



AFRODAD found it crucial to organize a consultative forum on debt governance and domestic resource mobilization in Juba, South Sudan on the 5th - 6th November 2019, in partnership with the Center for Budget Policy and Accountability, a local organization.

HIGHLIGHTS

Supporting South Sudan to free itself from the debt Trap

South Sudan is among the 8 countries considered to be in 'debt distress' by the International Monetary Fund (IMF). According to the IMF Regional Economic Outlook Report (2018), other countries in distress are, Democratic Republic of Congo (DRC), Eritrea, Gambia, Mozambique, Sao Tome and Principe, South Sudan and Zimbabwe.

When the country got independence from North Sudan in July 2011, the nation had neither domestic nor foreign debt. South Sudan refused to share the debt burden with North Sudan arguing that the citizens of the South had clearly not benefitted from debt accumulated by the Khartoum government: the South had no infrastructure, social services or tangible development output. Press forward to 6 years later, South Sudan had accumulated a total debt of US\$1,925 million dollars, as of 2017. Total public debt during FY2018/19 was estimated at 34.2% of GDP, of which external debt was 30.2%. That was fast!!!

According to the IMF Staff Report for 2019 Article IV Consultation—debt sustainability analysis South Sudan has unfortunately fallen into debt distress despite moderate levels of public external debt. The report further reveals that fiscal position deteriorated markedly because of a shutdown of oil production between January 2012 and April 2013, the civil conflict that erupted in December 2013, and the sharp drop in international oil prices since mid-2014.

Key drivers of the increase in public debt include weak macro-fiscal management, changing composition of debt towards more expensive and riskier sources of financing and adverse shocks, weak macro-fiscal policy frameworks, greater reliance on new sources of financing (which compounded with weaknesses in debt management, led to increased debt service and refinancing risks), and exogenous shocks (i.e. commodity price volatility, natural disasters, security challenges, etc).

Irresponsible Borrowing

With such state of affairs, AFRODAD found it crucial to organize a consultative



forum on debt governance and domestic resource mobilization in Juba, South Sudan on the 5th - 6th November 2019, in partnership with the Center for Budget Policy and Accountability, a local organization. The forum was attended by representatives from the civil society, the academia, media and university students. The main objective of the Consultative Forum was to dialogue on the opportunities and challenges surrounding debt governance and resource mobilization in South Sudan.

Government borrowing according to forum participants is being done irresponsibly by individuals and political elites' firms on behalf of government. The debt contraction process is done outside the budget process. There are no checks and balances due to weak institutions and absence of regulations.

It is reported, for example, that the President borrowed US\$600million from China for the peace process without consulting parliament. An agreement was reached with China in which the country gives 300 000 barrels of oil in exchange of infrastructure projects: "Oil for development deal".

market instability and it has affected service delivery.

Corruption is rampant within government and the vice is retarding development in the country. Political elites are looting oil proceeds and hiding them all-over the world including East African nations. These elites were termed by participants as 'Oil Generals' from the military. Their rent-seeking behavior has killed the economy as these go as far as protecting businesses that evade paying taxes. The military also overspends its budget allocations.

Is parliament sleeping on the job?

Borrowing is being done without parliamentary approvals thus going against recommended practices of public debt contraction. The Executive arm of government, the president and his ministers override parliament; loans are negotiated by individuals and there is lack of debt information.

Parliamentarians are appointed from party caucus thus they serve at the President's mercy. This makes them loyal and they cannot effectively scrutinize government borrowing to safeguard their political gains. Besides, most parliamentarians are inadequately educated and this translates to poor performance in their duties.

Government's Shortcomings

AFRODAD's recommendations

- The government needs to start allocating oil proceeds to productive sectors of the economy such as agriculture, power plants, and building infrastructure. It needs to diversify the economy.
- The government needs to take advice from Think Tanks in the country. Advice on various economic issues is overlooked.
- There is need for good governance and ending corruption.
- Transparency in public resource management is crucial.
- Strengthen the economic institutions, such as Parliament and National Revenue Authority.
- Based on the past and current experiences of corruption and lack of accountability and transparency, the government needs to be disciplined with regard to debt governance.
- The government must strictly abide by the contents of Chapter 4 of the Revitalized Agreement on the Resolution of the Conflict in the Republic of South Sudan (R-ARCSS) which speaks about financial resources and transparent management.



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