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Policy brief

February 24, 2026

Strengthening Macroeconomic Management in South Sudan: Implementing the Public Financial Management and Accountability Act, 2011

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Executive Summary

South Sudan's prolonged macroeconomic instability emanates primarily from failure to enforce fiscal measures (i.e., strengthening governance), rather than the absence of laws or strong policy frameworks. Persistent economic contraction, hyperinflation, currency depreciation, incessant salary arrears, debt accumulation, and declining public confidence reflect sustained failures in the enforcement of the Public Financial Management and Accountability Act (PFMAA) (Ministry of Finance and Planning & Local Government Board [MoFP & LGB], 2013). While external shocks—particularly oil production disruptions—have intensified these challenges, they have merely exposed deeper fiscal management weaknesses, especially in the realms of budget execution, and revenue management, driving home the need for policy prudence.

The PFMAA provides South Sudan with a comprehensive legal foundation to manage public finances responsibly (Ministry of Finance and Planning & Local Government Board [MoFP & LGB], 2013). However, political interference, extra-budgetary spending, opaque oil revenue dealings, and weak oversight institutions have significantly undermined its effectiveness. As a result, fiscal deficits have been financed through central bank advances and oil-collateralized borrowing, fueling inflation and eroding macroeconomic stability (Bec, 2025).

This paper examines the PFMAA as a macroeconomic management instrument, assesses how it has been operationalized in South Sudan, identifies key implementation gaps, and evaluates the macroeconomic consequences of weak enforcement. It concludes by calling on a small set of critically central institutions to take the lead in restoring fiscal discipline, strengthening accountability, and stabilizing the economy through strict adherence to the principles enshrined in the PFMAA. Foremost among these is the Ministry of Finance and Planning (MoFP), which bears primary responsibility for budget formulation, execution, cash management, and enforcement of expenditure controls. Effective PFMAA implementation depends on the MoFP's capacity and political backing to align spending with available resources and to prevent the accumulation of arrears.

Equally important is the National Legislature (Parliament), whose oversight, approval, and scrutiny functions are essential for enforcing compliance, sanctioning violations, and ensuring transparency in public financial management. The National Audit Chamber also plays a pivotal role by independently auditing public accounts and providing credible evidence to support parliamentary oversight and corrective action. Concentrating reform efforts on these key institutions, rather than dispersing responsibility across many actors, increases the likelihood of meaningful PFMAA compliance and durable fiscal stabilization.

1. Introduction

South Sudan's ongoing macroeconomic challenges highlight the urgent need to strengthen fiscal compliance and accountability. While the Public Financial Management and Accountability Act (PFMAA) provides a robust legal framework for managing public finances, its practical implementation remains insufficiently understood and enforced. A deeper examination of how the PFMAA is operationalized is essential for identifying gaps, improving compliance, and ultimately stabilizing the country's fiscal environment.

2. The PFMAA as a Tool for Macroeconomic Management

The Public Financial Management and Accountability Act (PFMAA, 2011) is the central legal framework governing the collection, allocation, and use of public resources in South Sudan (MoFP & LGB, 2013). It establishes binding rules for budget preparation, expenditure authorization, treasury operations, accounting, reporting, auditing, and public debt management. In principle, the Act is intended to ensure that government spending remains aligned with available revenues, approved budgets, and national development priorities (MoFP & LGB, 2013).

In countries with narrow revenue bases and high exposure to external shocks, effective public financial management laws serve as a critical anchor for macroeconomic stability (Rashied et al., 2024). By enforcing expenditure controls, consolidating revenues, and limiting discretionary spending, such frameworks reduce fiscal deficits and shields monetary policy from fiscal dominance (Rashied et al., 2024). The PFMAA reflects these principles by mandating a Treasury Single Account, requiring parliamentary approval of budgets and borrowing, and establishing oversight mechanisms through audits and reporting obligations (MoFP & LGB, 2013).

If implemented consistently and faithfully, the PFMAA could significantly improve budget credibility, reduce reliance on inflationary financing, and enhance confidence in fiscal policy (Afonso et al., 2024). However, the persistent macroeconomic instability observed in South Sudan indicates that the law has not been operationalized as intended. This leads to policy questions regarding compliance and responsibilities. Section 2 provides further details.

3. Legal Design versus Practical Enforcement of the PFMAA

From a legal standpoint, the PFMAA is broadly consistent with international public finance standards. It clearly defines institutional responsibilities, establishes procedures for budget

execution, and provides mechanisms for accountability and oversight (Musiega et al., 2024). The Act empowers the Ministry of Finance and Planning (MoFP) to control cash management, mandates comprehensive fiscal reporting, and grants the Auditor-General authority to scrutinize public accounts.

Notwithstanding this strong legal foundation, enforcement remains weak in South Sudan. Compliance with budget ceilings and expenditure authorization requirements is inconsistent, and deviations from approved budgets occur frequently without sanctions. Political considerations often override statutory procedures, particularly in the management of oil revenues and security-related expenditures. As a result, the PFMAA has not functioned as an effective constraint on fiscal behavior.

This gap between legal design and practical enforcement has undermined the credibility of fiscal policy. While the PFMAA exists on paper, its failure to discipline spending decisions has allowed fiscal imbalances to persist. The result is a system in which laws are formally in place, but fiscal outcomes are driven by discretionary and opaque practices rather than rule-based governance (United Nations Development Program [UNDP], 2025).

4. Operationalization of the PFMAA in South Sudan

Operationalizing the PFMAA in South Sudan has been uneven and incomplete. While annual budgets are prepared and approved, execution frequently deviates from approved plans due to revenue shortfalls, political directives, and weak treasury controls. These deviations undermine fiscal planning and contribute to recurrent cash-flow crises, resulting into accumulated arrears and such like.

One of the most significant implementation gaps relates to the Treasury Single Account (TSA) (Duku, 2023; Jones & Qureshi, 2024). Although the PFMAA requires all government revenues to flow through the Consolidated Fund, this requirement has not been fully enforced. Oil revenues, which account for approximately 70% of total government revenue, are often managed outside standard treasury systems, weakening cash management and transparency (Atem, 2024; UN News, 2024).

Administrative capacity constraints further complicate implementation. Weak financial information systems, limited technical skills, and delayed reporting reduce the government's ability to monitor expenditures and enforce controls in real time. These challenges, while important, do not fully explain persistent non-compliance. The primary issue remains weak enforcement and limited political commitment to fiscal discipline.

5. Oversight, Accountability, and Institutional Weaknesses

Oversight institutions play a critical role in enforcing the PFMAA, yet they remain structurally and politically constrained. The Office of the Auditor-General regularly

identifies irregular expenditures, weak controls, and unaccounted-for revenues. Audit findings, however, rarely translate into corrective actions, sanctions, or systemic reforms (Musiega et al., 2024).

Parliamentary oversight is similarly limited and so is the role of public watchdogs such as civil society players. Although Parliament is mandated to approve budgets and scrutinize public spending, its capacity to enforce accountability is constrained by limited technical expertise and political pressures. As a result, extra-budgetary spending and unauthorized borrowing often proceed without meaningful legislative scrutiny.

The absence of consequences for non-compliance has weakened incentives to adhere to the PFMAA. This accountability gap has allowed fiscal indiscipline to persist, reinforcing a vicious cycle in which poor governance produces weak macroeconomic outcomes, which in turn further erode institutional capacity and public trust.

6. Economic Contraction and Fiscal Fragility

South Sudan's economy has contracted for five consecutive years, reflecting a combination of external shocks and internal governance failures. The shutdown of the Dar Blend oil pipeline through Sudan in 2024–2025 led to an estimated GDP contraction of 23–30%, exposing the country's extreme dependence on oil revenues (World Bank, 2025; Devdiscourse News Desk, 2025).

While the oil shock appeared severe, the absence of fiscal buffers and weak expenditure controls magnified its impact. The government's inability to adjust spending rapidly and transparently has resulted in nagging salary arrears, cuts to essential services, and increased reliance on monetary financing. These outcomes highlight how weak PFMAA enforcement amplifies the effects of external shocks.

The narrow revenue base and limited non-oil tax collection further constrain fiscal flexibility. Without effective public financial management, revenue volatility translates directly into macroeconomic instability, reinforcing the need for stronger enforcement of existing fiscal rules.

7. Hyperinflation and Monetary Financing of Deficits

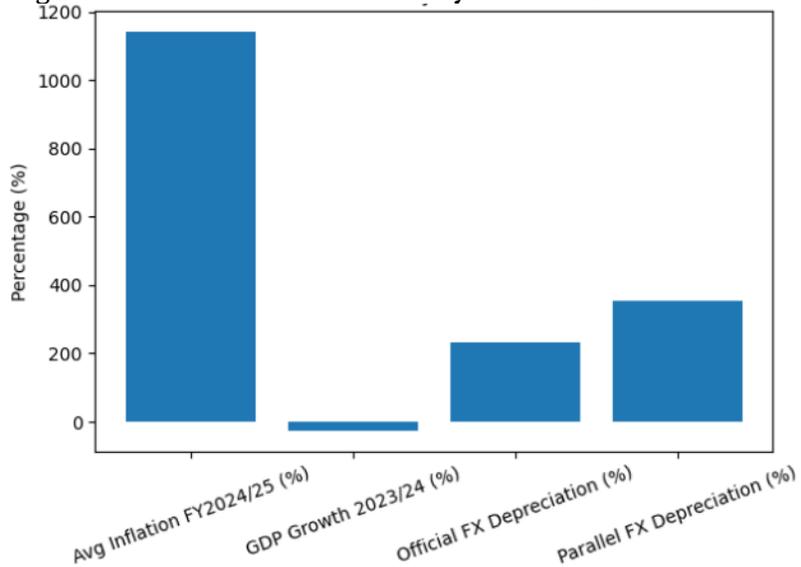
Hyperinflation in South Sudan remains closely linked to persistent fiscal deficits and reliance on central bank financing. Inflation reached 107.3% year-on-year by mid-2024 and was projected to average 1,143% in FY2024/25, reflecting rapid money supply growth and currency depreciation (World Bank, 2025) (see Figure 1).

These inflationary pressures are not primarily driven by supply shocks alone. Instead, they reflect chronic fiscal indiscipline, with government spending exceeding available revenues and deficits financed through monetary expansion (Otieno, 2025). Weak treasury controls

and the absence of credible expenditure limits under the PFMAA have allowed this awful pattern to persist.

The social consequences of hyperinflation and related economic shocks resulting from oil flow disruption have been severe. Real incomes have collapsed, purchasing power has eroded, and poverty has deepened. These outcomes underscore the macroeconomic costs of weak fiscal governance and highlight the central role of PFMAA enforcement in restoring price stability.

Figure 1: Macroeconomic Instability Indicators in South Sudan



Source: IMF (2025)

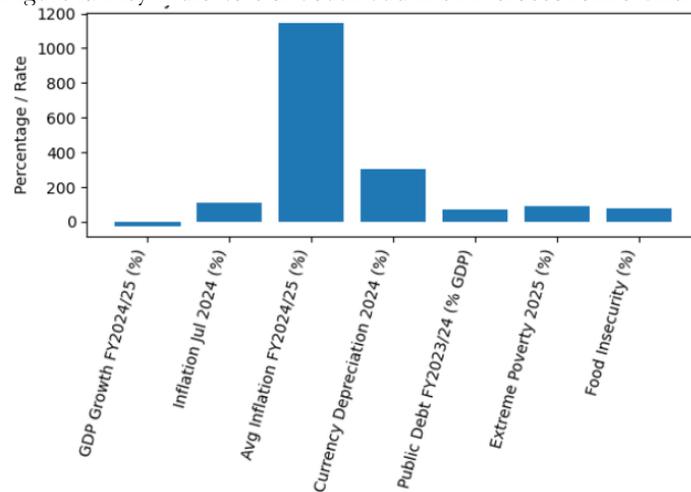
8. Exchange Rate Depreciation and Liquidity Constraints

Figure 2 demonstrates South Sudan Pound has experienced a sharp depreciation, particularly in the parallel market, where rates weakened by over 300% during 2024 (IMF,

2025). A wide gap between official and parallel exchange rates reflects declining confidence in fiscal and monetary policy. Yet, for the case of South Sudan during the period under study, lack of hard currency and demand imports, not just confidence effect, were the primary driver of this volatility. Exchange rate instability is closely linked to deficit monetization and declining foreign exchange inflows (Al Jazeera, 2021). As oil revenues fell and fiscal deficits widened, the government relied increasingly on central bank financing, accelerating depreciation and inflation (Bec, 2025a). Weak enforcement of PFMAA borrowing and expenditure rules has contributed directly to these dynamics.

Liquidity shortages have further constrained economic activity. Limited foreign reserves—estimated at 0.3 months of import cover—reduce the authorities’ ability to stabilize the currency or cushion the economy from external shocks (World Bank, 2025). These conditions reinforce the need for stronger fiscal discipline to restore macroeconomic stability.

Figure 2: Key Indicators of South Sudan’s Macroeconomic Crisis



Source: World Bank (2025)

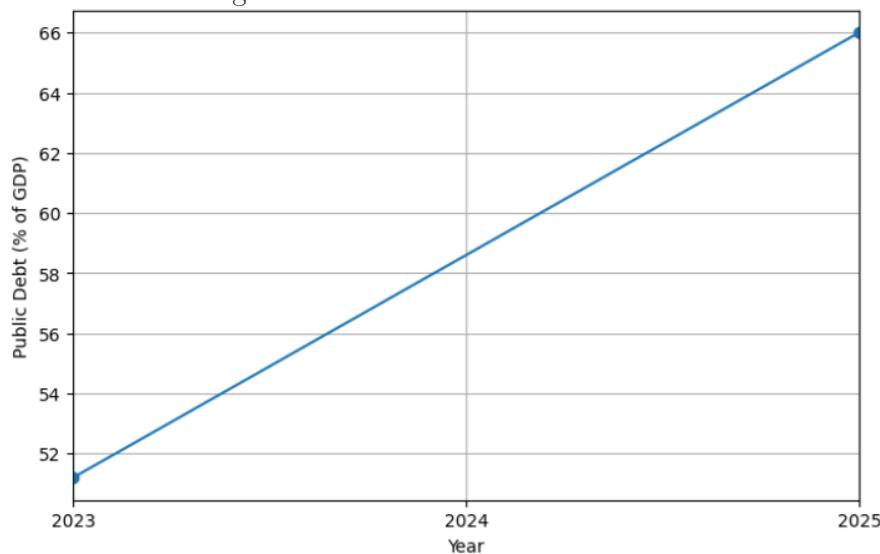
9. Debt Accumulation and Oil-Collateralized Borrowing

As Figure 3 shows, public debt has risen from 52% of GDP in FY2018/19 to over 70% by FY2023/24, placing South Sudan at high risk of debt distress (World Bank, 2025; IMF, 2025a). A defining feature of this debt profile is the extensive use of oil-collateralized loans.

Oil-backed borrowing, estimated at US\$2.3 billion, bypasses the budget (Bec, 2025a). These loans are typically non-concessional and repaid directly in crude oil, reducing future fiscal space and undermining transparency.

The persistence of such borrowing reflects weak enforcement of PFMAA debt management provisions and failure to integrate borrowing decisions into a coherent fiscal framework. As a result, debt accumulation has become a symptom of deeper governance failures rather than a response to productive investment needs (CNBC Africa, 2025).

Figure 3: South Sudan Rising Public Debt-to-GDP Ratio



Source: CNBC Africa (2025)

10. Poverty, Arrears, and Social Consequences

Weak fiscal governance has contributed to severe social consequences in South Sudan, but its effects must be understood within a broader political–economic context. By 2022, about 76% of the population was living below the poverty line, while nearly 80% faced food insecurity (Shams et al., 2024). Chronic salary arrears and delayed payments have further undermined livelihoods and eroded public trust in the state. These outcomes are closely associated with weak budget execution, poor cash management, and ineffective expenditure controls, which have translated revenue shortfalls into arrears rather than orderly fiscal adjustment (CNBC Africa, 2025). However, these social consequences cannot

be attributed to fiscal indiscipline alone. Structural weaknesses in public financial management, combined with limited fiscal buffers and weak institutions, have magnified the social costs of economic shocks. As a result, fiscal stress has been transmitted directly to households through unpaid wages, reduced service delivery, and declining real incomes (Shams et al., 2024).

Crucially, the persistence of poverty and social distress reflects a dual problem: declining oil inflows alongside entrenched fiscal indiscipline. Prior to the 2012 oil shutdown, fiscal mismanagement existed, yet its social impacts were partially masked by abundant oil revenues that allowed the government to finance expenditures despite inefficiencies (World Bank, 2022). The post-2012 period exposed the fragility of this model, as reduced oil production, price volatility, and revenue losses removed the cushion that had previously compensated for weak fiscal discipline. In this context, indiscipline became more damaging, as limited resources were misallocated while essential obligations went unpaid. The interaction between constrained oil revenues and weak PFMAA implementation has therefore been central to rising poverty and food insecurity. Addressing these challenges requires not only stricter fiscal discipline but also revenue diversification and improved management of oil proceeds, making fiscal reform both a macroeconomic necessity and a social and political imperative (World Bank, 2023).

11. Policy Implications for National Policymakers

The evidence proffered demonstrates that South Sudan's macroeconomic instability remains rooted in weak enforcement of existing fiscal laws and policies. The PFMAA remains the most comprehensive instrument available to restore fiscal discipline, transparency, and stability. For policymakers, the priority should be shifting from producing new frameworks to enforcing existing ones. This requires political commitment, strengthened oversight, and credible sanctions for non-compliance. Without enforcement, external support, especially from the international financial institutions will not be forthcoming and temporary revenue gains will not deliver sustainable stability.

A. Policy Recommendations

Considering the preceding discussion, the paper recommends the need to:

- i. Strengthen enforcement of the PFMAA through independent audits and public disclosure of compliance gaps.
- ii. Fully enforce the Treasury Single Account for all oil revenues.
- iii. Curb new oil-collateralized borrowing and integrate all debt into a transparent management framework.
- iv. Strengthen parliamentary and audit oversight, including follow-up on audit findings.
- v. Reduce reliance on monetary financing to restore price and exchange-rate stability.

B. Conclusion

South Sudan's macroeconomic crisis is fundamentally a governance failure rooted in fiscal indiscipline. Hyperinflation, currency depreciation, debt distress, and poverty are partly consequences of weak PFMAA enforcement, rather than the absence of laws. Restoring stability requires credible implementation of existing frameworks, strengthening of oversight, and political commitment to fiscal discipline. Without this shift, macroeconomic instability will persist regardless of any external support.

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Authors' Biography

Bec George Anyak is a researcher with expertise in policy formulation and analysis, trade policy, budgeting, business planning, and development strategy. He also serves as a Lecturer of Economics at University of Juba, South Sudan. Bec earned his Bachelor of Economics from the University of Nairobi in Kenya and an MSc in Applied Economics from the University of Strathclyde in Glasgow, UK. He is current PhD Student of Development Studies at The University of Nairobi in Kenya. Bec served as a Deputy Minister of Finance and Planning, South Sudan. Previously, Bec held senior positions, including as the State Minister of Finance in the now-defunct Eastern Lakes State Government and as a Commissioner for Yirol West County, Lakes State. His extensive experience in both academic and governmental sectors underscores his commitment to improving economic policy and development in South Sudan