



SELINUS UNIVERSITY
OF SCIENCES AND LITERATURE

**ASSESSMENT OF PUBLIC FINANCIAL
MANAGEMENT SYSTEM AND PUBLIC SECTOR
ACCOUNTABILITY ON SERVICE DELIVERY IN
SOUTH SUDAN**

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DECLARATION

“I do hereby attest that I am the sole author of this project/thesis and that its contents are only the result of the readings and research I have done.”

November 21st, 2021

Gabriel Gai D. Deng

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ABBREVIATIONS/ACRONYMS

BoSS	Bank of South Sudan
BPHS	Basic Package of Health Services
CAPA	Confederation of Asian and Pacific Accountants
CoA	Chart of Accounts
CPI	Corruption Perception Index
FMIS	Financial Management Information System
HRMIS	Human Resource Management Information System
IFMIS	Integrated Financial Management Information System
IRC	International Rescue Committee
JOCs	Joint Operating Companies
LM	Line Ministry
MoF	Ministry of Finance
MoFEP	Ministry of Finance and Economic Planning
MoP	Ministry of Petroleum
MPs	Members of Parliament
MTDS	Medium Term Debt Strategy
MTEF	Medium Term Expenditure Framework
NAC	National Audit Chamber
NRA	National Revenue Authority
ORSA	Oil Revenue Stabilization Account
PEM	Public Expenditure Management
PFM	Public Financial Management
PHCC	Primary Health Care Centre
PHCU	Primary Health Care Unit
PLWD	People Living with Disabilities
R-ARCSS	Revitalized Agreement on the Resolution of the Conflict in the Republic of South Sudan
RoSS	Republic of South Sudan
TGoNU	Revitalized Transitional Government of National Unity
SSEPS	South Sudan Electronic Payroll System

TI	Transparency International
VFM	Value for Money
WDR	World Development Report

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ABSTRACT

With only a decade after seceding from Sudan and declaring itself an independent nation, South Sudan has not made any meaningful strides in development. Public services to the citizens in the form of health, education and infrastructure are still very poor and in some instances non-existent. This is evident by the high illiteracy rate, poor and impassable roads and high mortality rates in the country. The state of underdevelopment in South Sudan can be squarely blamed on the poor governance, corruption, mismanagement of public financial resources and a civil war that took place in the country for a greater part of the 10-year independence period. The purpose of this research was to assess the effect of poor financial management system and public sector accountability on public service delivery in South Sudan. The purpose was attained by reviewing PFM processes in South Sudan and also a review of reports relating to public service delivery and financial management. The research findings show that an effective public service delivery is dependent upon adequate financial resources, proper budgeting and the allocation of the financial resources in an efficient manner. Oversight by the legislative and auditing departments of government is also important in ensuring that the allocated financial resources are used for the intended purposes. The research further established that the poor state of public service delivery in South Sudan is attributable to various reasons. The inadequate financial revenue collected by the National Revenue Authority fail to match the planned expenditure and every year there is a budget deficit where the revenues still trail the public expenditure. Revenue leakages through corruption and embezzlement of public fund is another contributor to poor public service delivery in South Sudan. The misappropriation of public funds meant for public services is still a challenge to public service delivery. The fact that highlighted cases of corruption have not been dealt with means that the delivery of services to the citizens of South Sudan will continue to suffers as funds

continue to be diverted to private individuals and firms. Therefore, corruption and misappropriation of public funds still pose a major challenge to public service delivery in South Sudan. The lack of an electronic system for managing and tracking public funds makes it almost impossible to detect leakages of public revenues at various stages. Without a financial management information system, it becomes hard to track the use of public funds in the various spending agencies at the national and state governments levels. Poor infrastructure in South Sudan also is another factor that continues to inhibit the effective delivery of public services. Many places in the country are still inaccessible due to lack of roads or impassible roads. Telecommunication infrastructure is available mainly in urban centers but in some rural areas telecommunication infrastructure is completely unavailable. In order to improve the management of public funds and improve service delivery the following recommendations need to be effected. The National Revenue Authority should improve and widen its revenue collection bracket by bringing on board eligible corporate and individual taxpayers that are currently outside the taxable bracket. Regular and full disclosures of the revenues received or remitted to the government are required. For non-oil revenues the NRA should give biannual or quarterly updates of the revenues from taxation remitted by the taxpayers. For oil revenue the joint operating companies (JOCs) in the Oil sector should also give regular updates of the oil revenues they have earned and remitted to the Bank of South Sudan. Staff development programs for public servants needs to be put in place for the purpose of improving the knowledge and competencies of public servants. Leakages of public finances through corruption and misappropriation should be curbed through the use of regular and impromptu audits instead of waiting for annuals audits. The National Revenue Authority should publicize the revenue collection figures periodically say every six months and also set revenue collection targets for each financial year. The share of oil revenues should be disbursed to the oil

producing states and regions promptly without delay. Budgeting of public finances should be improved and the legislative assembly should strengthen its oversight role over public expenditure. In order to facilitate the efficient monitoring of public funds, there is urgent need to develop and operationalize an integrated financial management information systems (IFMIS) that can be hosted at the Ministry of Finance. The National Legislative Assembly should strengthen its oversight role by forming strong and active budget, finance, public accounts and public investment committees

CHAPTER ONE

1.0 INTRODUCTION

1.1 Research Background

The prudent management of resources by government agencies manifests itself in service delivery. The impact of effective service delivery is revealed in the improvement in the economic development, general standard of living, poverty reduction, mitigation of inequalities in income distribution, and improvement in the general well-being of its citizens (Kusumasari, Alam & Siddiqui, 2010). Ahmad (2013) posits that for development objectives to be realized there is need for prudent management of funds. The efficient management of public finances is a fundamental factor for economic growth and has the potential to reduce poverty in a sustainable manner (Andjun, 2010).

CAPA (2014) noted that it is fundamental for countries to have effective public financial management (PFM) systems so as to contribute to development and growth of economies. The importance of PFM becomes critical as the population increases, resources become more scarce and the economies become complex. The citizens who pay taxes expect that their governments will allocate the financial resources effectively and efficiently in order to provide public services to them. In addition, there is interdependence between the public and private sectors which is based on confidence between the two sectors. This confidence requires that governments be accountable and transparent in decision making and reporting. Loss of this confidence may lead to dire consequences like dwindling foreign direct investments, rise in the cost of public debt and donor funds may be difficult to attract. This may in turn lead to employment reduction and drop in

economic growth resulting in low living standards for many citizens. It is therefore important that governments implement effective systems of public financial management.

South Sudan is currently the world's youngest among the community of nations. Before attaining its independence in July 2011, South Sudan was part of Sudan which was sharply divided among the minority Arabs and Majority Africans. The Arabs occupied the Central part and the rest of the Country, including the Southern part predominantly occupied by the Majority Arabx. The history that preceded the independence of South Sudan is littered with civil wars, discriminations and marginalization of the majority Afrians by the minority Arabs rulers in Khartoum. A civil war that lasted for more than two decades was fought between the Africans with majority og Southerners and the Arabs. During the civil war the South lost many lives and there was massive destruction of the infrastructure in the South. The effects of the destruction of infrastructure are still felt up to the present time and it will take many years to reconstruct the infrastructure to the required standards.

South Sudan was born amid great hope. The citizens of the world's newest nation voted with one voice in support of independence for a country that boasts of vast natural resources and wealth. Goodwill from the international community brought significant international development assistance and the country was expected to quickly transition to self-reliance, for the most part, on the basis of its own oil revenues. Instead, a few years after attaining independence South Sudan plunged into another civil war, economic collapse, and creeping international isolation. The country's elites have built a kleptocratic regime that controls all sectors of the economy, and have squandered a historic chance for the development of a functional state. These predatory economic

networks play a central role in the last civil war that started in 2013 and ended 2019, because much of the conflict is driven by elites attempting to re-negotiate their share of the politico-economic power balance through violence (The Sentry, 2015).

The vices that have bedeviled South Sudan like civil war, inter-ethnic conflicts, corruption, tribalism, nepotism and kleptocracy has seriously dented service delivery to the majority of South Sudanese living in various parts of the country. Millions of South Sudan citizens are still waiting for development in form of good roads, schools, health centers and clean water but which have not been forthcoming almost a decade after becoming an independent state. Instead civil war and other ills have taken centre stage in South Sudan and the focus now is on addressing these vices in place of offering development to the people.

With South Sudan literacy level at 27% it follows that that capacity of the civil service is also low (World Bank, 2014). This is a problem that needs to be addressed through measures like human resource development. The capacity of the civil service can also be improved through introduction of merit based staff recruitment, pay and promotion, discipline and performance assessment. In order to achieve the capacity building objective, high level political commitment towards this cause is required.

Natural resources such gold, diamonds, oil, silver, iron ore, chromium ore, zinc, mica, hydropower, limestone, copper, hardwoods, fertile and arable land are in abundance in South Sudan. But despite this abundance over sixty percent of the population live below the poverty line of less than 2 dollars per day. The country has also been in civil war a few years after attaining independence. Even

before the civil war over 35% of its children below the age of 5 years were severely malnourished (Africa and the world, 2021).

The transportation infrastructure in South Sudan is at its worst with over 60% of country being inaccessible particularly during the rainy season. The poor infrastructure affects the economy and specifically the agriculture sector with some farmers being unable to transport their produce to markets in time. As a result of the bad roads perishable farm produce go to waste. Sick people are not able to be taken to health facilities on time and many of them die from treatable diseases because of the poor and impassable roads (Africa and the world, 2021).

Literacy levels in South Sudan are still low with only 27% of the total population being literate. For the female population, the literacy level is at 16% which means that for every 100 women above the age of 15 years can read and write. These literacy statistics are among the lowest in the African continent (Africa and the World, 2021).

For majority of citizens, access to clean and safe drinking water in South Sudan is still a long way from being realized even though the country is blessed with adequate rain and big rives like the Nile and its tributaries. Many households and especially those based in rural locations are forced to consume contaminated water they fetch from shallow pools and ponds. Fetching of water is an activity that takes many hours daily for women and girls. Every day many women have to trek for many kilometers to and from their homes for the sake of collecting water for use in their households. Many a time, girls are forced to skip going to school so that they can help their mothers in fetching water for their homes

1.1.1 Public Financial Management

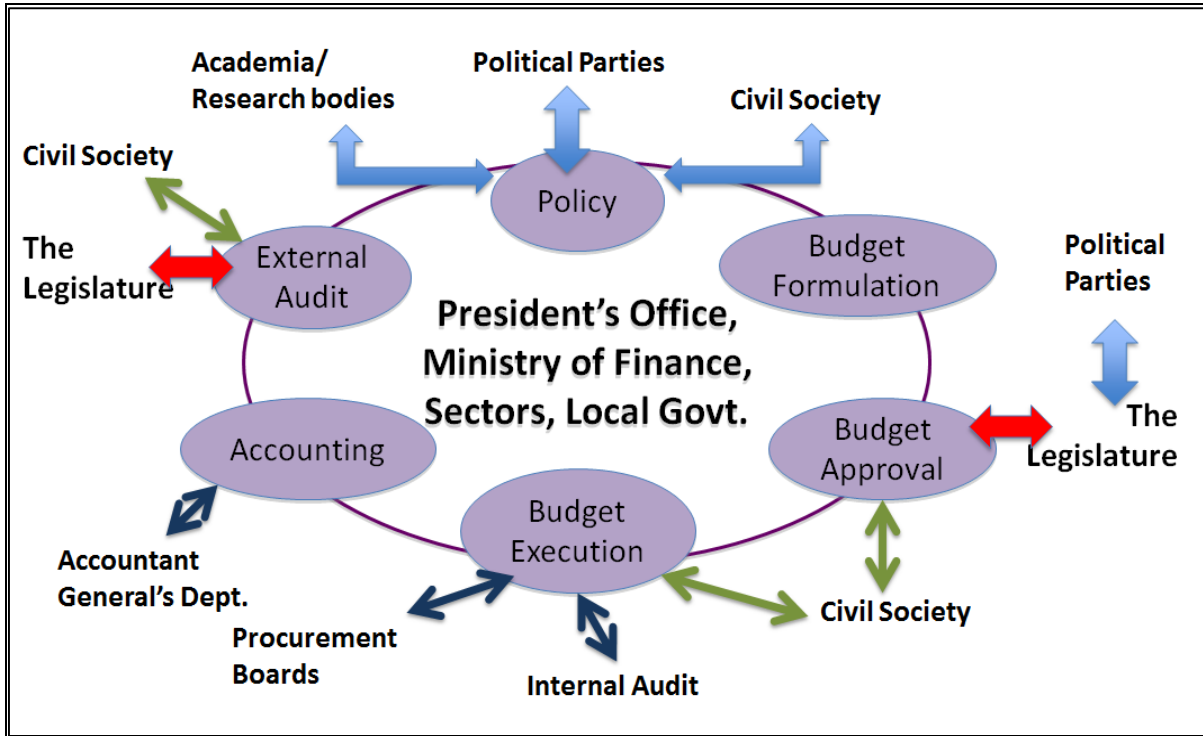
Public financial management (PFM) features all activities of the government and involves the mobilization of resources (revenue) and allocation of the mobilized funds to various vote heads. It also involves expenditure, and being accountable to the utilization of the disbursed funds (Simson, Sharma and Aziz, 2011).

Public financial management encompasses a cycle of six phases that is commonly referred to as the PFM Cycle as depicted in figure 1. The six phases of the PFM cycle are policy, budget formulation, budget approval, budget execution, accounting and finally external audit/evaluation. The cycle involves many actors playing different roles at different stages in order to ensure that it operates in an effective, transparently and accountable manner (Lawson, March 2015). The key players in the policy phase are civil society, political parties and academia and research bodies. The budget formulation phase comprises of the ministry of finance, local governments (State and County Governments) as the key players. The civil society, legislature and political parties are the main actors in the budget approval phase. The budget execution phase has internal audit departments and procurements boards as the key actors. The accounting phase has the accounts departments in the various ministries and local governments playing the key role. In the external audit phase, it is the auditor general, legislature and civil society that audit the use of the financial resources.

PFM is important because the citizens who pay taxes to the government have the expectation that the taxes they remit will be managed well and put to the good use of offering public services. They also expect that the allocation of financial resources will be done effectively and used to deliver quality services. The tax paying citizens also expect and deserve an effective collection

of revenues and fair spending that follows the law, with surpluses, deficits and debt levels understood and in control (CAPA, 2014).

Figure 1: The PFM Cycle



Source: Lawson A. (2015)

Lawson (2015) states that a good public financial management system should be able to realize several key objectives. The first objective being the maintenance of fiscal discipline by ensuring that aggregate levels of tax collection and public expenditures are consistent with targets of fiscal deficit and should not generate unsustainable public borrowing. The second objective of PFM is to ensure that public resources are allocated to the agreed strategic priorities or in a manner that allocative efficiency is attained. Thirdly, the PFM should ensure that operational efficiency is achieved in terms of realizing maximum value for money during service delivery. The fourth PFM objective is the adherence and compliance to due process by being transparent in a way that

information is accessible to the public, democratic checks and balances should be applied to ensure accountability.

Public financial management consists of sub-components such as revenue collection, planning and budgeting, accounting, auditing and governance (Broback and Sjolander, 2002). According to Anderson and Isaksen (2013) the PFM sub-components exist as a system of related constituents and that reform or development of one subcomponent is dependent and conditioned on the state of the other components if development objectives are to be met. All the identified sub-components of public financial management are important in a development context and must be improved in order for government to implement its development and service delivery objectives.

Baltyna (2015) identified three areas for decision making and implementation relating to Public Financial Management they are political, administrative and executive. Practical results of decision making at the policy level are normally included in the strategy, concept and message but do not have the implementation mechanisms. The strategy, concept and message outlines the course of future development. Decision making at the political level, the assignments of tasks and attainment of goals define the trajectory of social development and are formulated as the intended results. The achievement mechanisms need to be created as a system of complimentary institutions.

Public budgeting is the process that produces a public budget, a consensus of the best ways to allocate tax revenues to fund public programs that benefit the common good. Public budgeting is often referred to as a scarcity allocation problem. Public budgeting is used for purposes of promoting economic growth, employment, and income distribution. Public budgeting is considered to be a part of development economics in general and, more specifically, a part of

economic planning (Correia et al, 2003). Public budgeting processes, and their related public budget documents, reflect the political and social conditions of their times. During the twentieth century, public budgets were alternately characterized by focus on financial control, managerial improvements, planning, prioritization, and accountability depending on the historical context. While public budgeting is a technical process, public budgeting is also a social and historical process (Correia et al, 2003).

During budget formulation, the legislature plays a role in the determination of the budget priorities in the medium-term. The stage includes the approval of Medium term expenditure frameworks (MTEFs) and medium term debt management strategy (MTDS). In the Budget Approval stage, during legislative debate of the executive's budget proposal, MPs scrutinize what is to be implemented taking into account existing revenue and debt levels. In Budget Execution, the scrutiny of budget execution reports by legislative committees are essential to accountability (Lawson, 2015).

In the Accounting phase, records and reporting of the execution of the budgets and expenditures take place. The aim is to monitor and control compliance with the budget appropriations. In this phase financial transactions recorded, classified and summarized (Lawson, 2015). Accounting is a means of ensuring compliance with budget rules and demonstrate that public funds are utilized for the intended purposes. The country's Chart of Accounts (CoA) spells out how transactions are to be classified. The CoA also provides a system of classifying and numbering transactions and events. The general ledger is a database where all transactions are stored. Most developing countries like South Sudan employ cash based accounting where transactions are recorded when

cash is received or disbursed instead of the accrual system where transactions are recognized irrespective of when the cash is received or disbursed (Simson, Sharma and Aziz, 2011)

In External Audit phase, the Legislatures can also conduct post-hoc review of budget execution by reviewing year-end reports, financial statements, and external audits (Lawson, 2015). The principal task of audits is to examine whether public funds are spent economically, efficiently and effectively in compliance with existing rules and regulations. The audits reports generated from the audits can help in improving the use of public financial resources and highlight loopholes where public finances are siphoned off.

Shand (2006) outlined four objectives that a good PFM system should realize. One of the objective is to provide aggregate fiscal discipline between and within years. The second is the provision of strategic prioritization in composition of expenditure because the budget is a key instrument to implement government policies. Thirdly, the PFM should realize operational efficiency in use of resources, the budget system should promote efficiency rather than discourage it. Lastly, a good PFM system should provide for fiscal transparency by assisting in social control.

1.1.2 PFM in South Sudan

In South Sudan, public financial management is anchored in law through the Public Financial Management and Accountability Act of 2011. The Act which came in force in December 2011 after the presidential assent states that its purpose is: -

“to provide for the establishment of procedures to control the management of public finances of the Government, ensure accountability, regulate the preparation

of the general budget and appropriation Bills, Establish Reserved Revenue, Contingency and Consolidated Funds, provide conditions and restrictions for borrowing and lending and to make regulations for the transfer of funds to the state governments, and any matters related thereof.” (RoSS, 2011).

Under the Act, the Ministry of Finance and planning is charged with the responsibility of performing and exercising the functions that are necessary for the efficient and effective public financial management and accountability. The functions of the MoFP include Budget Preparation, Execution, Management and Reporting, Public Procurement, Internal Audit, preparations of the Government Accounts, Inter-Governmental Fiscal and Economic Relations, External Reporting to the International Financial Institutions, the President and the assembly and performing and exercising any such other functions and powers assigned and or designated thereto by the President, Assembly, this Act, the Constitution and or any applicable law. Even though there are other actors in the public financial management, the Act bestows the overall supervisory role to the Ministry of Finance and Planning.

The other important actor in the management of public finances is the National Legislative Assembly whose function is to receive the budget proposal from the Minister of Finance in order to deliberate on it and approve the budgets estimates. The budget proposal contains details of expected revenue and expenditures for a particular financial year. The revenue details include all expected revenues accruing to the Government, including oil revenues, taxes, non-tax revenue, loan proceeds and grants, both local and foreign. The expenditure details will have recurrent and capital spending, transfers, interest payments and debt servicing, and expenditure by Funds, Sub-Funds and special accounts referred to in the Constitution (RoSS, 2011).

The spending agencies occupy the expenditure side of the public financial management chain. The spending agencies can be the national government ministries, the state and county governments, the legislature, the judiciary, parastatals and any other organizations that the constitution allows to receive public finances. Each spending agencies through its Accounting Officer shall ensure effective use of the resources budgeted under his Ministry, Agency or State and should be accountable to the Assembly for the promptness and correctness of the expenditure.

The National Revenue Authority (NRA) is another active player at start of the public financial management chain. The principal mandate of the NRA is the collection of government revenue from various sources. The monies collected by the NRA as taxes and levies are remitted to the National Reserve Fund from where they are appropriated to the various spending agencies. After the appropriation of the monies from the national reserve fund has been done, any leftover funds form the Reserve Fund. Both the National Reserve Fund and the Reserve Fund constitute the Consolidated Fund as defined by the PFM Act.

The National Audit Chamber takes the role of accountability in the public financial management chain by examining the accounts of the spending agencies and preparing audit reports. The law requires that the accounts of the spending agencies shall be audited within six months of the end of the financial year. After examining and auditing the accounts, the NAC shall submit he audit reports to the President or the National Assembly or the Governor and the State Assembly and the Council of States or the County Commissioner and the County Council as the case may be.

The citizens of public also have a role to play in the management of public finances in South Sudan. The PFM Act requires that the budget estimates be published of the public to have access to before being presented to the National Assembly.

The [Southern Sudan Anti-Corruption Commission Act 2009](#) and the [South Sudan Penal Code Act 2008](#) are the country's main laws that deal with anti-corruption; they criminalize a range of corruption offenses, including [passive](#) and [active bribery](#), [embezzlement](#), [nepotism](#) and gift-giving and gift-receiving. Other corruption-related legislation includes the Public Financial Management and Accountability Act 2011 and the Public Grievances Act 2011. Companies should note, however, that laws in South Sudan are not enforced, and that there exist many gaps in the country's legislation (ICS 2016). Government officials are subject to disclosure laws, nonetheless, there are no penalties applied for noncompliance (HRR 2015). Furthermore, officials engaged in corruption with impunity (HRR 2015). South Sudan is yet to sign any international anti-corruption conventions.

1.1.2 Public Sector Accountability

Accountability is an important element of good government. It is about the relationship between the State and its citizens, and the extent to which the State is answerable for its actions. The concept of accountability refers to the legal and reporting framework, organizational structure, strategy, procedures, and actions to help ensure that any organization that uses public money and make decisions that affect people's lives can be held responsible for their actions. Public sector accountability is not led by any one agency but a range of entities, agencies, and institutions. For example, accountability for overseeing how public resources are used involves members of Parliament, public entities, courts and tribunals, inquiry agencies, and, often, monitoring by civil

society groups and the media. The principles and concepts important to public sector accountability include transparency, fairness, integrity, and trust (Controller and Auditor General, 2021).

When individuals or organizations are answerable and take responsibility for their actions they are deemed to be accountable. Government employees are required to do the right thing in accordance with due process and they are held accountable for performance under the standards of public choice and managerialism (Aucoin, 1995). Accountability focuses on the demand side of good governance and aims to strengthen citizens' voice to demand for greater accountability and responsiveness from public officials and service providers. The notion of accountability in the public sector originated from the use of delegated authorities where the supervisor holds the subordinate accountable. This has evolved to the principle of 'democratic chain of delegation' where citizens hold executives accountable (Strom, 2000).

McNeil and Malena (2010) defined accountability as "the obligation of public power Holders to account for or take responsibility for their actions. Accountability exists when power Holders must explain and justify their actions or face sanctions." Accountability began as a fundamental requirement for good governance which is closely connected to the end means of government. Accountability now includes various public values like transparency, equity, efficiency, responsiveness, responsibility, and integrity (Nabatchi et al., 2015). Bovens (2006) states that accountability refers to the authorities being held accountable by the citizens rather the authorities holding the subjects to account.

Among the various aspects of accountability, financial accountability has gained prominence. Financial accountability has been promoted under the NPM model because of its preference to quantitative terms and principles of economy, efficiency and output. Governments that have embraced New Public Management ideas have sought to improve financial accounting standards and reporting forms, an act broadly regarded as an attempt to enhance accountability (Behn, 2001).

There are three types of accountability through which the citizens can hold the government accountable. The three types are vertical, diagonal and horizontal accountability.

Vertical accountability is based on the Principal-Agent framework which refers to the relationship between the state response and citizen voice. Its usefulness is in the identification of the pro-accountability players in the service delivery chain (Schillemans, 2010). Horizontal accountability means the absence of balances that are legally empowered to perform oversight (O'Donnell, 1998). Parliament is a key player in horizontal accountability. Diagonal accountability aims to enhance the limited capacity of the civil society watchdog actors through engagement of citizens and breaking the monopoly of the state's executive oversight. Diagonal accountability is a hybrid of vertical and horizontal accountabilities (Goetz and Jenkins, 2001).

In the case of South Sudan, Ongwen and Otieno (2014) noted that applying accountability in the government is faced with significant challenges. Weak institutions, militarized politics, patronage, ethnic-based politics and powerful executive all continue to contribute to fragile accountability practices. Accountability is also made impossible by the failure to ensure that the government is professional. There is too much interference in the judicial and legislative institutions by the executive arm making their oversight role of the judiciary and parliament insignificant. Public

accountability can only be assured if the country can build institutions that are professional, viable, efficient and effective.

Simona Foltyn(2015) observed that Over the years, South Sudan's legal system has proven ill-equipped to bring corrupt officials to account.

On a blistering day in April 2016, Filiberto Mayout sat outside his office at the Ministry of Justice, trying to escape the afternoon heat inside. "We have no power," the prosecutor general said, closing the legal file filled with notes. With no money for fuel, the justice ministry's generators had been standing idle, and the prosecutor general had resorted to pen and paper.

President Kiir has repeatedly pledged to crack down on corruption.

Mayout was appointed in 2013 to chair an investigative committee that scrutinises companies suspected of having embezzled the bulk of \$1.44-billion awarded in 2008 for the importation of grain in a corruption scheme that became known as the Dura grain saga. Three years into the investigation and eight years after the events in question, his team was losing the race against time. Data had been deleted, companies had vanished, valuable information had been lost.

"Of course the passage of time has some impact on the investigation," said the Khartoum-educated lawyer, dabbing the pearls of sweat that perpetually formed on his forehead. "The findings might not be conclusive but at least some of the cases will be considered as fraudulent."

1.1.2.1 The Sentry Reports on South Sudan.

The Country since 2005 and up to date has experienced of lack Accountability as most of its institutions are not independent and cannot investigate and prosecute corruption cases.

(The Sentry Report 2015), The Nexus of Corruption and Conflict in South Sudan, the Sentry, an Initiative of Enough Project in Collaboration with C4ADs and Not On our Watch(NOOW) linked corruption in South Sudan with conflict as a tool of dodging accountability. The Military Generals believed that if the country is in peace, then the accountability will rest of their faces, therefore the only protection is to cause conflict against it in favor of their Commander In Chief who is the president as President will not have time to promote accountable environment in war

(The Sentry Report 2019), the taking of South Sudan, explains how the Tycoons, Brookers, Multinational Corporations hijacked the World's Youngest Nation which came into existence because of the human scarified of the people of Sudan. The Sentry report exposed the men who liberated the country from Arabs and turned it into a looting center, where all the resources were looted inform of Military supplies.

(The Sentry Report April, 2020). Untapped and Unprepared, Dirty Deals Threatening South Sudan's mining Sector. Despite the government Legal Framework drafted in 2012 to regulate the Mining sector, the sector has no exemption from the the power military and government officials who looted the country. The mining sector, especially in Eastern Equatoria Stae is being controlled by the families of powerful government officials and the Military Generals, hence making it difficult and threatening the country economy to grow

(Sentry Report May, 2020), *The Making A Killing*, this report explain the how South Sudanese Military Leaders acquired their wealth. The report has examined how the wealth of South Sudan's last four Army Chief of Staffs acquired their wealth. The Report named by Sentry as "Making A Killing", revealed how the Generals looted national wealth with iron fist.

The report linked the 2013 war that killing dozens of South Sudanese and forced 4 million people into refugee and Internally Displaced Camps as the covered for looted resources, to run away from accountability for the resources they looted since 2005

1.1.3 Public Service Delivery

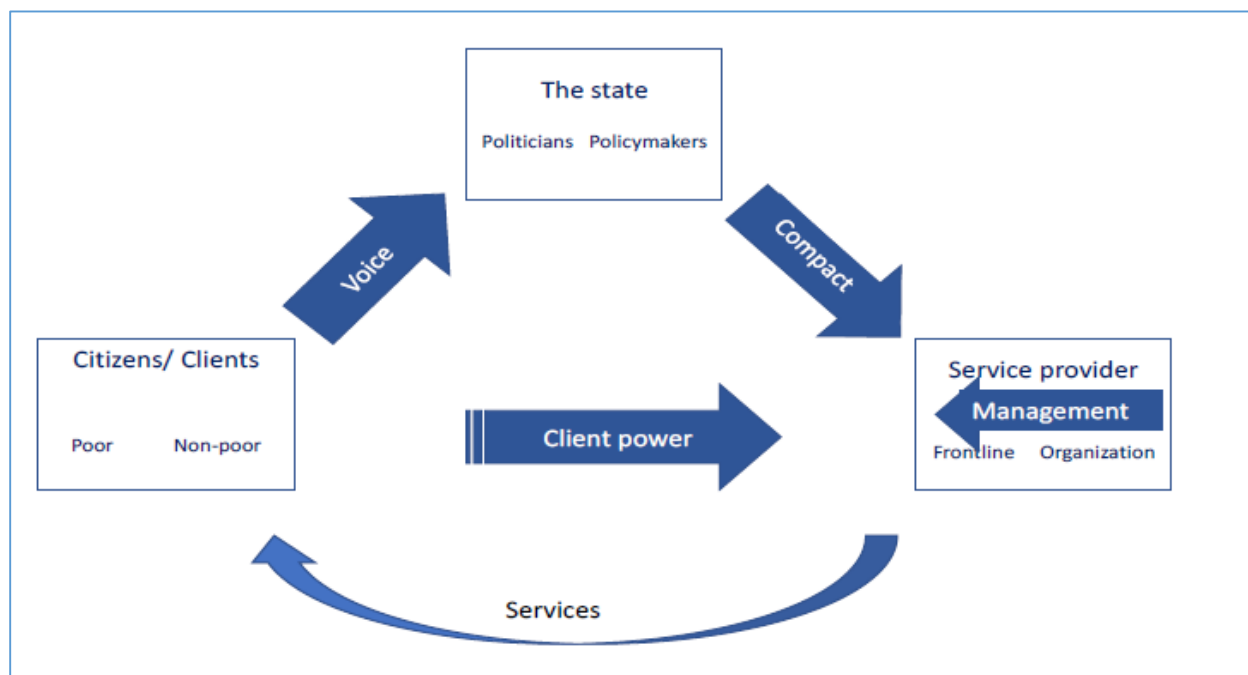
Public service delivery refers to the process of providing public services to citizens by either federal or local government units. These services include public education and primary healthcare services, among others (Karar, 2020). Sewage and trash disposal, street cleaning, public education, and health services are some examples of public services. The mechanism through which these services are offered to the public is called public-sector service delivery. It is the responsibility of local, municipal, federal and state governments to deliver public services to the citizens. Public service delivery is dependent upon there being good and effective governance because it encourages better decision making and the efficient use of resources and strengthens accountability. Effective governance is characterized by robust scrutiny, which provides important pressures for improving public sector performance and tackling corruption. Effective governance can improve management and more effective implementation of the chosen interventions, better service delivery, and, eventually, better outcomes and peoples' lives being improved (Darma, and Ali, 2014).

The poor state of service delivery and the urgent need to improve service delivery especially to the poor was first brought to the attention of the world by the World Development Report (WDR) in 2004 (IRC, 2015). Wild and Forresti (2014) noted that inequitable and poor quality service delivery has particularly dire consequences for the poorest and most marginalized who often either have to pay for sub-standard services or are altogether deprived of them

World Bank (2011) presented four relational opportunities for accountability in the service delivery chain as depicted in the illustration in figure 2. The first is the voice which is a tool that citizens use to hold policy makers and politicians to account. The voice includes formal mechanisms like elections and information mechanisms like participatory budgeting. The second tool is compact which is the relationship between policy makers and service providers' organizations. It is through this relationship that policy makers generate information on the performance of the service providers and hold them accountable.

Management is the third tool employed by service providing organizations to hold their frontline workers accountable. The fourth accountability tool is the client power where citizens either individually or collectively directly influence, participate in or supervise service delivery by service providing organizations. In figure 2 there are two routes to accountability, the long and the short. In the Long route, accountability between service users and service providers is via elected politicians and public officials (the state). In the Short route there is direct accountability between users and service providers through the exercise of client power:

Figure 2: Relationship between accountability and service delivery



Source: World Development Report (2004)

The accountability framework above shows that there are three sets of actors in the service delivery chain. The first are the citizens/clients of service providers. The second are providers who may be frontline staff, managers or local officials involved in the administration and delivery of services, be they public or private. The third is the state represented by politicians and policymakers who may be high-level elected officials or civil servants responsible for carrying out legislative and regulatory responsibilities (World Bank, 2003).

1.2 Research Problem

The success of a nation's service delivery to the public is dependent upon prudent financial management and accountability of public servants charged with the responsibility of managing, allocating, monitoring and evaluating the use of public funds. Proper budgeting also contributes to

successful public service delivery as it aims to strike a balance between expected revenue inflows and planned expenditures across the various sectors of the economy.

Several reports on South Sudan have cited various aspects of poor financial management as being responsible for lack of services to the people and underdevelopment in many places in South Sudan. Reng (2019) observed that in South Sudan public budgeting is not often an exercise guided by proper planning, preparation, and execution. Broadly, budget plans approved by the legislature at the start of the year frequently bear little resemblance to the actual pattern of public financial activity that has taken place by the end of the budget period. In other words, the actual expenditures during the year are much different and widely deviated from the budget that was approved at the start of the financial year.

Leakages of financial resources are also responsible for poor service delivery in South Sudan. The leakages are mainly in the form of corruption where monies are paid for undelivered goods and services. The Transparency International (TI) reports on corruption over the past six years indicate a worrying corruption trend for South Sudan. The Corruption Perceptions Index (CPI) score for South Sudan has fluctuated between 2014 and 2019. In 2019, South Sudan had a rank of 179 out of the 180 making it the second most corrupt country in the world (Transparency International, 2020).

With about a decade since South Sudan became an independent state, not much has been done to improve the economy. With the poor state of infrastructure, high illiteracy and abundant natural resources, it is clear that the proceeds from oil exports have not been well managed and have not been put to good use for building good roads and health facilities for the citizens. There is therefore

need to investigate how poor management of financial resources and poor accountability in the public sector in South Sudan has been responsible for poor service delivery in the country.

1.3 Purpose of the Study

The purpose of this research was to assess how poor financial management system and poor public sector accountability affects public service delivery in South Sudan. This was done through the review of public financial management (PFM) processes in South Sudan and review of some reports pertaining to public service delivery and financial management.

1.4 Thesis Outline

This thesis is organized in the following seven chapters. Chapter one is the introductory part of the thesis and contains the background of the research, research problem and purpose of the study. Chapter two presents the conceptual framework and theoretical orientation of the study. The third chapter reviews the public service and performance in South Sudan and public sector accountability including the challenges facing public sector employees. Chapter four presents a review of public revenue collection and administration in South Sudan. Chapter five is the empirical literature review where various past studies on the subject of public financial management and service delivery are presented. The sixth chapter reviews case studies and review of reports from South Sudan that include report on the share of oil revenues, road infrastructure and health services. The seventh chapter offers the conclusion and recommendations based on the research findings.

CHAPTER TWO

2.0 CONCEPTUAL FRAMEWORK AND THEORETICAL ORIENTATION

2.1 Introduction

This chapter presents the conceptual framework and the theoretical orientation. The former explains the relationships between the research variables using an illustrative diagram. The latter presents the relevant theories that are used as the foundation of this research.

2.2 Conceptual Framework

The conceptual framework shown in figure 2.1 depicts the relationship between independent variable and the dependent variable. The dependent variable (Public Service Delivery) is affected or influenced by the independent variable (Public Financial Management). In the ideal situation proper and effective management of public finances will lead to effective delivery of public services to a country's citizens. The intervening variables come into play between public financial management and service delivery and can either improve or worsen the management of public finances and result in the improvement or deterioration of service delivery. The intervening variables are skills & competencies of public servants, Information Management Systems, Public servants' morale and motivation, Capacity Development for public servants and Corruption & misappropriation of public funds. The presence of the intervening variables can improve PFM and which means that public service delivery will be good. On the other hand, the lack of the intervening variables will worsen PFM and thereby making public service delivery to be poor. If the public servants are skilled and competent, if there are information management systems, if the public servants are highly motivated through prompt payment of their salaries and if the capacity of the public service is well developed then public service delivery will be effective.

In the context of South Sudan and as illustrated in the conceptual framework, the intervening variables (low skills/incompetencies, lack of information management systems, lack of capacity development and delayed salaries) worsens public service delivery which manifest itself in poor infrastructure, inadequate health facilities/services, insecurity, inadequate educational facilities, slow delivery of justice as a result of inadequate courts of law and therefore slow court processes etc.

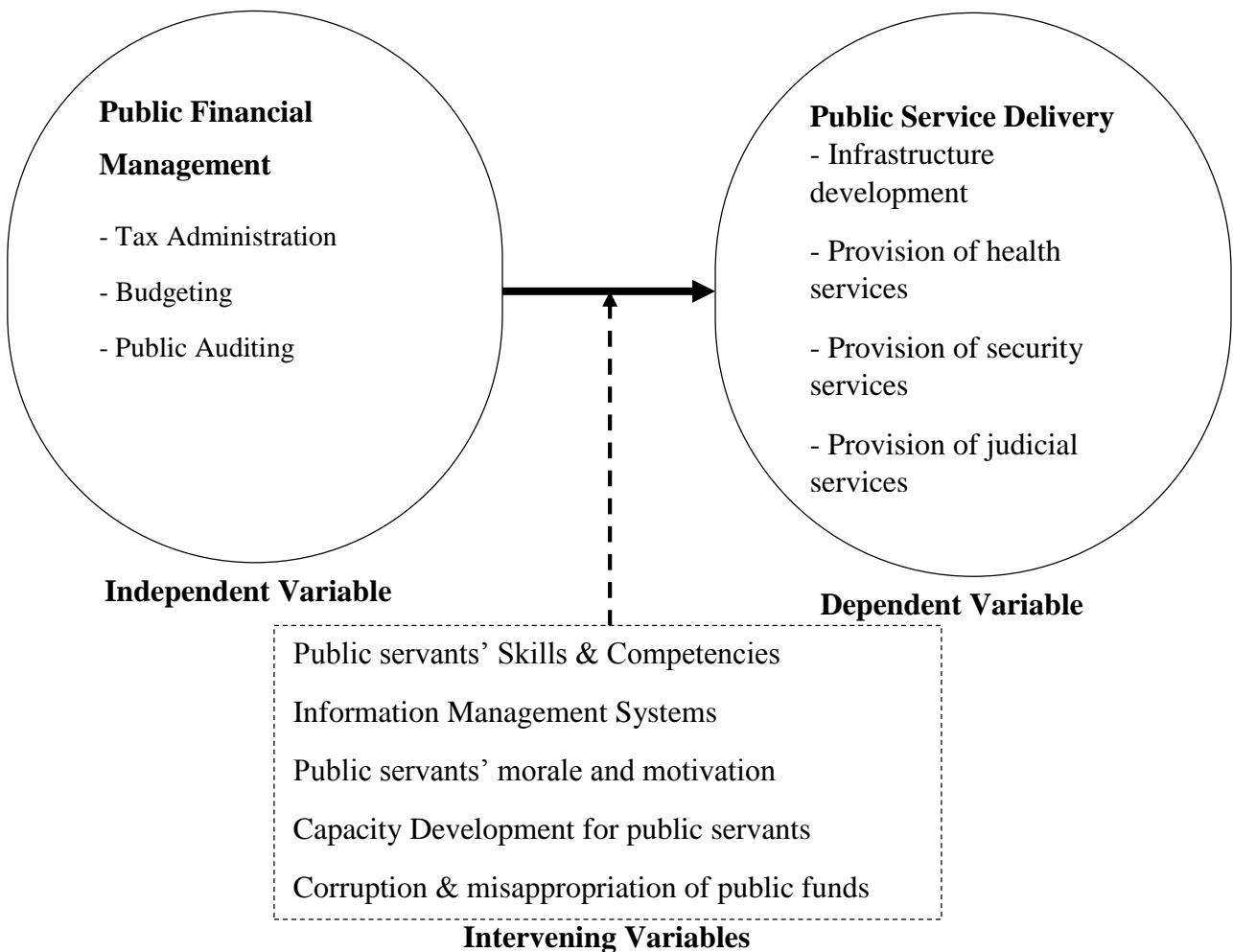


Figure 3. Conceptual Framework (Source: Researcher, 2021)

2.2.1 Public Financial Management

▪ Tax Administration

The management of public finances starts at the tax administration stage where the National Revenue Authority (NRA) of South Sudan collects revenues from various tax sources which are banked at the Consolidated Account at the Bank of South Sudan. The NRA exists to “To mobilize non-oil revenue in a transparent, accountable, impartial, effective and efficient manner by providing unique quality taxpayer services that combine performance with values.” (National Revenue Authority, 2020). The tax sources may be individual citizens paying income taxes or registered companies and corporations paying corporation taxes from the profits they made in a particular financial year. The other source of revenues for the government emanate from the proceeds from the sale of oil.

▪ Budgeting

The budgeting stage of public financial management is where all the monies collected by the revenue authorities and other receipts from external sources are budgeted for use in various local governments at the state/county level, government ministries and departments. Each ministry and department develops their individual budgets and forwards them to the Ministry of Finance and Planning where they are all consolidated into one national budget that is usually presented at the National Assembly (parliament) about one month before the commencement of the financial year. In parliament the national budget is debated and approved. Allocation to the state governments is based on an agreed percentage of the total revenue collections for a particular year. The monies allocation to state governments will be used according to the budget prepared and approved by each individual state government.

South Sudan as a regional member of the East African Community is compelled by the Law to to prepare and present budget to Parliament for approval on 1st July of every year as each Fiscal year commence on 1st July and ends on 30th June of the following year, however, the East African Community's Treaty on Budget Protocols is not being followed in South Sudan.

In the Fiscal Year 2021/2022, the National Minister for Finance and Planning presented the Budget for Fiscal Year 2021/2022 to Revitalized Transitional National Legislative Assembly for reading on 2nd February 2022 instead of presenting it at the first quarter of 2021. At this period, 2nd February 2022 , the rest of East African Community Partner States who adhered to the Community Budget Protocols were busy presenting their budgets to their respective Parliaments for reading in this first Quarter of 2022(Minister for Finance and Planning's Budget Speech 2022, 2nd February 2022). This is an indication that South Sudan does not follow the budget protocol hence the country operates at no budget being followed which lead to some few Institutions like office of the President and Security Sector spend almost the country budget at the expense of the other institutions. This has been main issue in the country and the main cause of lack of services delivery to the civil population

- **Public Auditing**

Another important stage in public financial management is the auditing stage where actual expenditures are compared with the planned expenditures that were set out in the budget. The ideal situation is that the planned and actual expenditures match even though this is usually not the case in most countries. It is not unusual to find cases of over-expenditure where a ministry has spent more than its budget and still owes monies to creditors. Under-expenditure is also common where a government department or ministry has spent less than its budget and still has money left in a particular year that can be carried forward to the following year or remitted back to the exchequer.

It is during the auditing stage that misappropriations, unauthorized expenditures and fraudulent expenditures are discovered and highlighted. For South Sudan, the National Audit Chamber (NAC) is responsible for auditing of all government ministries and departments. The NAC's vision is "To be a leading Supreme Audit Institution, providing assurance to the citizenry and other stakeholders about public accountability, transparency and good governance in South Sudan" (National Audit Chamber, 2021). An efficient auditing system aids in curbing leakages through corruption and embezzlement.

In South Sudan, there is political will to stop corruptions in the country as the cases of institutions lack of independent are on rise every year the country civil war rage on.

This is only the latest in a series of corruption scandals in a country whose birth in 2011 was greeted with international adulation and generous financial support

But instead of helping South Sudan's impoverished population, the LCs became one of the biggest corruption scandals in South Sudan's short but troubled history, a *Mail & Guardian* investigation has found. Rather than using the lifeline to import badly needed goods like grains and medicine, many of those involved exploited it as a means to buy scarce oil dollars at a highly discounted exchange rate and resell them on the black market, potentially generating hundreds of millions of dollars in profit.

"Some few officials and fake traders, apparently with the assistance and collaboration from officials in authority, turned the LCs to a mere mean for personal benefit [sic]," concluded a confidential report of the national audit chamber obtained by the *Mail & Guardian*.

"Many beneficiaries of the letters of credit seem to have managed to get their payments without delivering the intended goods or services to the country," said the audit report, which was presented to President Salva Kiir in December 2015. The LCs "have caused the country huge financial losses [...] at the expense of the majority of the populace in the country," it concluded.

Initially launched when South Sudan shut down its oil production in 2012, the scheme took off just as conflict engulfed the young nation. Almost 90% (\$875-million) of the funds were allocated in four rounds between May 2014 and April 2015. The practice flourished until the country finally ran out of foreign reserves, eventually forcing the Bank of South Sudan to abandon the fixed exchange rate in December 2015.

The dollar allocations were disbursed through the Qatar National Bank and CFC Stanbic [a subsidiary of South Africa's Standard Bank] in South Sudan and transferred mostly to banks in Uganda and Kenya, including Kenya Commercial Bank, Barclays Bank, Equity Bank and Stanbic Uganda. Since the transactions occurred in USD, and were cleared through US correspondent banks, US law enforcement agencies could [assert jurisdiction](#) to prosecute any transactions found to violate US anti-money laundering laws.

The LCs are only the latest in a series of corruption scandals in a country whose birth in 2011 was greeted with international adulation and generous financial support. Although South Sudan ranks second from bottom in Transparency International's [corruption index](#), it remains one of the top recipients of foreign aid. In 2014, at a time when the scheme was at its height, donors spent \$1.8-billion as part of the second largest humanitarian appeal in the world, trumped only by Syria. This year, the UN has asked donors for \$1.6-billion to respond to a worsening humanitarian crisis, including localised famine in the first half of the year, caused by the cumulative effect of years of war and the worsening economic crisis.

Auditor General Steven Wundu hands over an audit report to President Salva Kiir. Although the AG's investigation into the LCs was presented to the President in December 2015, the report has yet to be tabled in parliament. (Simona Foltyn 2015)

The audit report investigating the scheme, which was completed in 2015 but was never presented in parliament, contains a list of over 1 900 LCs awarded to almost 1 200 companies. It stops short, however, of identifying their owners. Pro-transparency organisations believe the findings are intentionally kept under wraps.

The president's office denied widespread abuse of the LCs and allegations that it was stalling further investigation. "The abuse comes as an exception and I'm not aware of particular details," said Ateny Wek, President Salva Kiir's spokesman. The auditor-general declined to comment on a report that has yet to be made public.

Over several months, the *Mail & Guardian* analysed data in the audit report and investigated the background of companies that received the largest allocations. An examination of the shareholders for a sample of companies suggested they were often linked to people in government and the armed forces. Moreover, evidence corroborated through dozens of interviews and official records suggests that only a small share of the funds were actually used to import the intended items.

2.2.2 Public Service Delivery

It follows then that if tax administration, budgeting and auditing are carried out appropriately and promptly as required then less monies will be lost and there will be enough funds to undertake infrastructure development, provide quality health services to citizens, improve security in the country and even people will have satisfactory and prompt judicial services. In the ideal situation, good public service delivery in South Sudan will be evident in many areas across the economic sectors. Good roads will be in place or in the process of being developed across the country. A functional public health delivery system should be in place and continually being improved. Health facilities whether PHCUs or PHCCs will be present in many parts of the country and should be easily accessible to the citizens. Adequate education institutions from primary schools, secondary schools, tertiary colleges and universities should be present in all the states and counties offering basic education and higher education to the citizens.

This ideal situation is still a dream that is yet to be achieved for least developed countries like South Sudan where public services are lacking. The poor state of service delivery can be linked to inadequate collection of revenue were the government finds itself with less funds than the planned

expenditures on development and public services provision. Poor public service delivery can also be a result of misappropriation of funds through corruption and other fraudulent activities even though enough public funds were available at the start of the financial year.

2.3 Theoretical Orientation

Theoretical orientation presents two theories that are used to direct this study. The allocative efficiency theory and new public management theory are used as the foundational basis of this research.

2.3.1 Allocative Efficiency Theory

The Allocative Efficiency Theory was first advanced by Farrel in the late fifties. The theory shows how scarce resources can be applied efficiently to meet peoples' needs in an optimum manner. For allocative efficiency to be present, there must be sufficient resources allocated for peoples' needs and projects. The theory is useful in this study as it can show how revenue collection, budgeting, auditing, governance can be used to enhance the allocative efficiency.

Brumby (2007) noted that the traditional view of public finance attributes three major goals to the management of public finance: stabilization, reallocation, and redistribution. It is the inter-relationships among the three goals that give rise to the major issues in public finance (Brumby, 2007). The stabilization objective is achieved using budgetary means that prevent inflationary and deflationary fluctuations. The government controls various phases of business fluctuations in its budgetary policy. The economic stability can be maintained by using a surplus budget in times of inflation and a deficit budget during deflation (Chand, n.d).

The reallocation goal is also achievable through budgetary policy where the government aims to reallocate resources in line with profit maximization and social welfare objectives. The reallocation of resources can be done through tax concessions and subsidies which are aimed at encouraging investments. For instance, to discourage the production and consumption of liquor the government can impose heavy taxation. The reallocation of resources can also be realized through the government intervention in the production of goods and services that the private has no interest in (Chand, n.d). The redistribution objective is attainable by reducing inequalities of income and wealth using budgetary means. Taxing the rich and spending more on the poor is a way of reducing incomes of the rich and raising the living standards of the poor and thus reducing the income inequalities.

A country's economy can only develop progressively in the presence of a functioning public finance. The public finance is a tool the government employs when it wants to make interventions in the economy. This is because public finances have an effect on both the aggregate demand and aggregate supply in the economy. This effect on demand and supply is as a result of the reallocation of existing financial resources and creation of conditions for the maintenance of stability in the national financial system (Rozkho, 2016).

2.3.2 New Public Management Theory

The new public management (NPM) theory focuses specifically on issues of making governments efficient (Kaboolian, 1998). According to Savoie (2003) the NPM theory recommends changes to make governments more efficient and responsive by employing private sector techniques and creating market conditions for the delivery of services. Additionally, Osborne (2006) indicates that the NPM theory asserts the superiority of private managerial techniques over those of public

administration and has the assumption that the adoption of private sector practices would lead to improvements in the efficiency and effectiveness of public services. In effect, NPM theory relies heavily on the theory of the private sector and business philosophy (Osborne, 2006).

Rozkho (2016) posit that the focus of the New Public Management Theory is the effectiveness of the exercise of local governance. The theory introduces the principal-agent relationship where the citizen is the principal and the local government/authority is the agent. The principal (citizen) authorizes the agent (local authority) to act on his/her behalf in creating and satisfying the societal demands and needs. Only socially necessary goods are financed using budget funds. The public servants are managers who enjoy some freedoms in making administrative decisions with their performance being supervised by the authorities. These approaches bring private sector features like the innovative nature of management and provision of sought after services.

This theory is applicable to this research as it links effective practices of revenue collection, allocation and oversight in the effective delivery of services in the public sector. The NPM theory can be applied by government of South Sudan to inculcate the sense of private sector business philosophy in the management of public finances and service delivery. By so doing the public servants will be efficient and effective in the management and use of public finances and attain effective service delivery to the people of South Sudan.

2.3.3 Principal-Agent Theory of Public Expenditure

The Principal-Agent theory explains the relationship between the Ministry of Finance (MoF) and the Line Ministry (LM). In this relationship the MoF is the Principal who delegates the production of output to Line Ministry is the Agent. The two components that forms the contract between the

Finance Ministry and line ministry are the expenditure program and budget appropriation (Paul and Leruth, 2008).

The Principal-Agent model is applicable to various PEM systems and can be used for comparison across institutional settings. Under this model the finance ministry can use tools like ex post audits and ex ante controls to its advantage to deter cheating. If the Ministry of Finance has limited ability to impose penalties on line ministries then also its ability to deter cheating will be limited (Paul and Leruth, 2008). Fiscal decisions pass through various stages from the time they are created to the time of being implemented. Mistakes, indifference, passive resistance, implicit opposition and other forms of principal-agent problems face the fiscal decisions during implementation.

2.4 Chapter Summary

A functional public financial management system must have three effective components namely efficient revenue collection and administration, effective budget formulation and an effective auditing of public funds. Public service delivery is dependent upon the three components of PFM. In addition, the PFM and public service delivery will be supported by well-remunerated and highly motivated public servants and the presence of information management systems that allows the seamless flow and retrieval of information. Capacity building that improves the skills and competencies of public servants is also requisite for improved PFM system and public service delivery. Finally, a good and functional PFM system must be devoid of fund leakages through corruption and embezzlement. The leakages of funds can be discovered and stopped using an effective public auditing.

CHAPTER THREE

3.0 SOUTH SUDAN PUBLIC SERVICE, PERFORMANCE AND CHALLENGES

3.1 Public Service in South Sudan

The public sector in South Sudan comprises of all the civil servants who work in various state governments, national government ministries and government departments of the Republic of South Sudan (RoSS). The civil servants are responsible for delivering public services to the public. The South Sudan Civil Service Act of 2011 provides for the regulation and governance of the Civil Service of the Government of South Sudan. The Act provides for the establishment of a civil service that is efficient and effective in the service of the government and people of South Sudan. The other object of the Civil Service Act is to establish a management framework that promotes integrity, excellent performance and merit (RoSS, 2011).

Under the Revitalized Transitional Government of National Unity (RTGoNU) which became effective of February 2020 there are 35 ministries in the Republic of South Sudan (RoSS). The lead ministry that is in charge of collection and appropriation of government revenue is the Ministry of Finance and Economic Planning (MoFEP). The ministry together with directorates within it has the mandate to manage the public finances of the Republic of South Sudan.

There are 8 directorates within the Ministry of Finance and Economic Planning that are responsible for various functions relating to the management of public finances in South Sudan. The Planning Directorate leads on development and investment planning, macroeconomic forecasting, debt management and aid coordination. The Budget Directorate coordinates and guides the budgeting

process of the government and all spending agencies. The Treasury Directorate manages the Government's financial assets through the use of technology, modern and efficient banking practices and a commitment to prudent fund management. The Taxation Directorate administers the national taxes approved by the South Sudan National Legislative Assembly. The Petroleum Revenue Directorate works with the Ministry of Petroleum on regulating and monitoring revenues from oil resources. The Customs Directorate is part of the Ministry of Finance and administers customs duties. The Procurement Directorate is responsible for managing public procurement processes. The Administration and Finance Directorate is responsible for managing the operations of the Ministry (MoFEP, 2017).

Most ministries in South Sudan commenced proper operations and functions from 2008 and with the then uncertainty of the country's independence critical laws were not implemented until after the independence in 2011. The laws that had to wait until after independence for implementation were the Public Financial Management and Accountability Act, the National Audit Chamber Act, and the Civil Service Act. As at 2016, many of the other regulations were still under preparation. During this period public servants and public institutions operated in an uncertain manner and in a weak regulatory environment and this has constrained the effective use of capacity and for giving staff in-service training (World Bank Group, 2017).

3.2 Public Service Performance and Challenges

An efficient and effective public service is a good indicator of a government that is able to serve its people effectively and adequately. For the civil service to be effective and efficient it must have qualified personnel within its ranks. In addition, the civil servant must be motivated at all times.

The civil servants in South Sudan face a variety of challenges that constrains them from offering basic services to the people of South Sudan. The following are among the challenges that face the civil servants in South Sudan.

3.2.1 Delayed Salaries

In 2019 Civil servants and other employees on South Sudan government payroll worked for almost seven months without pay. The salaries delay necessitated President Kiir to make an apology in his speech on independence day to all civil servants with a promise to ensure that all salary arrears are settled. He blamed the salary delay on the conflict in the country between 2013 and 2018 that has also affected service delivery across the country (Koang & Garang, July 9, 2019).

The government of South Sudan has been struggling to pay civil servants for years due to the cash strapped situation it finds itself in (Mach, 2017). The revenues from oil have not been forthcoming and the little that is received is mismanaged and corruptly misappropriated. All cadres of civil servant be they judges, university lecturers, doctors and teachers have experienced salary delays for long periods. The military personnel and presidential guards seemed to be favoured and their salaries are paid on time.

It is almost impossible to expect civil servants to perform as expected when they go without salaries for months. When employees miss salaries for several months, logic dictates that they have to look for alternative sources of money to fill in the salary gaps. The employees will either beg for money or find other employment where they can work and be paid. The eventual effect is that absenteeism will creep in as the employees will be absent from work as they try to get money for their family use and of course absenteeism from work translates directly to poor service delivery.

To quote Chol Daniel, a secondary school teacher who worked for four months without pay, “the government has failed to fulfill its promises of arrear increments and timely payment. The government expects me to deliver service without appreciation of my work, four months without salaries and we are still teaching, this is a shame.” (Mach, 2017)

3.2.2 Low Skills and Competencies

World Bank (2014) suggests that the capacity of the South Sudan Civil Service is very low. The high illiteracy level is a long term problem that if it is to be addressed, measures such as human resource development will be required. The long term development of the civil service will call for thorough but culturally and developmentally feasible practices that will ensure that staff recruitment, pay and promotion, discipline and performance assessment are based on merit. It will require high level political commitment and the availing of requisite resources. In the meantime, while the civil service is being developed, the employment of non-locals in the private sector, non-governmental and even in the government may be necessary. The high number of foreign experts working in government and private organizations in South Sudan contributes to building the capacity of the locals through transfer of knowledge and expertise. However, over time there needs to be gradual replacement of the expatriates with South Sudanese citizens.

Weak civil service capacity that is exhibited in low qualifications often undermines the effectiveness of service delivery. In the short term, this can be addressed through specifying job specific qualifications and checks to ensure the inductions of staff based on merit. This will aid in ensuring that front line civil servants are committed and perform. The problems of incompetency can also be solved through continuous training and development of civil servants. Higher

education institutions need to be increased so that they can play the role in producing graduates that are needed in various government organizations and sectors of the economy.

3.2.3 Lack of Capacity Development

Being a young nation that is only a decade old, it is understandable why the civil service in South Sudan still lack the necessary skills and competencies among its staff cadre. The lack of capacity development and training for the civil servants is a key contributor to the inadequate skills and competencies. This inadequacy has had a direct bearing on the public service delivery in the country and one way to improve service delivery is to invest in the capacity development and training of civil servants.

In a young nation like South Sudan and a country that has been prone to external and internal conflicts, the rebuilding of public sector capacity is pertinent in the short, medium and long term. Government functionality is dependent upon pursuing capacity strengthening that is effective. Failure to institute capacity building programmes will leave the civil service dependent on foreign technical assistants. While capacity building takes time, the accumulation of capacity over time is vital for post-conflict development (World Bank Group, 2017).

3.2.4 Lack of Information Management Systems

The government lacks the basic human resource management (HRM) skills and systems to be able to effect the wage bill containment policies needed in the current environment. In the absence of human resource management systems, basic information at central and state levels on the number and identity of staff getting paid is missing. Weak linkages between the Human Resources

Management Information System (HRMIS) and the South Sudan Electronic Payroll System (SSEPS) enable the persistence of “ghost” workers in the system, and the lack of integration of military and organized forces into the e-payroll system also prevents achieving reasonable control of these key establishment groups. Since the wage bill is largely a problem of surplus employment of particular types of staff, getting a clear picture of who these staff are and how they might be removed from the payroll or redeployed to other functions is key to reducing wage expenditures.

3.3 Public Sector Transparency and Accountability

Accountability is the act of being answerable and accepting to be responsible for one’s action. It is centered on the demand side of good governance and aims at strengthening citizens’ voices in their demand for public servants to be more accountable and responsive. Even though public servants are required to do the right thing and follow due process, they are being held more accountable for their performance and citizens’ satisfaction (Aucoin, 1995). Accountability is vital for good administration and is required for public and private organization to be accountable to those who are affected by the actions and deeds of an organization (Kettani et al., 2009). It is related to forthrightness and adherence to the laws and government organizations are required to be accountable and responsible to the general public.

In South Sudan, public servants are employed to serve the citizens and/or to act on their behalf. It follows then that it is the citizens that must hold the public servants accountable. Failure to be accountable, the public servants must be disciplined by their appointing authority which is the Government of South Sudan. Ali et al (2018) noted that government through its various ministries and government agencies strive to offer its citizen’s quality and efficient services but they are often faced with many challenges with lack of accountability being one of them.

(Ministerial Fiscal Year 2021/2022 Budget Speech 2nd February 2022) presented the country's Public Debts as of 30th June 2021 stood at \$2.7 Billion with External Debts at \$2.2 Billion and Internal Debts at \$489.45 million.

The debts was acquired and used in unclear way as debts procedures with no Parliamentary approval and funds ended into private use by the elites. This has been manifested in the lack of services the country is supposed to offer to its

3.4 Revenue Leakages through corruption

Economic crimes have a direct, negative impact on the capacity of any State to meet the core socio-economic needs of its people such as healthcare, education, and other Sustainable Development Goals, with poor and extremely poor citizens including women and children disproportionately affected. The failure of government of South Sudan to fulfill its obligations has forced millions of is citizens into extreme poverty, starvations, vulnerability and life-threatening suffering. In the Human Development Index, South Sudan is ranked at 185 out of 189 making the country the fifth most challenging country to live in (Human Rights Council, 2021).

Corruption has been and continues to be a thorny issue in South Sudan with reports indicating that the country had lost billions of dollars due to corruption. None other than the President of South Sudan conceded that the country has lost billions to corruption between 2005 and 2012 and he instructed that ministries to return the 4 billion US dollars that had been siphoned off by government officials. It is not clear whether the President's directive was followed and implemented and how much of the looted funds were ever returned to South Sudan (Human Rights Council, 2021).

In September 2021, the World Bank and International Monetary Fund (IMF) threatened to suspend financial aid and loans to the Government of South Sudan. The warning came after the revelation of an impending payment of USD 650 million payment to US based South Sudanese businessmen (Akol, September 2021). The two Bretton woods institutions were furious that the government of South Sudan continues paying huge sums of money to persons who had not supplied any goods or services.

3.5 Chapter Summary

The Civil Service in South Sudan that is expected to serve the public and offer services is still in its formative stages. Having existed for slightly over a decade in the pre and post independent era, it is still faces with many challenges that hinder it from being effective in the provision of public service. Low skills and competencies coupled with lack of capacity development has ensured that the country counties to rely on foreign experts and technical assistants in various sectors of the economy. Low motivation that results from delayed salaries and inadequate compensation affects the public servants' ability to be effective public servants. The loss of public funds due to corruption and embezzlement affects public service delivery in a negative way. Revenue leakages results in non-provision of services, non-completion of public projects because the budgeted funds end up in the hand of individuals and corporations instead of being used for the intended purposes. The end results of all these challenges is that the citizens miss the needed services and no development is carried out and in the end this compounds the problems of poverty, illiteracy and deaths that could be treated if medicines were availed at public health facilities.

CHAPTER FOUR

4.0 PUBLIC REVENUE COLLECTION AND ADMINISTRATION

4.1 Introduction

The main sources of public revenue in South Sudan are taxation and oil revenues. The collection and management of public revenue must be effective and efficient if the country is to get value for money and attain its developmental goals. The body that is constitutionally mandated with the collection of revenue is the National Revenue Authority (NRA). The NRA collects non-oil revenue from customs duties imposed on incoming and outgoing goods and from domestic revenues from taxation of corporate and individual taxpayers.

The National Revenue Authority is the revenue service of the South Sudan Government; it is a non-oil Revenue collecting body that was established in 2016 under the National Revenue Authority Act, 2016. The National Revenue Authority branches include but are not limited to Domestic Tax division and Customs division. The core functions of NRA are to evaluate, collect and account for all revenue or tax due to the government and to counsel on matters relating to the administration of, and collection of revenue under the written laws of South Sudan (NRA, 2020).

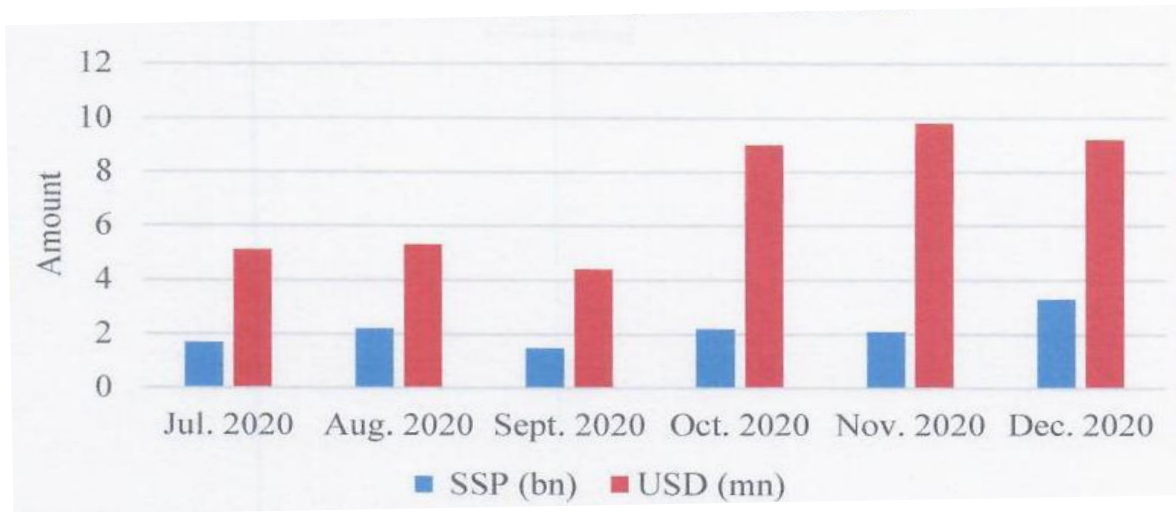
4.2 Non-Oil Revenues

Notwithstanding the abundance of oil in South Sudan and the accompanying government revenues from oil sales, there are other sources of revenues which are termed as non-oil revenues (Bestoin, 2018). The non-oil revenues included value added tax (VAT), business profit tax, excise tax, custom duties, stamp duties and fees for passports and visa applications.

endowed with oil, South Sudan equally has other sources which have potential to generate revenues other than oil (Bestoyin, 2018). The other sources are referred to as non-oil revenues. Non-oil revenues comprise of Value added tax, Business profit tax, Excise tax, Customs Duties, Stamp duties, Fees from nationality, passports, immigration, visas among others. The government of South Sudan has mandated the National Revenue Authority to collect all taxes and levies due and to punish tax offenders as provided by the Laws of South Sudan.

The National Revenue Authority collect non-oil taxes in two currencies, the US Dollar and the South Sudan pound. In the first six months of the 2020/2021 financial year, the NRA recorded a steady rise in the taxes collected as depicted in the chart below. In quarter 2 the NRA collected USD 28 million as compared to USD 14.2 million in quarter 1. Similarly, the collection increased from SSP 5.4 billion in quarter 1 to 7.6 billion in quarter 2 (NRA, 2020). This improvement in revenue collection follows the reforms instituted by the NRA which were based on the recommendations stipulated in the PFM guidelines in the Revitalized Agreement on the Resolution of the Conflict in the Republic of South Sudan (R-ARCSS), the parties sought to address the effective financial management of the economy and considerable natural resources of South Sudan. In particular, the guideline provides a roadmap which constitutes a sound basis for better management of the nation's economy, resources, and finances. The guidelines introduce a series of provisions that, if implemented, would curb systemic grand corruption and regulate business dealings, including those between the Government and foreign conglomerates.

Figure 2. Collection of non-oil revenues for the first half of fiscal year 2020/2021



Source: National Revenue Authority (2020)

There has also been a steady increase in the collection of non-oil in the years preceding 2020.

The monthly collection between 2014 and 2019 show a steady increase in revenues as depicted in figure 3.

Figure 3. Monthly non-oil revenues between April 2014 and April 2019



Source: NRA Monthly tax revenue collection

4.3 Oil Revenues

A big part of South Sudan fiscal expenditure is financed by oil revenues. The mismanagement of oil revenues, conflict and the coronavirus affected production in northern oil fields with production falling below 300,000 barrels per day (bpd). At present the oil fields produce 175,000 barrels per day (bpd) but is expected to rise to the previous production levels of 300,000 Bpd in the next years (Takpiny, 2021). Mismanagement of oil revenues has undermined development in South Sudan. The country is not poor but mismanagement has made people to perceive South Sudan as a poor country.

In the first half of the 2020/2021 financial year the government of the republic of South Sudan received a net oil revenue of USD 195.35 million. This was after deductions from the gross oil revenues of USD 481.26 million. The deductions shown in figure 4 include a compensation payment to Sudan, 2% and 3% for oil producing states and communities and 3% due to the Ministry of Petroleum. The oil revenues that accrue to the government of South Sudan are dependent upon oil production volumes, the price of oil and the share of total oil revenues. The fall in international crude oil prices due to the effects of Corona virus deeply lowered the amount of oil revenues that were remitted to the government. The percentage of the of revenues due to the government, the Ministry of Petroleum, oil producing states and oil producing communities is fixed as provided by the law. The volumes produced and oil prices are always fluctuating meaning that the higher the quantity of oil priced and the higher the international oil prices the more revenues will accrue to the government.

Figure 4. South Sudan Oil Revenues for July – December 2020

Fiscal Summary	2020/2021Draft Quarterly Budget	Q1	Q2	YTD Total Quarters Outturns	FY 2020- 2021 %change
Gross Oil Revenue in USD	449.04	199.45	281.82	481.26	107%
Payment to Sudan (Oil in Kind 28,000b/day)	13.51	96.81	108.46	205.27	1519%
2% 3% For Oil Producing States & Communities	13.51	5.13	8.67	13.80	102%
States 2%	5.40	2.05	3.47	5.52	102%
Communities 3%	8.11	3.08	5.20	8.28	102%
Ministry of Petroleum 3%	8.11	3.08	5.20	8.28	102%
Net Oil Revenues Before ORSA	413.92	94.43	159.49	253.92	61%
ORSA (Diff in Bnch & Mkt Price)	-	24.35	34.32	58.57	0%
Net Oil Revenue after ORSA	413.92	70.08	125.27	193.35	47%

Source: Ministry of Petroleum (2021)

4.4 Chapter Summary

The Government of the republic of South Sudan derives its revenues from two main sources, oil revenues and non-oil revenues from various taxes. Non-oil revenues from taxation is collected by the National Revenue Authority while the oil revenues are collected by the joint operating companies that produce oil in various oil producing locations in South Sudan. Statistics from the NRA show an improvement in non-oil revenues in the first half of the current financial years 2020/2021. The revenues increased from about 5 million US dollars in July 2020 to about 10 million US dollars in December 2020.

Revenue data on oil revenues in the 2020/2021 financial year show an increase in the first half with gross revenues of USD 199.45 million in the first quarter and USD 281.82 million in the second quarter. Oil revenues for the preceding financial years is not available and it is therefore not possible to compare with the current financial year to determine if the oil revenues remitted to the government are increasing or decreasing.

CHAPTER FIVE

5.0 EMPIRICAL LITERATURE REVIEW

5.1 Introduction

This chapter presents the empirical literature review which outlines the various research studies that have been conducted on public financial management, accountability and service delivery. The research studies reviewed herein are not only from South Sudan but some are from various parts of the world.

5.2 Empirical Review

Goryakin, Revill, Mirelman, Sweeney, Ochalek and Suhrcke (2017) researched on the effect of public financial management on health service delivery. The study was done through a review of extant literature on the potential and actual contribution of PFM systems and PFM reforms to the improvement of health service delivery. The study established that good governance has an important role in health service delivery. A range of good governance indicators were found to be positively related to health service delivery outcomes, while corruption was consistently negatively related to many of these outcomes. The study also established that increase in funding for health programmes is more effective in countries with good governance systems. Greater accountability and responsiveness was found to play an important role in health outcomes. There is some evidence for the positive impact of participatory initiatives such as participatory budgeting and community scorecards.

Morin (2011) conducted a study to examine to what extent Auditor General of Quebec had been achieving the objective of improving service delivery through the Value for Money (VFM) audits

conducted in the Canadian province of Quebec from 1995 to 2002. The findings of the study revealed that VFM audits were helpful in the agencies and organizations audited. The management of the organizations and the service delivery by the organizations were reported to have improved due to VFM audits. The factorial analysis brought to light two major lines along which auditees saw such audits as helpful. The first is that of moving auditees into action and the second is that of drawing authorities' attention to specific problems.

Kemigisa (2014) conducted a research at Masindi Municipality in Uganda on the effect of financial management on service delivery. The study used financial planning, financial monitoring and financial control as the research variables. The research established that financial planning, financial control and financial monitoring as key practices that are undertaken by the Council had led to improved service delivery. Even though the study was conducted at a municipal council it was on financial management on a public entity. Kemigisa's research are similar with the proposed research in that both studies are about financial management at different government levels. Other similarities are that auditing can be equated to financial monitoring, financial planning is the same as budgeting.

Maina (2016) researched on the role of public financial management practices on service delivery in selected counties in Kenya. The study which was conducted in Nairobi, Kiambu and Kajiado counties was to establish how budgeting practices, revenue mobilization practices, auditing practices and regulatory practices influence and affect service delivery in the devolved governments in Kenya. The study established that budgeting, regulatory practices and stakeholder participation have a positive effect on service delivery in the three counties. However, service

delivery was insignificantly affected by revenue mobilization, spending practices, auditing and forensic accounting. The insignificance of the effect of auditing on service delivery was blamed on the weaknesses in the auditing in the county governments. The other reason why auditing cannot influence service delivery is because it is done after the expiry of the financial year and therefore the auditing outcomes and recommendations cannot influence service delivery at that particular financial year.

Rana, Ali, Riaz and Irfan (2019) researched on the effect of accountability on public service delivery. The research which was done in Pakistan gathered research data from waste management associations in two cities. The results showed a positive relationship between accountability and public service delivery. The researchers concluded that accountability has a positive effect on public service delivery.

Akau (2019) undertook a research on factors affecting collection of non-oil revenue in South Sudan. The study established that only tax compliance cost has negative and non-significant effect on non-oil revenue collection. Whereas staff competence, tax rate, and tax payers' knowledge have a positive and significant influence on non-oil revenue collection in South Sudan. He recommended the for policy formulation in South Sudan focusing on staff competence, tax rate, and tax payers' knowledge as they were highly significant. The researcher further noted that the National Revenue Authority's tax division should work on revenue diversification as a way of promoting the country's economic growth and well-being. Government must work in collaboration with citizen to encourage tax payment. This can only be achieved through efficient service delivery to the citizen.

The World Bank undertook an assessment of performance of the public financial management system in state government in South Sudan. The purpose of the assessment which was undertaken in Unity State was to assess the Public Finance Management (PFM) system performance of the state government using the Public Expenditure and Financial Accountability (PEFA) framework. The assessment team after analysis of the information available to them observed that the budget is prepared with due regard to state government policy, which is consistent with the Government of the Republic of South Sudan (GRSS) framework. The electronic payroll system was established during 2010 and an integrated financial management information system has been established. The assessment team further observed that legislative oversight had been strengthened and the interaction between the government and donor had been strengthened (World Bank, 2013).

The assessment team also concluded that certain challenges exist that need to be addressed. Meaningful budget performance reports are still not being produced, nor are annual financial statements. Procurement is undertaken entirely through single sourcing, resulting in higher costs of delivering public services than necessary. The assessment also revealed the existence of control weaknesses in a number of areas. Taxpayer education services have not yet been prepared and a unique taxpayer identification number system is not yet in place (World Bank, 2013).

5.3 Chapter Summary

Various research studies cited above have centered around public financial management and its effect on public service delivery. Akau (2019) recommended the improvement of staff competence and tax diversification as a way of improve the collection of non-oil revenues in South Sudan. the world bank (2013) assessment in South Sudan confirmed the existence of a good public financial

management system in the Unity State government. The assessment also highlighted some challenges at the state level that need to be addressed in order to improve PFM. The challenges highlighted were the non-publishing of financial statements and non-production of budget performance reports. Maina (2016) established that budgeting, regulatory practices and stakeholder participation have a positive effect on service delivery in three county governments in Kenya. He also established that auditing had an insignificant effect on service delivery in the same three counties which was attributed to weak auditing practices at the county governments

CHAPTER SIX

6.0 CASE STUDIES ON THE RESEARCH THEMATIC AREAS

6.1 Introduction

This section present case studies and reports from South Sudan that relate to the thematic areas of the research. The case studies and reports are presented herein in order to show cases of financial mismanagement and misappropriation and their effect on public service delivery in South Sudan.

6.2 Share of Net Oil Revenues on Oil Producing States and Communities

South Sudan derives most of its revenues from the sales of oil produced in various oil producing states and communities in the country. The main oil producing areas in South Sudan are Upper Nile State, Unity State and Ruweng Administrative area. The Petroleum Management Act of 2013 requires that the oil revenues be shared between the National Government and the oil producing states and communities and the sharing ratio is set at 2% and 3% of net oil revenues. In 2020, the Council of States (equivalent of The Senate) ordered the Auditor General to undertake a compliance audit to determine whether the Bank of South Sudan had complied with the Petroleum Act and had indeed been remitting the share of oil revenues to the oil producing states and communities.

The audit was to cover the period 2011 to 2020 and was to identify and establish whether the Ministry of Finance and Planning (MoFP), the Bank of South Sudan and the oil producing states/communities (Unity State, Upper Nile State and Ruweng Administrative Area) had complied with the Petroleum Revenue Management Act of 2013 in the receipts and disbursement

of the 2% and 3% share of oil revenues. The audit was also to look into compliance with the Bank of South Sudan Act of 2012 and the Public Financial Management and Accountability Act of 2011

The audit did not cover years 2011, 2012 and 2013 for legal and practical reasons. Legally, there was no legislation before 2013 when the Petroleum Revenue Management Act was enacted and assented to in November. Practically, the accounts of 2% and 3% share of net oil revenues were opened at the BoSS in 2014 by MoFP. Finally, the MoFP and BoSS could not provide information, data and documentation for the accounts under audit for the 2011-2013 period. According to the Auditor's report the audit team did not receive full disclosures from the Ministry of Finance and Planning, the Bank of South Sudan, oil producing states/communities. The lack of disclosures limited the success of the audit.

The audit report showed that Ministry of Finance and planning had opened and operated two accounts at the Bank of South Sudan. The first account was for the 2% and the other was for the 3% and that both accounts were opened some time in 2014 and the MoFP was the sole signatory of the two accounts. For the period under the audit scope i.e. 2011-2014, the 2% account and the 3% account received a total of USD 25,594,767.94 and USD 60,140,773.50 respectively. The deposits in the two account were made between 2014 and 2020 and it is unclear what happened to oil revenues between 2011 and 2014.

Another anomaly that the audit unearthed was to do with disbursements/withdrawals from the two accounts. Twenty percent of the amount (USD 5,162,509.51) in the 2% account were transferred to parties and individuals not specified in the Act with the MoFP getting the lions share. In the 3% account, slightly over 84% of the amounts in the account were paid to parties other than those

specified in the Petroleum Management Act 2013. Again the Ministry of Finance received the highest amount of about 22.2 million US dollars. The audit was not furnished with the reasons for these payments and therefore could not establish why these payments to unauthorized persons and firms were made.

In conclusion, the auditor indicted the MoFP and BoSS for not complying with the Act in the management of 2% and 3% share of oil revenues that was due to the oil producing states and communities. The audit findings are one indicator of mismanagement of public funds in South Sudan and the lack of service delivery thereof. The monies from the oil revenues that should have been disbursed to deserving oil producing states and communities and used or provide services and infrastructure development was instead paid to non-deserving individuals and firms.

This is a clear example of misappropriation of public funds that were collected by the government on behalf of the oil producing regions of South Sudan. Had the share of the oil revenues been disbursed to the deserving states and regions it would have been put to the good use of providing public services like infrastructure, education and health to the residents living in the oil producing areas. The embezzlement of the oil revenues can be blamed of poor financial management of public funds by the state agencies responsible for the collection and sharing of the oil revenues. It is possible that the audit of oil revenues was only ordered after the oil producing states and regions had complained of not receiving their share. If the National Audit Chamber (NAC) had undertaken prompt audits every year this embezzlement who have been uncovered earlier and stopped and the oil producing states would have received their share of the oil revenues every year.

6.3 Roads Development in South Sudan

South Sudan has one of the world's most underdeveloped roads networks. The total estimated track length in South Sudan is approximately 90,200 km, which includes approximately 14,000 km of primary and secondary roads, and 6,000 km of tertiary tracks. The current interstate and international roads network consists of around 5,000 km of gravel roads with approximately 300 km of sealed roads. Currently only one international road, the 192 km stretch between Juba and Nimule on the Ugandan border is sealed. The majority of other sealed roads are urban roads within the capital city Juba. All other national, interstate and urban roads consist of badly or non-maintained dirt roads (WFP, n.d).

In 2013, the South Sudan development plan had prioritized the development of the road network as one of the needs for sustained economic growth in the post-independent South Sudan. The proposed road program was to be implemented over a 10-year period. The road development program was to include the rehabilitation and upgrading of the 7,369 kilometers of inter-state roads. It also included the upgrading of the 1,451 kilometers of state roads to all-weather standard. The 3,822 kilometers of secondary roads that existed then were to be upgraded to all-weather standard. In addition, the 2,178 kilometers of tertiary roads were also to be upgraded to all-weather standard. In the urban areas, the road program had proposed that 440 kilometers be paved and 300 kilometers upgraded to all-weather standard. The implementation of the road program was to improve the road connectivity among all the 10 states of South Sudan as well as improving connectivity with the neighbouring countries in the region. The main objective of the road program was to reduce the high cost of transport in South Sudan.

Almost ten years later in 2021, it is in doubt if all or even part of what was proposed in the road development program had been achieved. But going by the reports from truck drivers of the poor state of the roads in many parts of South Sudan it is evident that the roads in the country are still in a very poor and impassable state. The situation of the roads gets worse in the rainy season where many roads become impassable for several months. In 2020, two trucks that were transporting humanitarian food items from Juba to Aweil in Northern Bahr el Ghazal got stuck for three months only to arrive at their destination in December almost four months after departing from Juba.



Picture 1. A transport lorry stuck in mud, a common occurrence on most roads in South Sudan during the rainy season.



Source: UNICEF South Sudan

Picture 2: Two vehicles stuck in a water logged road section somewhere along the Juba-Mundri-Mvolo -Wau road.

6.4 Public Health Services

The healthcare system in South Sudan is structured in three tiers. The tiers are the Primary Health Care Units (PHCU), the Primary Health Care Centres (PHCC) and hospitals which exist at state, county or military levels. The structures in health services delivery are in the order of community, primary, secondary and tertiary levels (GoSS, 2021). The community level is located at the village level and is manned by community health workers. The primary level includes Primary Health Care Units and Primary Health Care Centers which provide the Basic Package of Health Services (BPHS).

The public health service sector in South Sudan is faced with a myriad of challenges that have resulted in the inadequate provision of health services to citizens across the country. The many years of civil wars in the pre-independence era destroyed health infrastructure. The statistics are appalling when compared with countries in the East African region, there is one physician for 65,574 people and

one mid wife per 39,088 (Carl, 2021). There is also unequal distribution of health personnel among the various states of South Sudan. The Central Equatoria state where Juba the capital City is located has the highest number of health care workers. There is also the inequity between the urban and rural areas, with the urban areas with more resources with few people living in urban area and rural areas have less resources but the majority of citizens live in rural areas (Carl, 2021).

Carl (2021) further noted that remuneration within the public health sector is also poor and this has contributed to the high turnover of public health care workers. Factors like poor health, insufficient workforce management, low wages and a general lack of proper supervision contribute to burnout and rotation of healthcare professionals. The number of people living with disabilities (PLWD) is very high in South Sudan as a result of the civil war. People still die from treatable and preventable diseases and 75% of child deaths is due to preventable diseases such as diarrhea, malaria and pneumonia. The prevalence of these and other deadly conditions are major factors in South Sudan's high infant mortality rates, with 96 infant deaths per 1,000 births.

6.5 Chapter Summary

The report on the audit conducted by the NAC on oil revenues revealed rampant mismanagement and misappropriation of share of oil revenues. Instead of oil producing states and communities their fair share of the oil revenues, individuals and firms not authorized by the Act received monies disbursed from the 2% and 3 % accounts at the BoSS. Road conditions in most parts of the country are still in very poor conditions and this is evidenced the roads becoming impassable during the rainy season. It is very common during the rainy season to find lorries, trucks and cars stuck in the mud for many days. Roads that link the state capitals to the capital city of Juba are still dirt roads instead of being tarmacked and sealed a decade after independence.

CHAPTER SEVEN

7.0 CONCLUSIONS AND RECOMMENDATIONS

7.1 Introduction

This section presents the conclusion and recommendations based on the research findings.

7.2 Conclusion

Public service delivery can only be effective if there are adequate financial resources that have been collected and available for allocation to various public service. Proper budgeting and efficient allocation of financial resources also supports public service delivery. Another important aspect that supports public service delivery is the oversight of the use of the allocated public funds by the legislature and the audit authority. For South Sudan, public service delivery is still poor because of the following reasons that have continued to curtail the effective delivery of public service to the citizens across the county.

7.2.1 Inadequacy of Government Revenue

The national revenue authority that is responsible for collection public revenue through taxes and levies is still struggling to collect the revenues that are required for various development and public services in the country. The revenues collected still trail the planned expenditure for any particular financial year and this deficit is increasingly becoming difficult to fill through internal or external borrowing. The deficit also means that some planned expenditure on development and public services have to be postpone to subsequent financial years. He low level of taxes collected by the NRA can be attributed to low capacity within the NRA ad lack of awareness among taxpayers on the need to pay taxes voluntarily.

7.2.2 Revenue Leakages through Corruption and Misappropriation

Corruption and misappropriation of public funds still pose a major challenge to public service delivery in South Sudan. Over the years, cases of corruption and misuse of funds have been highlighted and no concrete action has been taken against those responsible and the vice continues to eat away public funds that would have been used in the provision of public services.

7.2.3 Lack of Financial Management Information System (FMIS)

The lack of a system of managing and tracking public funds also contributes to leakages of public revenues at various stages. Without a financial management information system it becomes hard to track the use of public funds in different locations and departments in the country.

7.2.4 Poor Infrastructure

Poor infrastructure in South Sudan also is another factor that continues to inhibit the effective delivery of public services. Many places in the country are still inaccessible due to lack of roads or poor impassible roads. Telecommunication infrastructure is available mainly to urban centers but in some rural areas telecommunication infrastructure is completely unavailable. Good and passable roads are required for the speedy movement of people and goods across the country.

7.3 Recommendations

The following are the recommendations that need to be effected in order to improve management of public finances in South Sudan and realize improved public service delivery to the people of South Sudan.

1. The National Revenue Authority needs to improve and widen its revenue collection by bringing on board eligible corporate and individual taxpayers that are currently outside the

taxable bracket. Voluntary registration by potential taxpayers can be encourage through tax payer education that will highlight the importance of remitting due taxes to the government.

2. Regular and full disclosures of the revenues received or remitted to the government are required. For non-oil revenues the NRA should give biannual or quarterly updates of the revenues from taxation remitted by the taxpayers. For oil revenue the joint operating companies (JOCs) in the Oil sector should also give regular updates of the oil revenues they have earned and remitted to the Bank of South Sudan and what percentages of the oil revenues have been shared with the deserving stakeholders (Oil producing states/communities, MoP, Sudan etc). By doing so both the NRA and JOCs will be transparent and accountable to the public.
3. Staff development programs for public servants needs to be put in place for the purpose of improving the knowledge and competencies of public servants. This requires that each ministry, government department or parastatal undertake a training needs assessment in order to highlight the lacking skills and areas that training needs to focus on. The Nation Revenue Authority is hereby specifically pointed out for the staff development programs so that the staff can be competent ad knowledge about ways and means of improving tax collections and administration of tax revenues.
4. Leakages of public finances through corruption and misappropriation should be curbed. Regular and impromptu audits need to be undertaken instead of waiting for audit to be done after the end of the financial year. Strict anti-corruption laws need to be put in place and

an anti-corruption body be set up and/or strengthened with all the accompanying prosecutorial powers.

5. The auditing of public finances should be strengthened and the National Audit Chamber should conduct frequent audits in government ministries and departments. The reports generated from the audits should be acted upon by the relevant government departments. The NAC should have offices and staff countrywide at the state level who can conduct impromptu audits of the state government finances. In ministries, departments and parastatals the audits offices should be report their internal audits to the NAC
6. The National Revenue Authority should publicize the revenue collection figures periodically say every six months and also set revenue collection targets for each financial year. This will allow all stakeholders see whether the NRA was meeting its revenue collection targets or not.
7. The share of oil revenues should be disbursed to the oil producing states and regions promptly without delay. These disbursements should also be publicized on a quarterly basis for all the see.
8. Budgeting of public finances should be improved and the legislative assembly should strengthen its oversight role over public expenditure. There is also need to promote the efficient allocation of resources for service delivery to support improved living standards and broad-based economic recovery of South Sudan.

9. In order to facilitate the efficient monitoring of public funds, there is urgent need to develop and operationalize an integrated financial management information systems (IFMIS) that can be hosted at the Ministry of Finance and be made available for use in all government ministries, departments, state corporations and in state and county governments. This will allow the tracking of individual expenditures.

10. The National Legislative Assembly should strengthen its oversight role by forming strong and active budget, finance, public accounts and public investment committees. These committees are to provide oversight over the appropriation and use of public finances in government ministries, departments and state governments.

11. Goods roads are also necessary for the provision of services to the country. There is therefore need to improve communication infrastructure in South Sudan. at the very least the roads linking the Capital Juba the State capitals should be tarmacked so the people can move from the capital to any state capital within a few hours and that roads are not muddy and that vehicles will not get stuck in the mud.

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REPUBLIC OF SOUTH SUDAN

REVITALIZED TRANSITIONAL GOVERNMENT OF NATIONAL UNITY

BUDGET SPEECH FOR THE FY 2021/2022

Presented to Revitalized Transitional National Legislature

By

Agak Achuil Lual

Minister of Finance & Planning

February 2nd, 2022

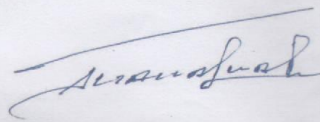
conditions are met. In addition, we will start to build capacity in debt contraction and management in MoFP so that any future debt contraction is properly analyzed to inform any decision to contract such debt.

Conclusion

36 In summary, the proposed FY2021/2022 Budget is a lean budget which will use our limited resources to consolidate peace, combat COVID-19 pandemic, increase investment on physical infrastructure. This will, in turn, create a more conducive environment for investment and diversification of our economy. The PFMRS will ensure efficiency, equity, and effectiveness in the use of our scarce resources.

37 Right Honorable Madam Speaker, Hon. Members of the Revitalized Transitional National Legislature, in conclusion, allow me to table the draft FY2021/2022 National Budget, the FY2021/2022 Appropriation Bill, the FY2021/2022 Financial Bill, and the National Development Strategy (NDS) document for consideration and approval by this august House. And the Public Financial Management and Accountability Act, 2011, provides for forty-five days in which this august House is to pass the Budget.

38 I submit it to you, with the accompanying documents, the FY2021/2022 proposed budget. I thank you and May God Bless our beloved country.



Agak Achuil Lual
Minister,
Ministry of Finance and Planning
RSS - Juba.



NATIONAL REVENUE AUTHORITY (NRA)		
TOTAL REVENUE COLLECTION FOR THE FINANCIAL YEAR 2020/2021 (JULY 2020 TO JUNE 2021)		
REVENUE COLLECTIONS SIMPLIFIED SUMMARY REPORTS THROUGH EIGHT (8) COMMERCIAL BANKS		
SOUTH SUDANESE POUNDS (SSP) ACCOUNT		UNITED STATES DOLLARS (USD) ACCOUNT
Month	Gross Revenue Collections (SSP)	Gross Revenue Collections (USD)
Jul-20	1,714,369,811.55 \$	5,081,128.91
Aug-20	2,188,404,608.99 \$	5,258,235.89
Sep-20	1,495,755,820.09 \$	4,406,778.70
Oct-20	2,191,186,438.68 \$	9,148,704.37
Nov-20	2,029,918,101.26 \$	9,829,343.85
Dec-20	3,345,647,010.56 \$	9,204,707.30
Jan-21	2,515,790,362.34 \$	6,813,556.19
Feb-21	2,366,059,404.35 \$	5,956,945.55
Mar-21	3,036,732,540.45 \$	9,467,113.47
Apr-21	5,066,606,120.77 \$	8,826,225.17
May-21	3,515,374,872.00 \$	6,956,252.32
Jun-21	3,438,473,707.86 \$	5,312,960.37
GRAND TOTALS	32,904,318,798.90 \$	86,261,952.09 \$



Prepared by: *[Signature]*
Finance Dept. NRA

THE TAKING OF \$OUTH SUDAN

 THE SENTRY

SEPTEMBER 2019

EXECUTIVE SUMMARY

The men who liberated South Sudan proceeded to hijack the country's fledgling governing institutions, loot its resources, and launched a war in 2013 that has cost hundreds of thousands of lives and displaced millions of people.

They did not act alone. The South Sudanese politicians and military officials ravaging the world's newest nation received essential support from individuals and corporations from across the world who have reaped profits from those dealings. Nearly every instance of confirmed or alleged corruption or financial crime in South Sudan examined by The Sentry has involved links to an international corporation, a multinational bank, a foreign government or high-end real estate abroad. This report examines several illustrative examples of international actors linked to violence and grand corruption in order to demonstrate the extent to which external actors have been complicit in the taking of South Sudan.

The local kleptocrats and their international partners—from Chinese-Malaysian oil giants and British tycoons to networks of traders from Ethiopia, Eritrea, Kenya and Uganda—have accumulated billions of dollars. The country's natural resources have been plundered, lethal militia and military units responsible for atrocities have received financing and kleptocrats have lined their pockets with untold billions of dollars allocated by government programs meant to improve the livelihood of some of the poorest, most vulnerable people in the world. The spoils of this heist are coursing through the international financial system in the form of shell companies, stuffed bank accounts, luxury real estate and comfortable safe havens around the world for the extended families of those involved in violence and corruption.

Leading South Sudanese officials and their international commercial collaborators are responsive to commercial and political incentives. Without specific, focused, and targeted consequences, it is unrealistic to think their conduct will change. Violence and corruption will remain the norm, meaning that the biggest peace spoiler isn't a person or an armed group; it is the diseased governing system itself.

However, if serious policy tools of financial coercion are aimed at this kleptocratic network, the possibility exists to alter those incentives, which currently favor pillage and plunder, and in turn impact the calculations of the kleptocrats and their international collaborators in the direction of peace and good governance.

This report is organized into three parts. The first section profiles international actors who have provided direct support to South Sudanese perpetrators of violence. The second section profiles international





REPUBLIC OF SOUTH SUDAN
COUNCIL OF STATES
JUBA



OFFICE OF THE CLERK

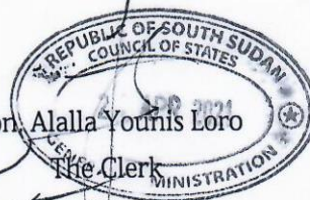
Date: Wednesday 21.04.2021
CBC Extra-Ordinary Meeting No.03
Venue: CS Meeting Hall

Time: 10:30 am

Agenda

1. Prayers
2. Communication from the Chair
3. Ad-hoc Committee Submission on the Report of the Auditor General; RSS on the Accounts of 2% & 3% share of the Net Oil Revenue of the Oil Producing States/Administrative Areas & Communities to be presented by Hon. James Magok Ater (Acting Chairperson of Finance & Economic Development Committee).
4. AOB
5. Announcement(s) by the Clerk, CS.

Hon. Alalla Younis Loro
The Clerk
Council of States



1. Introduction

To begin with, the Council of States (CS) Ad hoc Committee charged with studying and analyzing Report of the Auditor General, RSS on the Audit of the Accounts of 2% & 3% Share of the Net Oil Revenue of the Oil Producing States/ Administrative Areas and Communities was constituted vide Council of States Business Committee's (CBC) Resolution No. 05/2021 dated 25th March, 2021. The Committee is comprised of eight (8) Members headed by Hon. James Magok Ater, with the addition of the Rt. Hon. Mary Ayen Majok the Acting Speaker of Council of States in her capacity as the **Chair of Decentralized Governance and States Affairs Committee, and three national experts** . Full list of the Members is provided in Annex 1 for your perusal.

1.1 Terms of Reference (ToR)

The Committee's Terms of Reference include but are not limited to:

- a. Studying, analyzing and scrutinizing the Report for the purpose of coming up with additional findings and recommendations that would enable the relevant institutions overcome the challenges facing allocation, transfer and management of the 2% & 3% Share of the Net Oil Revenue for the Oil Producing States/Administrative Areas and Communities.
- b. How best can the money paid against the 2% & 3% Accounts held at the Bank of South Sudan to entities not stipulated in the Petroleum Revenue Management (PRM) Act, 2013 be recovered and subsequently paid to its rightful beneficiaries?
- c. Whether mechanisms are put in place that can hold the States/Administrative Areas and Communities accountable on the management of the 2% & 3% revenues?
- d. That, the Committee can co-opt other Members and expertise if deemed necessary.

1.2 Legal Mandate

Being cognizance of the broader competence of the South Sudan National Legislature, as provided for in **Article 55 (1)** of the Transitional Constitution, of the Republic of South Sudan (TCRSS) 2011 (as amended) summed up in: **Legislation, Oversight and Representation**, the Council of States (CS) is mandated vide the provision of **Article 59 (C)** of TCRSS, 2011 (as amended), to” **oversee national reconstruction,**



Making a Killing

South Sudanese Military
Leaders' Wealth, Explained

May 2020


THE SENTRY

THE
TAKING
OF
SOUTH
SUDAN

Executive Summary

South Sudan's last four army chiefs of staff, four high-ranking military leaders, and three opposition militia leaders have engaged in business activities indicative of money laundering and corruption, The Sentry has found. Many of these men share personal or commercial ties with President Salva Kiir, who regularly intervenes in legal proceedings targeting his staunchest friends and allies.¹ All but two have led troops who committed grave human rights violations, starting with the December 2013 mass atrocities in Juba that launched a long and bloody civil war.

This report examines the commercial and financial activities of former Army chiefs of staff Gabriel Jok Riak, James Hoth Mai, Paul Malong Awan, and Oyay Deng Ajak, along with senior military officers Salva Mathok Gengdit, Bol Akot Bol, Garang Mabil, and Marial Chanuong.² Militia leaders linked to major instances of violence both before and during the civil war that ended in February 2020—Gathoth Gatkuoth Hothnyang, Johnson Olony, and David Yau Yau—are also profiled here.

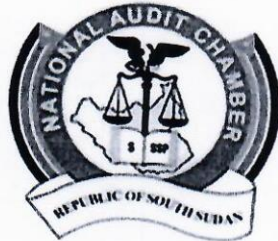
Except for Hoth Mai and Ajak, these men have committed egregious human rights violations with near total impunity since the country's independence, according to the United Nations and the African Union. Each of these military figures has corporate holdings in South Sudan with possible conflicts of interest, connections to the international financial system, or indicators of corruption and money laundering. Most secured top government posts after commanding troops who committed major abuses, and some have been shareholders in corporations publicly linked to corruption scandals.^{3,4} General Johnson Juma Okot replaced Jok Riak as chief of staff on May 11, 2020.⁵ Okot has also led troops who committed mass violence against civilians, including sexual and gender-based crimes.^{6,7} In addition, he has reportedly been involved in various corruption schemes, such as misappropriating money intended to fund food rations for his troops, leaving them to loot as a means to sustain themselves.^{8,9,10}

These individuals profited from South Sudan's corrupt system of patronage both before and after leading forces who committed mass atrocities. Documents reviewed by The Sentry indicate that they exploited their positions of power to empty the state's coffers and weaken its institutions with little accountability for this corruption or for the human rights violations they perpetrated. Their posts provided easy access to government funds that appear to have financed luxurious lifestyles for relatives overseas in some instances, instead of desperately needed infrastructure, economic development, education, and health services at home. Critics of this system have been harassed, intimidated, imprisoned, and even killed.^{11, 12}

Key findings

- The four living ex-chiefs of staff, along with Mathok and Chanuong, accumulated significant wealth that well exceeded the scope of their government salaries around that time through commercial and/or corrupt activities.
- The senior military leaders' business interests overlap with each other, with those of other leading government officials, and with numerous international investors. Many have close business ties to Kiir's family.

**THE REPUBLIC OF SOUTH SUDAN
NATIONAL AUDIT CHAMBER**



**REPORT OF THE AUDITOR GENERAL
ON THE ACCOUNTS OF 2% AND 3% SHARE OF NET OIL REVENUE OF
OIL PRODUCING STATES AND COMMUNITIES**

FOR THE PERIOD 2011 TO 2020

MARCH 2021

REF: RSS/NAC/J/1/16/2021

Date: 22nd March, 2021

**To: Right Honourable Speaker,
Council of States
Republic of South Sudan
Juba**

**Compliance Audit of the Accounts of 2% and 3% Share of Net Oil
Revenue of the Oil Producing States and Communities at the
Ministry of Finance and Planning, Bank of South Sudan, Unity
State, Upper Nile State and Ruweng Administrative Area
2011-2020**

1.0 Introduction

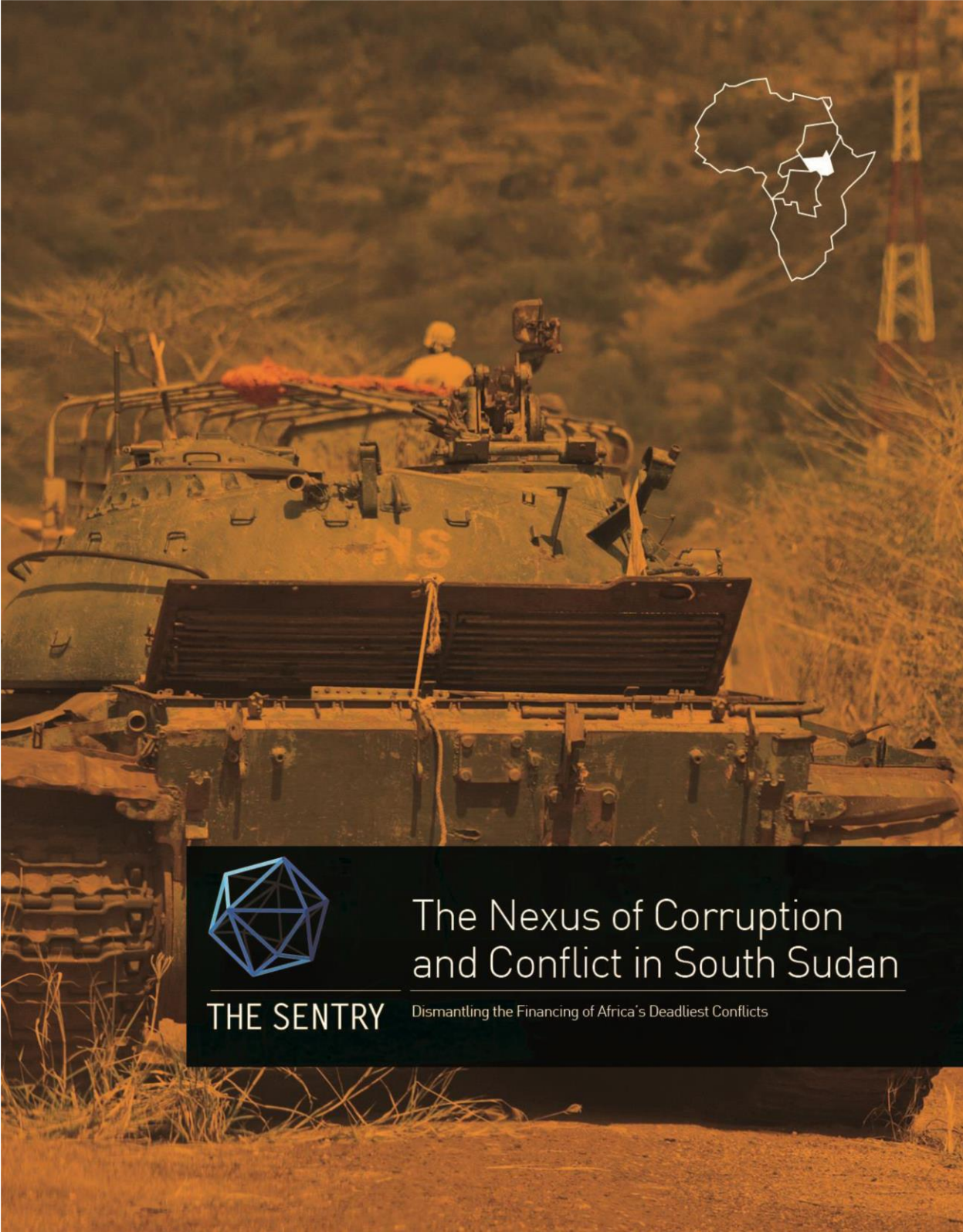
In its Ordinary Sitting No. 04 of the First Session, the Council of State Business Committee (CBC) issued Resolution No.10/2020 "Resolution Directing the Auditor General" as hereunder:

The Resolution:

- 1.1** Direct the Auditor General to audit the Accounts designated for 2% and 3% of Net Oil Revenue of the Oil Producing States and Oil Producing Communities held at the Bank of South Sudan as from July, 2011 to 31 December, 2020.
- 1.2** Direct the Auditor General to go to the Oil Producing Areas to audit the Accounts to which the allocated 2% and 3% of Net Oil Revenue of Oil producing States of Unity, Upper Nile and Ruweng Administrative Area were transferred.
- 1.3** The Auditor General shall submit his report to the office of the Speaker of the Council of States within a period of one month as from Monday 4th January, 2021.

2.0 Legal and Professional Bases

In addition to the resolution of the Council of States cited in paragraph 1.0 supra, the audit was conducted to determine compliance with South Sudan statutes, including but



THE SENTRY

The Nexus of Corruption and Conflict in South Sudan

Dismantling the Financing of Africa's Deadliest Conflicts

Executive Summary.

The country's elites have built a kleptocratic regime that controls all sectors of the economy, and have squandered a historic chance for the development of a functional state.

Our findings strongly suggest that, in addition to a political strategy, the international community and regional actors should pursue a more deliberate strategy to diminish the incentives and resources that are funding and fueling the current conflict.

South Sudan was born amid great hope. The citizens of the world's newest nation voted¹ with one voice in support of independence for a country that boasted vast natural wealth. Goodwill from the international community brought significant international development assistance and the country was expected to quickly transition to self reliance, for the most part, on the basis of its own oil revenues. Instead, South Sudan has plunged into civil war, economic collapse, and creeping international isolation. The country's elites have built a kleptocratic regime that controls all sectors of the economy, and have squandered a historic chance for the development of a functional state. These predatory economic networks play a central role in the current civil war, because much of the conflict is driven by elites attempting to re-negotiate their share of the politico-economic power balance through violence.

This report maps out the corruption and the conflict-financing system in South Sudan and describes the likely channeling of illicit money flows. The primary goal of this report is to focus on the mechanics of the system, rather than specific individuals or their networks of facilitators and enablers. While seemingly focused on the government, the report acknowledges that the rebels were also part of this kleptocratic system in the past, and are likely to be involved again in the event of a negotiated settlement.² The Sentry continues in-depth investigations into illicit economies, funding streams, and supply chains of the armed opposition.

This report identifies four major vectors along which the country's wealth and revenues are diverted towards the personal and institutional interests of elites:

- I. **The Extractives Sector:** the extractives sector, which is the largest source of national revenue, is mismanaged and highly opaque
- II. **The Military State:** the military controls the economy; directly by taking the largest share of the budget and indirectly through closely held companies and contracts
- III. **State Spending:** the procurement system is prone to corruption, waste, and a lack of tangible results, and suppliers tied to elite interests are regularly awarded lucrative contracts
- IV. **Money Laundering Hub:** the emerging financial sector in South Sudan has been exploited by elites who use it as a laundering and revenue-generating vehicle

South Sudan's economy is currently facing a major financial squeeze with oil revenues drying up and conflict and corruption minimizing the effectiveness of foreign investments and humanitarian donations.³ As the economic situation worsens, the illicit economy has expanded. Key elites and institutions have maintained their funding lines and dominant economic positions, while others have sought to diversify their economic holdings to stay abreast of the new reality. Understanding the financial drivers of the conflict and the motivations of the major players is essential to negotiating a peaceful settlement in the region. Our findings strongly suggest that, in addition to a political strategy, the international community and regional actors should pursue a more deliberate strategy to diminish the incentives and resources that are funding and fueling the current conflict. This strategy includes: promoting budget and beneficial ownership transparency, conditioning aid and assistance on measurable improvements in procurement and contracts oversight, building sanctions enforcement capacity, and pushing for targeted financial enforcement measures to freeze and recover assets of those who have skimmed profits from the ongoing conflict.



THE SENTRY

Untapped and Unprepared

**Dirty Deals Threaten
South Sudan's Mining Sector**

April 2020

THE
TAKING
OF
SOUTH
SUDAN

Executive Summary

South Sudan's mining sector has seen rapid development in recent years, and preliminary reports suggest that the industry could become an engine for major economic growth. However, ineffective accountability mechanisms, an opaque corporate landscape, and inadequate due diligence have exposed the sector to abuse by bad actors within South Sudan's ruling clique. The Sentry has found that existing laws have proven insufficient bulwarks against abuse, raising concerns that the country's mineral wealth could do little more than spur the kind of violent competition that has ravaged the oil sector.

Although South Sudan took welcome steps to reform the mining sector in 2012, some government officials, their relatives, and their close associates have fostered a weak regulatory environment susceptible to exploitation. In one example of how the privileged few have apparently exploited kleptocratic arrangements, President Salva Kiir's daughter partly owns a company with three active licenses, while another company with three licenses lists former Vice President James Wani Igga's son as a shareholder. Ashraf Seed Ahmed Hussein Ali, a businessman commonly known as Al-Cardinal who was placed under Global Magnitsky sanctions in October 2019, reportedly owns the company currently holding the greatest number of licenses.¹ In the gold-rich region of Kapoeta, state government officials have begun issuing licenses independently of the central government. Meanwhile, the military has developed problematic mining interests in an effort to address budgetary shortfalls.

In order to shield the mining sector from exploitation by corrupt actors in the top echelons of government, a variety of stakeholders must take swift action to bolster its transparency, accountability, and oversight standards. South Sudan should enforce and enhance existing laws, as well as empower oversight institutions and include civil society in the process. Companies seeking to do business in the country should adopt industry best practices, particularly by disclosing information about ongoing due diligence efforts, public payments, and human-rights sensitive security policies. Government bodies in the United States and the United Kingdom should implement policies that encourage responsible investment in South Sudan's mining sector. International financial institutions should conduct enhanced due diligence and transaction reviews, as well as ongoing screening and monitoring.

Key findings

Failing oversight or accountability. Unimplemented accountability and oversight mechanisms prevail in South Sudan's mining sector, despite its robust legal framework. The artisanal mining sector remains de facto informal. A dearth of information surrounding the approvals process, public payments to the government, and community agreements further illustrates the inadequacy of existing transparency measures. An opaque licensing process in the mining sector has eroded the public trust, impaired key accountability mechanisms, and facilitated corruption.

Mining in conflict zones. Many exploration licenses have been awarded in active conflict zones, precluding meaningful engagement with affected communities and amplifying the threat of interference by armed actors.

