**South Sudan Cuts Budget by 26 Percent after Shutting Oil Output**

**By Jared Ferrie, Bloomberg Businessweek**

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South Sudan has cut spending by 26 percent a month after it shut down oil production in a dispute with Sudan over crude-transportation fees, Finance Minister Kosti Manibe Ngai said.

The government of the newly independent nation has reduced monthly spending to 650 million South Sudanese pounds from 880 million, he told reporters today in the capital, Juba. The official exchange rate ranges from 2.9 to 3.1 pounds per dollar.

“We can still go down below that if need be,” he said. The government depended on oil revenue for 98 percent of its budget before the production shutdown. Salaries of state employees, which account for about 40 percent of the budget, haven’t been reduced, he said.

South Sudan halted oil production in late January after accusing Sudan of stealing its shipments. Sudan said it confiscated the crude to make up for unpaid fees. The countries have been embroiled in a dispute since the south gained independence in July, assuming control of three-quarters of the formerly united country’s output of 490,000 barrels a day.

The latest round of talks ended yesterday in the Ethiopian capital, Addis Ababa, without an agreement on how much the landlocked south should pay to transport its oil through a pipeline across Sudan.

Ngai said that the government has made cuts throughout the budget, except some programs such as water and sanitation.

**Concessional Loans**

“There are others that have been reduced by 80 percent, mostly in the security sector, health, education,” he said. “The majority have been reduced to about 50 percent of operating and capital expenditures.”

The government is seeking loans “on concessional terms” to finance infrastructure projects, Ngai said after signing a $9 million grant from the World Bank to provide small loans to entrepreneurs. “We are also negotiating commercial loans.”

South Sudan will probably become a World Bank member next month, Laura Kullenberg, the bank’s country manager, said. The bank will be providing further grants aimed at building feeder roads and strengthening health, she said.

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