

Summary of Recommendations

1. Government needs to establish a mechanism for protection of consumers and create conducive environment for small-scale businesses.
2. Establish avenue for public information and make information regarding foreign exchange available to the public to avoid exploitation.
3. Institute affirmative action for women to facilitate easy access to business and credit facilities and create conducive environment for growth of small-scale businesses.
4. Ensure transparent and accountable tax regime in the country

Highlight

At independence, the South Sudanese pound was one of the strong currencies in the East African region and presented great business opportunity for both large and small businesses. Now ten years later the country has one of the weakest currencies in the region and the business environment and opportunity for small businesses especially those run by women. This clearly indicates a problem for the country economy at both macro and micro levels. Currently the country has decided to undertake systems and institutional reform and transformation in security, socio-economic, civil and political sectors during the transitional period and beyond. In conformity with the spirit and letter of the Revitalized Agreement on Resolution of Conflict in Republic of South Sudan (R-ARCSS) 2018, the parties committed to promote sustainable economic development as stipulated in chapter four (4) of R-ARCSS. Hence, effective management of public resources and ensuring macro and micro economic stability which are key for sustainable economic growth.

However, there seem to be ambiguity around whom or which entity is responsible to fix prices of basic commodities in the market. The country economy is said to be operating as a free market economy, this could be beneficial if the country was able to balance demand and supply for basic commodities in the market and the ordinary citizens having the buying power. However, given that majority of citizen in the country survive on less than one dollar a day with unpredictable sources of income and most basic commodities are imported. This situation places heavy financial burden on small-scale businesses run by women. In this case the only hope is for the government to fix prices of basic commodities, protect consumers and small-scale business owners. This

situation arises when the production of a commodity is less than its demand.¹

The facts that most small-scale businesses run by women are not able to afford equal opportunity to access foreign currency presents inequality or unfair playground for these businesses hence the women who own them. While taxation is an important tool for government to generate necessary resources for delivery of common good, tax system and means of tax collection can significantly impact prices of basic food commodities in the market as is the case in South Sudan. This coupled with currency instability further exacerbates the situation for women business owners. According to recent estimate from the International Center for Tax development, total tax revenues accounts for more than 80% of total government revenue in about half of the countries in the world and more than 50% in almost every country.² With the endemic currency fluctuation in South Sudan it is prudent to calculate taxes as percentage. However, the important question for establishing a viable tax system is "What to tax, How to tax, what objective should the tax system pursue?"³

The instability of the currency and unclear tax collection system and tax regime and the free market policy creates an opportunity for the traders to place the financial burden on consumers. While the citizens are aware that sometimes the local currency may appreciate against the foreign currency (dollar), the local businesses are often not ready to adjust prices of the basic commodities downwards according to currency behavior.

¹ <https://www.nios.ac.in/media/documents/SecEcoCour/English/Chapter-13.pdf>

² <http://ourworldindata.org>

³ <https://ciat.org/sistemas-tributarios-y-reformas-tributarias-algunas-ideas-del-tema-parte-1/?lang=en>

Issues Analysis

Since independence, South Sudan has been grappling with setting systems and establishing institutions. Now ten (10) years as an independent state, the country is yet to find the appropriate approach to handling different aspects of Public Finance Management (PFM) including taxation, price control and consumer protection. Without a regulatory mechanism in place and with the free market economic policy that the country has adopted coupled with the currency fluctuation, small-scale businesses owned by women tend to face more difficulties in coping with the high and unclear tax and taxation system in the country. Currency fluctuation also presents threat for growth of small-scale businesses hence making basic commodities that these businesses supply to be scarce and costly. The burden is often transferred to the consumers. In order to protect the interest of consumers in such scenarios, the government need to fixes maximum price for commodities based on a calculated rate, which provides a win-win situation for both consumers and business owners.

Meanwhile in other parts of the world, governments protect interest of consumers by fixing maximum prices for basic commodities such as sugar, cooking oil, maize and wheat flour and create conducive environment for small-scale businesses to thrive. The opportunity for South Sudan is the ongoing PFM-Reform Process. These presents an opportunity for the government to instituted necessary measures and established mechanism for price control, consumer protection and facilitate growth of small-scale businesses. This maximum price (control price or ceiling price) set by government regulatory body is often lower than the equilibrium price. This is often encouraged because poor people cannot afford to buy the commodity at equilibrium price.

In order to regulate prices of basic commodities in the market and create conducive environment for small-scale businesses to thrive amidst currency instability, it's important to understand and find means to address or mitigate factors that contribute to increase in prices of goods in the market and causing currency fluctuation. Therefore, the role of civil society and small-scale traders is important in understanding the driving factors and proposing possible mitigation measure. The PFM Reform Process (PFM-RP) in South Sudan has gone an extra mile in achieving inclusion by having space for mainstreaming Civil Society participation in the national PFM reform architecture, however a lot more still need to be done.

Information gap and lack of clarity on foreign exchange, creates an environment of ignorance hence, rendering consumers vulnerable to exploitation by the business owners. The unclear unpredictable nature of the local currency and the free market policy application in South Sudan leaves the business owners at liberty to charge exorbitant prices for their goods under the pretext of high taxation and currency fluctuation. Based on discussions during Women Technical Working Group and Strategic Convening Meetings organized and hosted by SSuDEMOP and the reality on the ground, the business owners are reported to often refer to the currency instability as the source of high prices and they often refer to "increase in Dollar rate"

While it's important to analyze tax regime and taxation system, it's also important to analyze government expenditures as well as investment in common goods, market behavior so as to address the issue of currency fluctuation and create conducive environment for all businesses. Ensuring transparent and accountable tax and taxation system is an important element for realization of economic growth and stability in the country. In order to realize this, a holistic approach that focuses on tax collectors, ethics of tax collection, existent infrastructure and available legal framework is necessary. It becomes essential to check efficiency and effectiveness of tax system and propose necessary amendments or adjustment to existing policies and pieces of legislation that provide the necessary legal framework for growth and survival of small-scale businesses. Therefore, the important question for establishing a viable tax system is "What to tax, How to tax, what objective should the tax system pursue?"⁴

⁴ <https://ciat.org/sistemas-tributarios-y-reforms-tributarias- algunas-ideas-del-tema-parte-1/?lang=en>

Policy Recommendations

1. Government needs to establish a mechanism for protection of consumers and creation of conducive working environment for small-scale businesses.
2. Establish avenue for public information and make information regarding foreign exchange available to the public to avoid exploitation.
3. Institute Affirmative Action for women to facilitate easy access to business and credit facilities and create conducive environment for growth of small-scale businesses.
4. Ensure transparent and accountable tax regime in the country. This can be achieved by review and implementation of the existent policy framework, taking extra steps to ensure that tax regime is accessible to the public in a simplified manner and demarcate tax jurisdictions for each level of government.

About the Women Technical Working Group on PFM Reform Process (WTWG-PRFEP)

Women's Technical Working Group on Public Finance Management Reform Process (WTWF - PFM-RP) is made up of women from different walks of life brought together under the auspices of SSuDEMOP to identify and analyze various aspects of PFM related issues that affect women and provide recommendations to the relevant policy institutions including PFM - Oversight Committee (OC) and PFM - Technical Committee (TC). The group works alongside Citizen Working Group on Public Finance Management Reform Process (CWG-PFM-RP). It is important to note that work of the group is often aligned with the processes happening at the level of the PFM-OC and PFM-TC. The group was established to; enable women from different sectors and with different technical expertise to work together on PFM related issues of concern to women and the society, set the basis for a more robust and strategic women engagement in the PFM-RP and ultimately engender the PFM-RP in South Sudan.