



THE SUDD INSTITUTE

RESEARCH FOR A PEACEFUL, JUST AND PROSPEROUS SOUTH SUDAN

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Weekly Review

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Salary Adjustment for the South Sudanese Legislature: Policy Implications

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1 Introduction

On January 26, 2022, news broke of a salary adjustment¹ for the members of the South Sudan's legislature². Accordingly, each legislator will receive SSP800,000, which is equivalent to about \$2,000 per month. This news generated a mixed response within the South Sudanese citizenry. To some, this decision has long been overdue since the start of high inflation years ago. The inflation led to a loss of the purchasing power of the South Sudanese pound (SSP) which now stands at about 99.3 percent, consequently catapulting the country's public sector employees deeper into poverty.

In 2018, the South Sudanese Parliamentarians demanded that their salary be raised to \$10,000 per month, equivalent to what the neighboring states pay their MPs³. This demand, which is in line with the recommendation that the Sudd Institute made in 2013,⁴ fell through the cracks partly because the country was still at war, underscoring that it prioritized defense spending over other national projects. Others find this decision unsettling, mainly because the MPs do not seem to play an important role in ensuring sustainable livelihoods for the South Sudanese citizenry who are bearing the brunt of civil conflict and associated mismanagement of the scarce public resources. With a reasonable

¹ While some have called it a pay raise, it is not a pay raise because the MPs used to get more than the amount they are proposing before the inflation wiped out their purchasing power. So, what the MPS are doing is to restore their purchasing power so that their pay can afford them the items they use to afford before the inflation close to a decade ago.

² <https://www.jubamonitor.com/take-800000-monthly-stop-being-rubber-stamp-mps-activist/>

³ <https://paanluelwel.com/2018/06/14/south-sudan-wages-mps-demand-for-pay-rise-of-10000-per-month-is-reasonable/>

⁴ <https://www.suddinstitute.org/publications/show/the-question-of-big-government-and-financial-viability-the-case-of-south-sudan>

pay and benefits package, the MPs can be expected to jettison their tangential political enterprises which most pursue to sustain themselves; a pay adjustment will thusly allow them to be held more to account.

This Weekly Review analyzes this new policy by looking at factors that necessitated it, budgetary implications, and more broadly, policy implications for the public sector employees, as well as macroeconomic stability. We conclude the Review with policy recommendations that are targeted at the imperative of conducting public sector wage review and eventual science-based indexation of these wages to ensure sustainable peace, economic growth, and poverty reduction.

2 Why this adjustment

Several factors have pushed many of the country's households into poverty since 2009.⁵ At 51 percent in 2009, the poverty rate rose to 82 percent in 2019 due to war, and was exacerbated by the pandemic, increasing to 88 percent in 2020.⁶ This increasing level of poverty relates largely to decline in economic activity resulting mainly from civil conflict and the absence of a robust wage indexation policy. In addition, South Sudan also overwhelmingly depends on oil revenues for its fiscal receipts, with repeated disruptions in oil production and fall in global oil prices affecting the country's resource base. Heavy dependence on imports has also meant a steady increase in the cost of living, with commodity prices rising while the wages remain unchanged in response to resource scarcity and due to lack of indexation policy.

At independence, a South Sudanese parliamentary committee chairperson earned SSP9,000 or \$3,040 a month; this stands today at just about \$22.5⁷ and an ordinary MP earned about SSP7,000 or \$2,365, which is \$16.27 today. But the economic slump due to war has affected all public sectors. For example, an average soldier who made SSP700 or \$230 per month now makes less than \$2⁸ per month (not enough to pay for necessities), while the national poverty line is \$1.9 a day. Therefore, not only has the adjustment of the salaries of MPs been overdue, adjustment of salaries for all other public sector employees is also overdue. Taken as such, adjustment of MPs' salaries in response to inflation is justified. That said, the MPs must do more to ensure that salary adjustment is done for the public servants, while working with the relevant authorities to identify sources of additional revenues to cover these anticipated expenses.

⁵ <https://www.worldbank.org/en/country/southsudan/overview#1>

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http://www.zambakari.org/uploads/8/4/8/9/84899028/11_will_the_impact_of_the_pandemic_on_the_expected_national_output_persist_2.pdf

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https://www.suddinstitute.org/assets/Publications/572b7eb29fcea_UnderstandingTheExchangeRateRegimesInSouthSudan_Full.pdf

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https://www.suddinstitute.org/assets/Publications/572b7eb2b8369_PovertyAndCurrencyFloatingInSouthSudan_Full.pdf

Recently, however, the ministries of Labor and Finance and Planning adopted a policy that increased civil servants (excluding those serving in foreign missions) and organized forces' wages by 100 percent⁹. A civil servant who made SSP10,000 at independence now makes double that. But this policy does not apply to the parliament and constitutional postholders. The MPs have since been musing for the desire to increase wages, so the move by the government to increase civil servants' pay prompted the MPs to recently adjust their own earnings by 8,888.8 percent. Advocates of the MPs' pay adjustment welcome this decision. This is because in an ordinary context, people's representatives deserve a decent standard of living. As well, a decent earning, it is thought, ought to naturally compel the MPs to effectively exercise their mandate or compel the public to hold them accountable should they fail. Lastly, being part of the East African Community (EAC), South Sudan is expected to adopt similar standards as the other sister states. For example, a Kenyan MP takes home about \$7,000 per month¹⁰; a Ugandan MP banks \$11,000 a month¹¹. The University of Juba, in collaboration with the Sudd Institute and Ebony Center for Strategic Studies in 2021 reviewed the wages and salaries for public sector employees and proposed adjustment that could see a parliamentary committee chairperson receiving SSP1,250,388.¹²

3 Budgetary implications

At the national level, South Sudan has 650 MPs from both houses. This is likely to hold for the next 3 years, assuming the Revitalized Peace Agreement holds. If implemented, the policy results in an additional fiscal burden of SSP6.17 billion annually. To minimize the policy's burden on the broader economy, it behooves the Government to identify additional resources, including broadening the tax base, and enhancing transparency in oil and non-oil revenue collections and management, among others.

Gladly, this policy change coincides with decent macroeconomic improvements, including the stabilization of the foreign exchange rate, now at about SSP430/US\$; stabilization in inflation, with average inflation declining to 24 percent in 2020 from 83.5 percent in 2018; and other safeguards put in place to allocate and manage public resources. Second, oil prices in the global market have significantly appreciated, underscoring the potential to enhance fiscal receipts. Third, South Sudan is now in its final stage of settling its obligations to Sudan under the transitional financial arrangement (TFA), eventually freeing up resources in the future to meet additional government priorities, including wage adjustments. Third, efforts at non-oil revenues collection continue to considerably improve (see Figure 1).

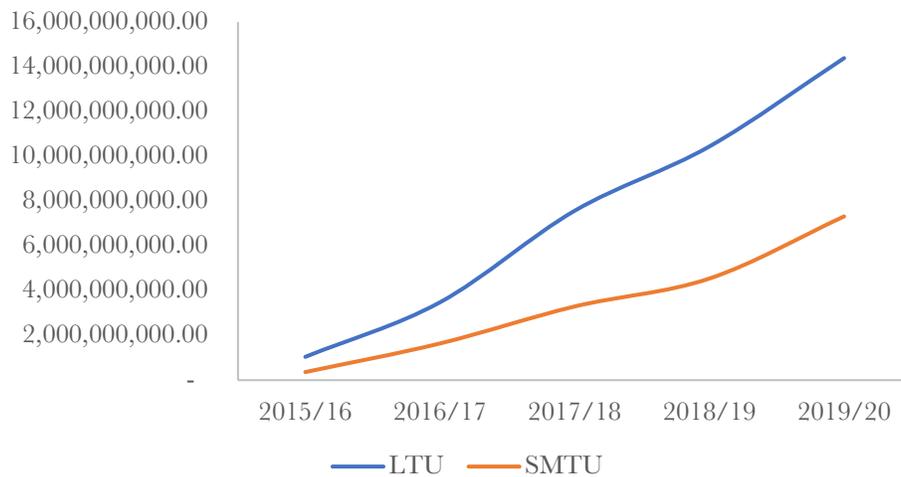
⁹ <https://www.aa.com.tr/en/africa/south-sudans-civil-servants-find-it-hard-to-feed-their-families-as-food-prices-soar/2308889>

¹⁰ <https://kenyansconsult.co.ke/mp-salary-in-kenya-and-allowances-the-latest/>

¹¹ <https://www.aa.com.tr/en/africa/ugandan-mps-earn-higher-salaries-than-those-in-eu-states/2376621>

¹² See A Proposed Framework for Reviewing and Adjusting Public Sector Salaries and Wages in South Sudan developed in 2021 by the University of Juba in collaboration with the two national think tanks: the Sudd Institute and Ebony Center for Strategic Studies. Despite this review report being presented and well received by the Minister of Public Service and Human Resources Development as well as the Economic Cluster, it has not been acted upon.

Figure 1. LTU & SMTU collections (SSP), 2015-2020



Source: NRA; authors' calculations.

4 Implications for the wider economy

The policy raises questions and presents several policy implications. We highlight five of them here. First, the decision can enhance the purchasing power of the MPs, with the potential to stimulate effective demand for domestic production, which would in turn contribute toward sustainable livelihoods, poverty reduction and peaceful outlook, while enhancing investment environment for FDI. Second, the decision underscores the need to advocate for decent wages across the board, from MPs to public servants to private sector employees. South Sudan wages have been eroded over the years and it is high time the MPs begin the conversation focused on both enhanced growth and benefits adjustment. Third, adjustment of salaries and wages in response to inflation can be a wakeup call to align the country's pay scales with the EAC's. This cannot be done in isolation, but as a concerted policy effort to review the wage bill. Fourth, the adjustment of the MPs' salaries has brought to the forefront the need to act on wages indexation policy, this way they would adjust with inflation and other market developments. Finally, the decision also raises legitimate questions about the size of the parliament and sustainability implications. In this context, the government should aim further to reduce the size of the parliament and increase their wages at the end of the transitional period, bringing them in line with the region, while boosting their morale to play their role more critically.

5 How should the salaries be adjusted?

One of the questions raised by the current salary adjustment is the lack of clear scientific methods used to determine the need. This is because the SSP800,000 the parliament just awarded itself appears to have been arrived at arbitrarily, not as a result of application of

known methods of salary adjustment. Accordingly, this figure remains below what the MPS earned before inflation.

Broadly, we argue that the MPs should use a scientific method of adjusting salaries for inflation. Several methods are available. In this review, two are considered – the Consumer Price Index (CPI) and the indicative exchange rate. Salaries and other prices are often adjusted for inflation using local inflation rates measured by the consumer price index which tends to closely reflect the general price level of goods and services in a country. The CPI is the conventional approach for adjusting prices for inflation. Unlike the CPI, the foreign exchange rate fluctuations affect the behavior of inflation, often not directly but as a pass-through (defined as the effect of exchange rate changes on domestic inflation).

To evaluate and adjust cost for price changes, including public sector salaries and wages, that have been collected from different periods, it is necessary to consider the trends in inflation, the change in purchasing power of a currency over time (Kumaranayake, 2000; Mishkin, 1984; World Bank, 2019). In South Sudan, which faces very high secular inflationary trends, the same nominal (unadjusted) quantity of the local currency, the South Sudanese Pound, buys less in terms of a fixed basket of goods and services.

We illustrate the above using a couple of examples. As a price adjustment for inflation, a parliamentary committee chairperson whose monthly base salary was SSP9,000 (US \$ 3,041 equivalent) in 2011, would earn an adjusted salary of about SSP 1,250,000 in 2022. This is well over 50% above the currently proposed salary adjustment. If the foreign exchange rate adjustment is adopted, a parliamentary committee chairperson who earned SSP9,000 in 2011 would today earn 1.3 million South Sudanese Pounds, a difference of SSP50,000. This is because back then a US dollar cost SSP2.96, which means that SSP9,000 was equivalent to \$3,040.54, which now converts to SSP1.3 million at the indicative foreign exchange rate of SSP430 per dollar.

There are pros and cons for both approaches. The CPI data are not reliable in South Sudan, even though adjusting the salaries using the CPI is cheaper than using the dollar exchange rate. While adjusting using the foreign exchange is more reliable as there is accurate data, the exchange rate is a pass-through inflation as it reacts to inflation, meaning that it can be a double inflation, which does not tell the true story. However, using either the CPI or foreign exchange rate is more scientific than the arbitrary approach the MPs just adopted.

6 Conclusions and recommendations

In principle, it is an important decision to increase MPs salaries. Improving the living conditions of the MPs is important and so is that of other public sector employees. Nevertheless, the recent salary adjustment for parliamentarians does not seem to take into consideration conventional approaches and clearly misses the intended purpose of adjusting for the purchasing power of the salaries. That said, a question is raised: is the country ready for an increased fiscal burden? Our analysis points out that an increased fiscal pressure is doable if the authorities strategize, including by identifying additional resources, and enhancing spending efficiency. The macroeconomic indicators are in South Sudan's favor and trending in the right direction, indicating that the impact of

implementing wage and salary adjustment will be minimal if appropriate measures are taken.

Going forward, we urge the government to consider the idea of wage indexation across the public sector and reduce the size of the workforce, beginning with purging ghost employees and downsizing the army and civil service. Implementing recommendations from the recent workforce audit should be in order. Doing so will enable the Government to provide attractive and comparative employment benefit packages to a highly qualified and disciplined public sector. Further, the size of the parliament needs to be reduced at the end of the transitional period, while bringing their wages to the regional levels.

A clear communication with the public why and how the policy is affordable is needed. This is now missing from the parliament, with potential to cause frustration of many in the public, who would see this as MPs giving themselves a raise when so many face austerity.

In summary, the recent salary adjustment for the parliament needs to be clearly linked to a wider policy on compensation. The wage and salary indexation is overdue not only for the lawmakers but also for all of the public sector employees. Therefore, we recommend to the Revitalized National Transitional Legislature to adjust the salaries and wages for all the public sector employees. This increases their purchasing power and attracts competent and honest cadres to the public sector and improves the economy. We recognize that salary adjustment or indexation comes with a host of challenges, including further increase in inflation and fiscal burden. A successful wage and salary adjustment or indexation policy requires improvements in revenue collection by broadening revenue base, closing loopholes, and increasing transparency and accountability, investing in productive sectors, including infrastructure (electricity, roads, water), agriculture, education and health, ending communal and political conflicts, fighting and building resilience to COVID19 pandemic and increasing resilience of South Sudanese to climate shocks, especially floods, which have devastated livelihoods across the country in the last three years.

About Sudd Institute

The Sudd Institute is an independent research organization that conducts and facilitates policy relevant research and training to inform public policy and practice, to create opportunities for discussion and debate, and to improve analytical capacity in South Sudan. The Sudd Institute's intention is to significantly improve the quality, impact, and accountability of local, national, and international policy- and decision-making in South Sudan to promote a more peaceful, just, and prosperous society.

Authors' Biography

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Ariic David Aguto Reng holds a Bachelor of Management (Financial Economics) from the University of Toronto and a Master of Arts in Economics. He has a wealth of professional experience working in the public and the private sectors. He has worked for the Canadian Revenue Agency (CRA), The Ontario Ministry of Agriculture & Rural Affairs, Directorate of Economic Innovation. He worked for Deloitte Consulting LLP, as a Specialist for a USAID-funded project aimed at creating macroeconomic stability and promoting core economic governance within Ministry of Finance and Economic Planning (MOFEP), Bank of South Sudan (BOSS), and the Ministry of Petroleum and Mining (MPMI). He is currently working as a National Consultant for the World Bank. Mr. Ariic is also an Associate Lecturer at the University of Juba where he teaches Fiscal Management in the Public Sector at the School of Public Service (SPS).

James Alic Garang is a co-founder and scholar at The Sudd Institute. His areas of interest include macroeconomics, development economics, financial sector, and financial inclusion. He has in the past participated in host of academic and professional undertakings, including internships at the African Development Bank in Tunisia (2009-2010), as a lead evaluator on the Banking Sector during the "Comprehensive Evaluation of the Government of South Sudan, 2006-2010", a consultant with the World Bank (2013-2014), and a board member serving on a number of charitable organizations and academic affiliations. A former McNair Scholar, and a member of Omicron Delta Epsilon, James holds a PhD in Economics from the University of Massachusetts, Amherst. A former Deputy Dean of Faculty of Economic & Social Studies at Upper Nile University and a Senior Economist with the Ebony Center for Strategic Studies, he is currently a Senior Advisor to the Executive Director at the IMF Executive Board in Washington, DC.

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