that salaries are being paid to duly appointed personnel.

The need for accountability for spending is still not well understood across Government as a whole. At the outset, there was an assumption that the budget would be disbursed as a lump sum at the start of the year, even though most institutions have no accounting capacity. Although all claims are submitted to the Treasury, it took some time for institutions to make adequate reference to the budget codes against which the claims were being made. Even now, supporting documentation for expenditure claims is often inadequate. Moreover, GoSS has received no accountability for the transfers made to State Governments in 2006 & 2007. In most cases, States simply do not have the capacity to account, and in many cases, particularly in 2006, they were not spending against an approved budget.

On the revenue side, GoSS faces similar constraints in terms of lack capacity for tax administration, and lack of understanding as to how a well-administered tax system should operate. Both authorised and unauthorised tax collections are currently ongoing in the South. The challenge for GoSS is to enforce remittance of those taxes which are legally collected, and prevent illegal collection. This involves, amongst other things, developing a system for tax administration, and ensuring that personnel are adequately trained. GoSS also faces additional challenges, in terms of liaising with the Government of National Unity on oil revenues and national taxes, to ensure that the South gets its due share in a timely fashion, and liaising with Southern States on tax harmonisation. The concurrent powers of taxation granted under the Comprehensive Peace Agreement are complex to manage in a post-conflict environment of limited capacity.

3. Establishing the Public Financial Management framework

In spite of the capacity challenges it faces, GoSS is slowly making progress in improving its Public Financial Management framework. Achievements since 2005 include:

- Four annual GoSS budgets prepared and approved by the Southern Sudan Legislative Assembly
- Comprehensive planning & budgeting system in place, with annual budget allocations linked to planned activities
- Regular planning & budget execution workshops conducted with GoSS Spending Agencies
- Semi-annual workshops conducted with State Ministries of Finance; GoSS planning & budgeting system adopted at State level
- Public Financial Management Act drafted and submitted to the Ministry of Legal Affairs
- Interim Procurement Regulations in place
- Single Treasury Account operational

- MoFEP staff trained to use the Financial Management Information System for budget execution, including expense classification, recording and reporting against the Approved Budget
- Clear payments procedures in place, timely reports on claims & expenditures now available
- GoSS salary payments overseen by pay committees led by the Ministry of Public Service
- Preparations to conduct a teacher headcount exercise throughout the ten States at an advanced stage
- Funds appropriated to the reserve set aside on a monthly basis as of January 2008
- 2005 & 2006 GoSS Accounts prepared for external audit
- Public Financial Management training programme for GoSS & State officials being rolled out through the Government Accountancy Training Centre.

In addition, as an interim measure, to plug some of its capacity gaps, GoSS has hired a number of externally-contracted agents to deliver professional services for accounting, procurement and external auditing.

GoSS has also taken steps to improve its revenue management framework, and so far has achieved the following:

- Regular oil revenue meetings occurring between GoSS and GoNU
- Modalities for collecting and sharing national non-oil revenues collected in the South agreed between GoSS and GoNU
- GoSS Personal Income Tax Order approved
- GoSS Revenue Bill drafted and submitted to the Ministry of Legal Affairs
- Discussions on tax harmonisation with State Governments ongoing
- Assessment of GoSS non-tax revenue potential conducted.

Details of GoSS's progress against the specific PFM commitments made at the Sudan Consortium in March 2006, and after the assessment of the Joint High Level Fiscal Mission conducted in June 2007, are provided at Annex One.

4. Overview of Fiscal Performance & Fiscal Challenges 2005 – 2007

In addition to GoSS's capacity challenges, it faced specific fiscal challenges over the period 2005 - 2007, which complicated fiscal management. These included volatile and unpredictable revenue inflows from oil, almost total dependency on oil as a revenue source, steady exchange rate appreciation of the Sudanese Dinar/Pound against the Dollar, and an increase in fixed costs as a share of the budget, as a result of a burgeoning pay roll.

4.1. Revenue

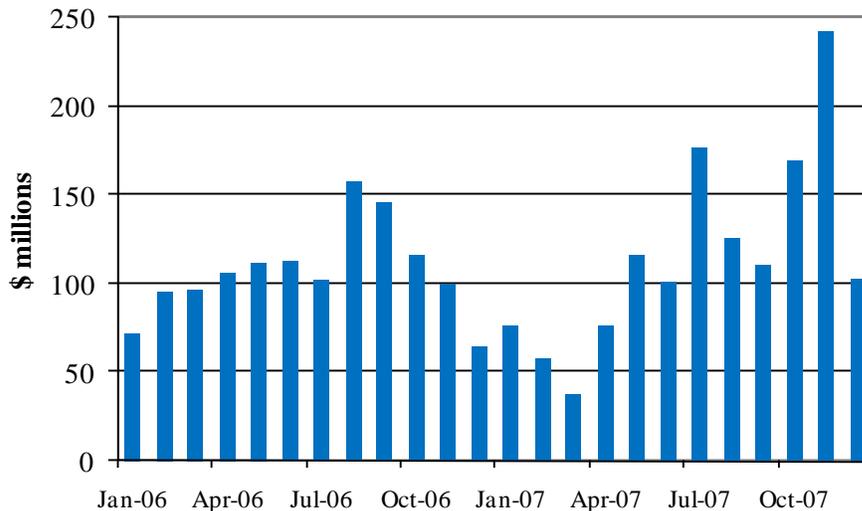
Over 2005-2007, GoSS received \$3,315 million in revenue, over ninety nine percent of which was from oil revenue. This level of dependency on oil revenues is extremely

concerning. Oil is a finite revenue source, whose prices are subject to considerable fluctuations, driven by conditions on the world market. In depending almost solely on oil, GoSS has no guarantee of long-term fiscal sustainability. At present, given the current high level of oil prices, and GoSS's lack of financial reserves, it is highly exposed to a downturn in global oil prices. Moreover, on current forecasts, production from existing wells is expected to rise in the short-term, up to 2009, and then decline from 2010 onwards.

Unfortunately, GoSS's dependency on oil revenue is unlikely to decline significantly in the near future as GoSS's capacity for raising non-oil revenue generation is extremely limited. Although the amounts received from non-oil revenue have increased significantly from \$264,000 in 2005 to \$13.6 million in 2007, the base is so low that it will take, at the very least, several years before non-oil revenues can finance a significant proportion of the budget.

GoSS's dependency on oil revenue has also made short-term fiscal management extremely difficult, because its flows of monthly oil revenue have varied considerably. On average, oil revenues have amounted to \$111 million per month. However, the range around this average has been considerable, with monthly flows fluctuating between a low of \$38 million (March 2007) and a high of \$243 million (December 2007). The monthly variations in GoSS's oil revenue receipts are shown in the chart below. The reasons for these fluctuations include variations in price and production levels and arrears built up by GoNU. GoNU owes GoSS \$176 million on account of arrears in oil transfers accrued between 2005 and 2007.

Figure 1: Monthly GoSS Oil Revenue 2006-07



GoSS runs a cash budget. It has no recourse to borrowing facilities, either from the commercial banking sector, or from the Central Bank, and it has no financial reserves. Consequently, its budget execution is entirely dependent on the flow of its oil revenues. In months when receipts drop, as they did in the first four months of 2007, its capacity for

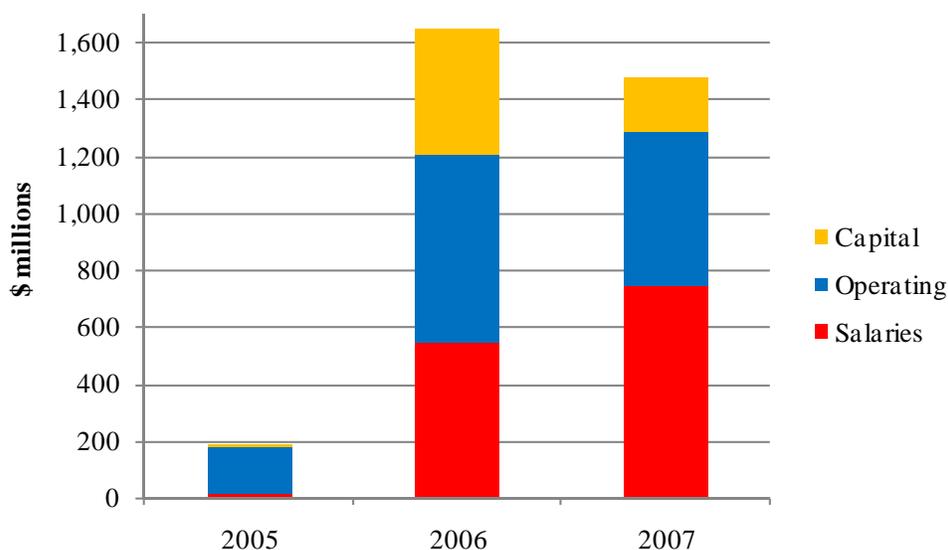
budget execution is severely constrained. In the first six months of 2007, GoSS’s expenditures only amounted to one-third of the annual budget, and out of this, salaries and operating costs accounted for 85% of spending. Having access to oil revenues provides GoSS with money with which to finance its development, but at the same time, the volatile nature of these revenues makes it extremely hard to plan for development expenditures in a systematic way.

4.2. Expenditure

GoSS’s expenditure over the period 2005 – 2007 amounted to \$3,279 million, out of which \$1,302 million (40%) was for salaries. Salary expenditures increased from 33 percent of spending in 2006 to 50 percent in 2007, as the wage bill rose from \$546 million in 2006 to \$742 million in 2007. These figures include the wages of teachers at State level, who are paid through a conditional grant from GoSS, but exclude the cost of most other State employees, who the States pay themselves, either through their block grants or their own revenue sources. Block grants to States amounted to \$295 million (9%) of GoSS expenditure for the period 2005 – 2007.

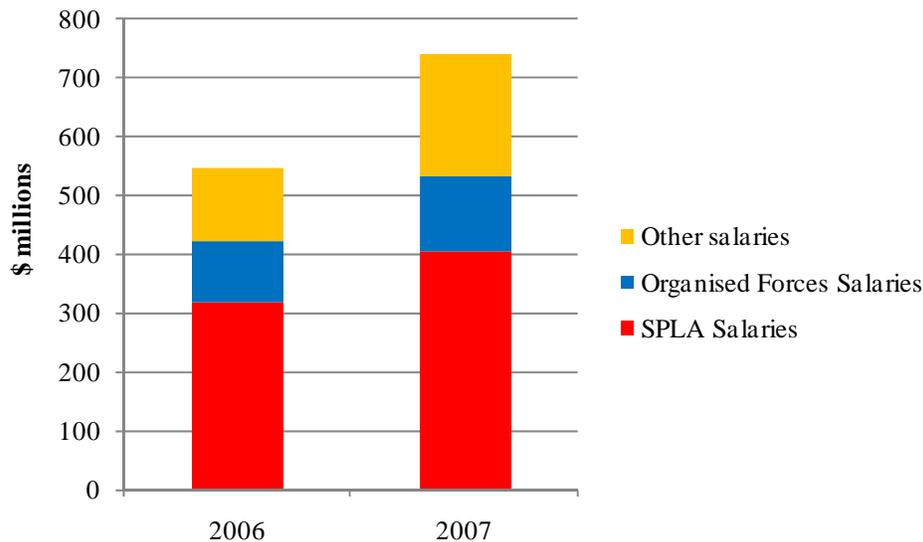
Capital expenditure amounted to \$639 million over the period 2005 – 2007, which was less than half the amount spent by GoSS on salaries. Capital expenditure as a proportion of the budget fell from 27 percent of spending in 2006 to 13 percent in 2007, as expenditures on salaries increased. This is a significant concern to GoSS, given its reconstruction and development needs. Moreover, planning for capital expenditure on a monthly basis is extremely difficult as GoSS’s wage costs constitute fixed expenditure each month, but revenues are volatile month to month. Capital spending therefore gets squeezed when revenues fall below the level required to pay for salaries and State transfers, exposing GoSS to the risk of building-up short-term arrears to suppliers.

Figure 2: Composition of GoSS expenditure 2005 - 2007



A major reason for the increase in salaries over the period 2005 - 2007 was the incorporation of other armed groups into the SPLA and Organised Forces. In 2007, the salaries of the SPLA and Organised Forces made up around 70% of salary payments, while transfers to the States for teachers salaries accounted for a further 12%. The overall composition of salary payments is shown in the chart below.

Figure 3: Expenditure on Salaries 2006-07



4.3. Inter- governmental transfers

Over the period 2005 – 2007, \$635 million of the GoSS budget (19%) was spent directly by the ten States. The expenditure had three components; block transfers from GoSS to States to finance State budgets (\$295 million), conditional transfers from GoSS Spending Agencies to enable States to finance particular expenditures at State level (\$194 million), and expenditures settled by GoSS at the request of the States (\$146 million).

Since 2006, at the request of the Governors, the block transfers to the States have been divided equally amongst the ten States. It has been agreed that once the results of the Census are known, the Southern Sudan Fiscal & Financial Allocation & Monitoring Commission (SSFFAMC) will take the lead in determining an equitable allocation formula.

Conditional transfers to States are budgeted for within the budgets of the respective GoSS Spending Agencies. They are transferred on their behalf by the Ministry of Finance, GoSS, to the respective State Ministries of Finance, for onward distribution to the relevant State Ministries. In 2006 and 2007, eighty percent of the conditional transfers were made by the GoSS Ministry of Education, to finance the salaries of teachers at State & County level. In the absence of information on the number of teachers in each State, these transfers have been distributed according to estimated pupil enrolment levels. The

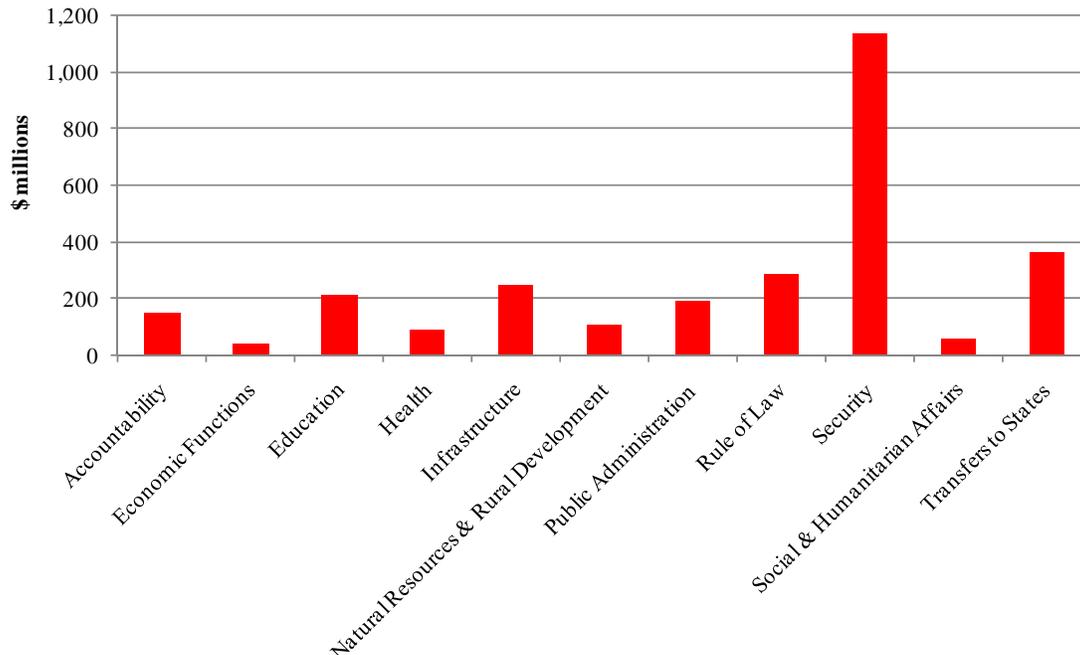
ongoing teacher headcount exercise will help establish the number of each State, and will be used as a basis for future transfers.

The majority of the expenditures settled by GoSS at the request of the States were incurred in 2005 and 2006, when the State Governments were still in the process of establishment.

4.4. Sectoral distribution of expenditure

In terms of sectoral distribution of spending, security accounted for the greatest share of spending over the period 2006-07, at \$1,136 million. The only other sectors with expenditures in excess of \$200 million were Block Transfers to States, Rule of Law, Infrastructure and Education. Figure 4 below shows the sectoral distribution of expenditure.

Figure 4: Sectoral Distribution of Expenditures 2006-2007



These figures represent expenditure outturns rather than the budgeted expenditure. As budget execution was weak, the actual sectoral distribution of spending was very different from the planned one; certain sectors with the capacity to generate large recurrent costs overspent. The Organised Forces overspent on salaries, as they absorbed personnel transferred from the SPLA, increasing expenditure in the Rule of Law and Natural Resources & Rural Development sectors. Agencies in the Public Administration sector also overspent by large amounts, spending more than twice their allotted budget. As a result, spending in that sector was higher than in the Health sector. Education spending did not fall below the budgeted level to such an extent as in Health, because of the large transfers made to States to finance teachers' salaries. Spending in the infrastructure sector, which is dominated by capital expenditure, was less than half what

was budgeted for. Annexes 3 and 4 show the expenditure of each Spending Agency in 2006 and 2007, and how this deviated from the Budget.

5. Public Financial Management Objectives 2008 – 2009

Developing a robust Public Financial Management system for Southern Sudan is a long-term undertaking. GoSS took a number of important steps forward in the period 2005 – 2007, but the overall system is still weak, and capacity remains low. Overall, GoSS wishes to achieve a number of long-term objectives, including the following:

- Reduce fiscal dependence on oil revenue
- Reform the Public Service, to improve efficiency and reduce the share of the wage bill in overall expenditures
- Execute the approved budget as planned
- Ensure full accountability & transparency for all spending

While GoSS may not be able to achieve all these objectives in full within the next two years, it nonetheless has identified a number of key activities it intends to take, to help it work towards these objectives. These are set out in Table 1 below. A number of them are mutually inter-dependent.

Table 1: Public Financial Management Activities 2008 – 2009

Main Area	Activities
Public Service & Payroll	<ul style="list-style-type: none"> - Establish a comprehensive payroll system - Review the size & structure of the Public Service, ensure the roles & responsibilities of all Public Service entities are legally established - Implement standardised system for Public Service allowances - Establish a fiscally-sustainable system for Public Service pensions - Downsize the Organised Forces
Procurement	<ul style="list-style-type: none"> - Draft the Procurement Act - Establish a centralised system for contract recording & commitment control - Establish a system of supplier registration - Establish standard bid documents - Develop inventory & asset management system
Revenue	<ul style="list-style-type: none"> - Improve capacity for oil revenue forecasting - Implement agreed procedures for sharing national taxes collected in the South - Pass the revenue act, and develop revenue regulations - Develop the revenue collecting capacity of the Directorate of Taxation - Agree & implement harmonised system of tax policy & collection with the States - Improve remittance of non-tax revenues collected by GoSS institutions

Budget Execution	<ul style="list-style-type: none"> - Develop Public Financial Management regulations - Establish robust cash management procedures - Train Spending Agencies on budget execution issues
Internal Audit	<ul style="list-style-type: none"> - Develop an internal audit manual & procedures for GoSS and States
Accounts	<ul style="list-style-type: none"> - Circulate monthly expenditure reports - Phased handover of responsibilities from Government Accounting Agent to MoFEP Directorate of Accounts - Expand the Financial Management Information System to all departments in MoFEP, and explore options for roll-out to other GoSS Spending Agencies & States - Develop GoSS capacity for project accounting
External Audit	<ul style="list-style-type: none"> - Complete the audit of GoSS accounts for 2005 – 2007 - Commence 2008 audit, both for GoSS & States
Inter-governmental fiscal relations	<ul style="list-style-type: none"> - Ensure States submit accountabilities to GoSS for inter-governmental transfers - Develop equitable allocation formulae for inter-governmental transfers - Develop comprehensive assistance package for State Ministries of Finance, for revenue management, payroll management, budget preparation & execution, procurement, audit, & accounts

These activities will be refined further, through development of a time-bound matrix, against which GoSS can chart its progress, and they will also be updated/amended as circumstances require.

In addition to the above, capacity building and training will be an ongoing requirement, both for staff working in technical areas relating to public financial management, and more generally for senior and middle-level officials across all levels of Government, to achieve a common level of understanding on public financial management issues.

GoSS is already receiving support from partners in a number of key areas of public financial management, both in terms of training, technical assistance and systems development². However, there are a number of gaps in this support, and further assistance is particularly required in the areas of payroll development, procurement, internal audit, accounting capacity and States support. Training needs remain acute across the board.

² Ongoing donor PFM support includes the following:

CBTF:	PFM training through the Government Accountancy Training Centre
USAID:	Technical assistance on Treasury Management & Taxation
Norway:	Technical assistance on oil
DfID/UNDP:	Technical assistance on planning & budgeting at GoSS, State & County level
MDTF:	Core Fiduciary Services (Project Accounting, Procurement & External Audit Agents)

6. Conclusion

The JAM report correctly identified lack of basic public financial management capacity as a challenge for GoSS. Nonetheless, the scale of the challenge GoSS faced, in terms of handling, and spending, hundreds of millions of dollars within a few months of its establishment, still proved almost indescribably large. There is little doubt that the Ministry of Finance's systems were wholly inadequate for the task. Moreover, the externally-contracted fiduciary agents either came too late into the process, or contributed too little at the time, to be able to make a constructive contribution to the initial challenges.

GoSS did not start to make any real headway in developing its public financial management systems or tackling its fiscal challenges until 2007. Since then, it has been making slow but steady progress. There has also been a growing awareness of the crucial interface between Public Service management and reform, and public financial management, and the Ministry of Finance and the Ministry of Public Service have started working together on these issues.

Training and capacity building will remain a critical requirement throughout the remainder of the interim period. Focus also needs to be placed on building capacity at State level, so that State Governments have adequate public financial management capacity to support the system of decentralised governance envisaged in the Interim Constitution of Southern Sudan.

GoSS's challenges remain enormous, and capacity is still weak; however, it has identified the main activities it needs to undertake to strengthen its public service and public financial management systems. It would be unrealistic to suggest that it can overcome all the challenges it faces in these areas within a year or two, but with the assistance of partners, it can nonetheless make progress towards its financial management goals.

Annex 1: Progress Against Public Financial Management Commitments

Commitments made at 2006 Sudan Consortium	Commitments made following 2007 World Bank Fiscal Mission	Progress made
Oil Revenue		
Work with the National Petroleum Commission and the Oil Joint Committees to improve the clarity and predictability to the flow of resources from oil revenue.	Petroleum Unit to obtain weekly information from MoFNE on amount & timing of oil transfers to GoSS and to convey to Directorate of Accounts.	MoFEP participates actively in the Oil Revenue Sharing Technical Committee. The GoSS Petroleum Unit in Khartoum now obtains weekly information from GoNU MoFNE on amount & timing of oil transfers to GoSS and sends to Directorate of Accounts on the same day.
	Petroleum Unit to make rolling monthly forecasts of oil revenue.	The Petroleum Unit is working with Norwegian oil forecasting team to make rolling monthly forecasts of oil revenue.
Non-oil Revenue		
	MoFEP to agree mechanisms for joint collection & sharing of National Taxes collected in the South.	Non-oil revenue sharing committee has been established, and monthly meetings are being held.
	Increase capacity for tax collection through a major overhaul of Directorate of Taxation, and production of authorised financial forms.	Currently underway. Assisted by three revenue advisers provided by USAID/Bearing Point. Tax registration has commenced.
	Approve Interim Order on Personal Income Tax and MoFEP to start deducting PIT from the payroll.	Personal Income Tax order has been approved by the Assembly and income tax has been deducted from the payroll from November 2007.
	Taxation to provide weekly statement of revenues deposited on revenue block account.	Forms for VAT & PIT being finalised. Monthly reporting expected to commence March 2008.
	MoFEP to hold consultations on draft Revenue Bill and then pass to Council of Ministers and the Assembly for approval.	Draft Revenue Bill is now with MoLACD for legal comments before going to Council of Ministers.
	MoFEP to enforce remittance of non-tax revenues to the block revenue account and collecting Agencies to provide weekly reports.	Presidential Order requiring remittance of all non-tax revenues & banning unauthorised tax collections issued September 2007. Director for Revenue appointed in MoFEP, and assessment is underway.

Commitments made at 2006 Sudan Consortium	Commitments made following 2007 World Bank Fiscal Mission	Progress made
Planning and Aid Coordination		
	Planning to consolidate the objectives and 2008 annexes from all ten draft Budget Sector Plans into a single document.	Document prepared by planning. Sector objectives and tables presenting spending agencies activities presented in 2008 Budget.
	MoFEP to hold a consultative workshop with all States on the draft Budget Sector Plans, and to inform them of the budgeting process.	Workshop held end August. States endorsed the Budget Sector Plans, and set up their own Sectoral Committees at State level. States provided feedback on their own planning work and proposed 2008 Budgets at a workshop in November.
	MoFEP to hold quarterly Donor Forum.	Five quarterly Donor Forums now held. Fiscal update presented to donors at each one.
	MoFEP to submit Aid Strategy to the Assembly.	Aid Strategy approved by the Council of Ministers and presented to the Assembly alongside the 2008 Budget.
	MoFEP to conduct donor mapping exercise, drawing on information in draft Budget Sector Plans.	Mapping exercise completed, and presented alongside the 2008 Budget.
	MoFEP to undertake aid effectiveness review for Sudan Consortium, and estimate donor funding needs for 2008-2010.	Donor funding needs set out in Future Priorities document presented to the Sudan Consortium.
Public Financial Management		
Prepare a public finance bill and submit it to the Assembly for approval.	Draft PFM Act to be submitted to the Council of Ministers and then the Assembly. Regulations to the Act to be prepared, so that can be issued as soon as the Act is passed by the SSLA	Public Finance and Accountability Bill has been drafted and is now with MoLACD for legal comment before submitting to Council of Ministers for approval to send to the Assembly. Regulations are not yet drafted.
Establish a Treasury Single Account where all revenues and expenditures of the GoSS can be transparently consolidated and accounted for.		Treasury Single Account system is established. From January 2008 GoSS took responsibility for expenditure classification and recording in Financial Management Information System (FMIS), generating real time expenditure data.
Formalize strategy and rules with respect to reserve management and ensure transparency in allocations and expenditure.		<i>The reserve was run down during 2006 and 2007. GoSS now needs to focus on increasing contributions to the reserve.</i>

Commitments made at 2006 Sudan Consortium	Commitments made following 2007 World Bank Fiscal Mission	Progress made
	<p>MoFEP to form a Cash Management Committee to establish monthly spending limits for Spending Agencies, according to revenue availability.</p> <p>Spending Agencies to be informed of their monthly spending limit, and payment requests which exceed it to be held until the following month.</p>	<p><i>Monthly spending limits not yet set. Payment priorities are agreed when new revenue transfers are received</i></p>
<p>Regular public expenditure reviews and regular reports to public and Parliament on public expenditure.</p>	<p>MoFEP to prepare monthly payment reports at the end of each month, showing how much has been spent by each Spending Agency. Minister of Finance to make monthly report on revenues & expenditures to the President.</p>	<p>Monthly reports circulated to Spending Agencies from January 2008.</p> <p>Monthly reports submitted to the Council.</p>
<p>MoFEP, with assistance from IMF, to compile (monthly) and publish (quarterly) fiscal reporting data (economic and financial classification) according to GFSM.</p>		<p>MoFEP has adopted GFS-compatible Chart of Accounts.</p> <p>Annual accounts for 2005 & 2006 available.</p> <p>Annual accounts for 2007 being finalised.</p>
<p>Ensure accountability of public officials and decision-making through adoption of a code of conduct and conduct of business code for the Cabinet; establishment of the Southern Sudan Audit Chamber, the Southern Sudan Fiscal and Financial Allocation and Monitoring Commission, and the Anti-Corruption Commission; support to the supervisory role of Parliament; and the establishment of effective media and civil society to ensure access to public information.</p>		<p>Southern Sudan Audit Chamber, Southern Sudan Fiscal and Financial Allocation and Monitoring Commission and Anti-Corruption Commission are all established.</p> <p>‘Budget at a glance’, a simple guide to the budget, was published alongside the 2008 Approved Budget for dissemination to Parliamentarians, civil society etc.</p>

Commitments made at 2006 Sudan Consortium	Commitments made following 2007 World Bank Fiscal Mission	Progress made
Capacity building, training and staffing, particularly in public financial management for critical posts (undersecretaries and director level) and critical core spending agencies.		Public Financial Management training programme currently ongoing for GoSS & States officials through the Government Accountancy Training Centre. World Bank to provide GFS training for both GoSS and states.
External audit agent in place (tender underway).		PKF appointed as external audit agent in 2007.
Account and audit 2005 public expenditure and harmonize and reconcile accounts.		PKF are currently auditing 2005 & 2006 accounts.
	To reduce expenditure on consumption, MoFEP to work with Ministry of Labour and Public Service to establish GoSS policies on vehicle usage, accommodation & allowance entitlements.	Ministry of Labour and Public Service set permitted salary as part of establishing 2008 salary scales.
Payment Execution		
	To improve payment submission, MoFEP to agree a single set of procedures for processing payments and uniform requirements for supporting documentation to payment requests.	Revised payment procedures were issued in August 2007.
	Limits to be set for payment approval and the Minister only to approve payments above a certain limit, when passed to him by the Under Secretary. The Minister not to approve payment requests submitted direct to his office.	Approval limits agreed as a part of the revised payment procedures.
	All payment requests to be submitted to MoFEP by Spending Agencies, not by suppliers, and only Spending Agencies to be allowed to follow-up claims within MoFEP. MoFEP to issue a notice in the media to this	Suppliers were restricted from entering MoFEP premises and a media notice was issued to suppliers in August 2007.

Commitments made at 2006 Sudan Consortium	Commitments made following 2007 World Bank Fiscal Mission	Progress made
	effect.	
	Payment requests not meeting these requirements to be returned immediately to Spending Agencies, with an explanation for the rejection.	Directorate of Accounts now following this process.
	MoFEP to send a circular to all Spending Agencies, explaining the procedures.	Payment procedures explained to all Spending Agencies at workshop in February 2007. Further training to be conducted in March 2008.
	All claims to be recorded centrally by MoFEP before they are processed, so that MoFEP has a comprehensive list of submitted claims.	Centralised recording of payment requests commenced September 2007. From January 2008, payment claims recorded on FMIS once submitted to MoFEP.
	MoFEP Technical Committee to agree at the start of each day which approved claims should be paid, according to cash availability.	<i>Not done, but payment priorities are agreed when new revenue transfers are received.</i>
	Payments Section to produce a daily pay list of approved claims which have been prioritised for payment that day and a daily end-of-day list of payments made during the day.	<i>Not yet done.</i>
	Comprehensive information on payment status (submission, rejection, approval & payment) to be posted up on a daily basis at the Payments Office, which will be external to the main MoFEP premises.	<i>Not yet done.</i>
	<p>MoFEP to issue a notice in the media that no further payments will be made in cash, and all suppliers should open bank accounts.</p> <p>All non-salary payments to be channelled directly to suppliers either by cheque or transfer, rather than to Spending Agencies for onward payment.</p>	<p>Media notice issued to suppliers in August 2007</p> <p>Payments to suppliers now made by cheque or transfer.</p>

Commitments made at 2006 Sudan Consortium	Commitments made following 2007 World Bank Fiscal Mission	Progress made
	Cheque payments to suppliers should be made from a Payments Office which is external to the main MoFEP premises, to limit Suppliers' access to MoFEP offices.	External payments office operational from September 2007.
Procurement		
Procurement law, rules and regulations established for GoSS and MDTF funds.	MoFEP to inform all Spending Agencies that all new contractual commitments must be approved by MoFEP in line with the Approved Budget and the Procurement Regulations.	Interim Procurement Regulations were issued in July 2006. A Presidential Order requiring all new contracts, including SPLA contracts, to follow the Procurement Regulations and to be approved by MoFEP was issued September 2007.
	MoFEP to send a circular to Ministries, and place a notice to contractors in the media, saying that all existing contractual commitments must be registered with MoFEP by 1 st September, or they will not be considered for payment.	<i>Not yet done.</i>
	All existing and new contractual commitments to be registered in the FMIS.	<i>Not yet done. The system is ready, and Accounts staff have been trained, but processes not yet established.</i>
Procurement agent in place (tender underway).		Crown Agents appointed to act as procurement agents.
Setting up a comprehensive pay-roll and payment systems, for both the civil service and army.	MoFEP to consolidate all payroll projections for 2008 from the ten draft Budget Sector Plans, for the Minister to send to Ministry of Labour & Public Service. GoSS to institute a policy of paying salaries of Classified employees direct to bank accounts.	Payroll projections sent to Ministry of Labour and Public Service. Monthly salary payments are supervised by a Payments Committee led by Public Service. From January 2008, MoFEP tracking payroll figures of each Spending Agency.
	Spending Agencies to submit accountabilities for salary payments, by submitting signed-off pay sheets after payment.	Payment procedures revised in January 2008 and spending agencies required to submit pay sheets before salary payments made.

Commitments made at 2006 Sudan Consortium	Commitments made following 2007 World Bank Fiscal Mission	Progress made
	<p>New salary payments will not be released until Spending Agencies have submitted accountabilities for their operating expenses (petty cash) & signed-off pay sheets for previous salary payments.</p> <p>MoFEP to issue a circular to Spending Agencies, explaining the accountability requirements.</p>	<p>Spending Agencies which submit accountabilities for petty cash given replenishment.</p> <p>Principles of accountability explained to Spending Agencies at workshop in February. Revised petty cash procedures have been drafted, and will be introduced to Spending Agencies in a workshop in April.</p>
	<p>MoFEP to place employee pension contributions in a separate Pension Account.</p>	<p>Commenced from November 2007.</p>

Annex 2: GoSS Revenue & Expenditure 2005 – 2007

			2005	2006	2006	2007	2007
			Outturn USD	Budget USD	Outturn USD	Budget USD	Prov. Outturn USD
A	=1+2+3	Revenue and Grants	684,329,047	1,493,519,347	1,282,524,710	1,622,628,769	1,446,323,483
1		Recurrent revenue	684,329,047	1,304,104,347	1,223,247,353	1,534,460,500	1,407,600,000
		Oil Revenue	684,065,307	1,300,000,000	1,221,469,683	1,300,000,000	1,394,000,000
		Non-Oil Tax Revenue	263,740	4,000,000		217,457,136	13,600,000
		Non-Tax Revenue	0	104,347	1,777,670	17,003,364	
2		Donor Grants	0	183,315,000	59,277,357	88,168,269	38,723,483
		Multi Donor Trust Fund		183,315,000	59,277,357	88,168,269	38,723,483
3		Grant from GoNU		6,100,000	0		
B	= 4+5	Expenditure	184,380,815	1,530,203,607	1,651,659,673	1,573,779,214	1,503,917,635
4		Current Expenditures	178,407,294	548,535,239	1,203,985,451	1,032,783,208	1,285,580,106
		Salaries	14,454,336	252,645,021	546,169,376	745,650,477	741,737,418
		Centre		117,724,786	463,858,592	636,459,655	641,529,319
		States & Counties		134,920,235	82,310,784	109,190,822	100,208,099
		Other Operating Costs	163,952,958	295,890,218	657,816,075	287,132,731	543,842,689
		Centre	69,733,165	151,986,801	511,297,776	156,861,771	350,227,282
		States & Counties	94,219,793	143,903,417	146,518,299	130,270,960	193,615,407
5		Development Expenditures	5,973,521	981,668,368	447,674,221	540,996,007	218,337,529
		Centre	5,973,521	757,386,781	368,378,517	312,627,506	139,599,504
		States & Counties		77,311,587	13,246,568	10,200,232	5,867,257
6	=2+9	Multi Donor Trust Fund		146,970,000	66,049,136	218,168,269	72,870,768
C	= A-B	Overall balance	499,948,232	-36,684,260	-369,134,963	48,849,555	-57,594,152
	= C-2-3	Excluding grants	499,948,232	-226,099,260	-428,412,320	-39,318,714	-96,317,635
D	=7+8	Financing	-493,612,526	36,684,260	369,134,963	-48,849,555	57,594,152
7		GoSS ("- = Saving, "+" = Drawdown)	-493,612,526	73,029,260	429,281,496	-48,849,555	29,651,474
8		MDTF ("- = Saving, "+" = Drawdown)	0	-36,345,000	-57,340,628	0	-12,198,232
		Memo Items:					
9		GoSS Transfers to MDTF		n/a	64,112,408	130,000,000	46,345,517
		Expenditure financed by GoSS revenues	184,380,815	1,377,133,607	1,617,341,031	1,485,610,945	1,477,392,385
	=C+D	Error & Omission	6,335,706	0	-2,805,905	0	40,140,911

Notes:

1. Error & Omissions represent Foreign Exchange losses on oil revenue transfers
2. MDTF Development expenditures include both MDTF and GoSS contributions to MDTF projects
3. Oil Revenues are net of direct expenditures debited by GoNU

Annex 3: Budget Performance 2006

SECTOR	MINISTRY/AGENCY	2006 Outturn USD				As Percent of Budget
		Salaries	Operating	Capital	TOTAL	
Accountability	Anti-Corruption Commission	145,214	252,175	252,521	649,910	387%
	Auditor General's Chamber	112,002	221,207	133,201	466,409	278%
	Centre for Census, Statistics and Evaluation	489,761	3,652,888	1,462,642	5,605,291	66%
	Finance & Economic Planning	1,275,813	69,143,025	41,472,920	111,891,758	2068%
	S.Sudan FFAMC	38,524	176,002	212,608	427,135	288%
	S.Sudan Reconstruction & Development Fund	129,290	54,699	0	183,989	n/a
Economic Functions	Commerce, Trade & Supply	714,946	569,741	1,492,681	2,777,367	116%
	Industry & Mining	345,008	621,881	942,328	1,909,216	62%
	Information & Broadcasting	1,976,756	2,126,214	4,575,070	8,678,040	85%
	Telecommunication & Postal services	487,025	1,248,938	5,875,305	7,611,268	424%
Education	Education, Science & Technology	60,994,391	19,876,224	22,837,508	103,708,123	76%
Health	Health	11,839,422	8,285,563	42,424,000	62,548,985	57%
	HIV/Aids Commission	0	0	119,518	119,518	n/a
Infrastructure	Housing, Lands & Public Utilities	723,365	4,286,312	95,010,862	100,020,539	103%
	Transport & Roads	754,119	6,996,370	50,496,621	58,247,110	35%
	Water Resources and Irrigation	476,097	837,470	6,623,712	7,937,279	47%
Natural Resources & Rural Devt	Agriculture & Forestry	7,679,573	5,924,680	1,763,337	15,367,590	40%
	Animal Resources & Fisheries	368,355	3,467,401	2,375,414	6,211,170	53%
	Cooperatives & Rural Development	928,862	763,858	1,602,764	3,295,484	75%
	Environment, Wildlife Conservation & Tourism	20,255,966	2,788,110	6,921,884	29,965,960	782%
	S.Sudan Land Commission	129,729	95,395	109,085	334,210	225%
Public Administration	President's Office	2,369,827	17,680,168	535,512	20,585,508	n/a
	Vice-President's Office	251652	2012193.03	0	2,263,845	n/a
	Cabinet Affairs	3,017,960	12,497,572	6,352,704	21,868,236	513%
	Labour, Public Service & HRD	641,403	1,131,077	620,756	2,393,236	53%
	Parliamentary Affairs	146,608	1,517,406	391,307	2,055,321	107%
	Regional Cooperation	297,577	3,779,557	589,892	4,667,026	234%
	Civil Service Commission	107,605	146,138	163,002	416,744	355%
	Local Government Board	4,230,944	3,601,649	298,401	8,130,994	772%
	Employees Justice Chamber	279,873	7,265	130,000	417,138	281%
Public Grievances Chamber	127,166	128,214	273,005	528,385	356%	
S.Sudan Legislative Assembly	7,777,366	5,094,321	9,287,743	22,159,429	88%	
Rule of Law	Judiciary of Southern Sudan	8,752,433	1,955,103	2,046,676	12,754,212	101%
	Legal Affairs & Constitutional Development	813,227	2,278,306	1,800,109	4,891,642	78%
	Internal Affairs	82,135,063	10,914,269	50,304,356	143,353,688	260%
	S.Sudan Human Rights Commission	135,214	552,466	188,109	875,789	521%
Security	De-Mining Authority	270,583	580,969	749,020	1,600,572	74%
	DDR Commission	217,882	870,686	690,043	1,778,611	34%
	SPLA Affairs	318,860,088	181,742,855	50,983,317	551,586,260	105%
Social & Humanitarian Affairs	Gender, Social Welfare & Religious Affairs	322,068	1,142,239	295,096	1,759,403	50%
	Culture, Youth and Sport	628,888	1,449,660	2,026,680	4,105,228	97%
	Peace Commission	257,597	2,077,097	175,981	2,510,675	n/a
	War Disabled, Widows & Orphans Commission	0	53,737	156,025	209,762	n/a
	SSRRC	1,950,137	2,445,709	26,299,718	30,695,564	615%
Transfers	State Council of Ministers	0	245,121	33,464	278,585	6%
	State Legislative Assembly	2,714,000	8,425	0	2,722,425	27%
	Block Transfers to States	0	146,264,753	0	146,264,753	146%
Suspense Items			130,892,209		130,892,209	
OVERALL TOTAL		546,169,376	662,458,670	441,094,898	1,649,722,944	120%

Spending agencies showing n/a for spending as percent of budget did not exist at the start of 2006 and so were not included in the Budget

Annex 4: Budget Performance 2007

SECTOR	MINISTRY/AGENCY	2007 Outturn USD (provisional up to end Dec 07)				As Percent of Budget
		Salaries	Operating	Capital	TOTAL	
Accountability	Anti-Corruption Commission	356,209	936,313	142,094	1,434,616	62%
	Auditor General's Chamber	286,407	381,512	769,641	1,437,560	58%
	Centre for Census, Statistics and Evaluation	1,968,769	916,353	3,778,489	6,663,611	140%
	Finance & Economic Planning	2,476,290	15,279,764	4,090,225	21,846,279	312%
	S.Sudan FFAMC	265,669	149,465	308,297	723,431	72%
	S.Sudan Reconstruction & Development Fund	362,670	795,456	248,716	1,406,842	63%
Economic Functions	Commerce, Trade & Supply	1,172,521	586,465	519,211	2,278,197	91%
	Industry & Mining	882,234	580,755	284,121	1,747,110	44%
	Information & Broadcasting	3,430,870	1,565,900	7,658,206	12,654,976	84%
	Investment Authority	171,113	184,418	201,524	557,055	56%
	Telecommunication & Postal services	813,226	434,261	632,634	1,880,121	9%
Education	Education, Science & Technology	93,716,511	8,144,480	5,631,957	107,492,948	96%
Health	Health	17,171,491	5,438,995	8,519,320	31,129,806	38%
	HIV/Aids Commission	463,447	119,305	202,416	785,168	79%
Infrastructure	Housing, Lands & Public Utilities	1,224,356	2,102,689	40,887,724	44,214,769	32%
	Electricity Corporation	1,981,015	4,895,844	152,950	7,029,809	26%
	Transport & Roads	1,566,429	1,339,945	27,333,264	30,239,638	24%
	Urban Water Corporation	1,477,044	346,807	276,224	2,100,075	23%
	Water Resources and Irrigation	1,593,409	780,861	531,062	2,905,332	32%
	Natural Resources & Rural Devt	Agriculture & Forestry	4,754,397	2,771,707	1,653,730	9,179,834
	Animal Resources & Fisheries	4,375,926	634,002	968,953	5,978,881	80%
	Cooperatives & Rural Development	1,010,937	1,733,649	1,740,100	4,484,686	31%
	Environment, Wildlife Conservation & Tourism	29,956,781	3,423,202	796,733	34,176,716	228%
	S.Sudan Land Commission	192,415	213,419	8,927	414,761	41%
Public Administration	President's Office	339,516	12,783,010	569,751	13,692,277	281%
	Vice-President's Office	35,153	14,812,598	2,025,133	16,872,884	614%
	Presidential Affairs	2,877,327	21,335,418	1,520,341	25,733,086	1050%
	Cabinet Affairs	6,670,304	11,505,987	494,095	18,670,386	574%
	Labour, Public Service & HRD	1,006,361	919,725	1,678,735	3,604,821	100%
	Parliamentary Affairs	429,492	1,181,508	97,173	1,708,173	57%
	Regional Cooperation	2,445,894	2,732,487	733,060	5,911,441	142%
	Civil Service Commission	302,251	207,293	218,494	728,038	49%
	Local Government Board	2,260,182	474,762	13,634	2,748,578	275%
	Employees Justice Chamber	367,544	252,719	179,274	799,537	107%
	Public Grievances Chamber	291,180	210,118	191,508	692,806	69%
	S.Sudan Legislative Assembly	14,435,302	6,087,387	1,018,032	21,540,721	59%
Rule of Law	Judiciary of Southern Sudan	8,952,787	993,114	640,130	10,586,031	78%
	Legal Affairs & Constitutional Development	5,314,292	1,214,194	771,888	7,300,374	117%
	Internal Affairs	97,839,103	6,085,082	4,468,383	108,392,568	143%
	S.Sudan Human Rights Commission	443,616	628,496	0	1,072,112	43%
Security	De-Mining Authority	487,068	421,522	624,162	1,532,752	93%
	DDR Commission	654,085	1,041,048	27,525	1,722,658	55%
	SPLA Affairs	404,192,502	112,769,530	60,760,551	577,722,583	105%
Social & Humanitarian Affairs	Gender, Social Welfare & Religious Affairs	497,716	1,610,415	292,016	2,400,147	53%
	Culture, Youth and Sport	1,035,883	649,912	289,667	1,975,462	45%
	Peace Commission	524,326	698,403	230,386	1,453,115	97%
	War Disabled, Widows & Orphans Commission	521,576	789,747	591,534	1,902,857	63%
	War Veterans Commission	361,694	205,527	864,313	1,431,534	95%
	SSRRC	2,787,638	6,591,758	308,718	9,688,114	323%
Transfers	State Council of Ministers					
	State Legislative Assembly	14,994,490	193,615,407	5,867,257	214,477,154	173%
	Block Transfers to States					
Suspense Items			90,269,955		90,269,955	
OVERALL TOTAL		741,737,418	543,842,689	191,812,278	1,477,392,385	99%