



Budget Strengthening Initiative

COUNTRY LEARNING NOTES

South Sudan: domestic aid strategy and the New Deal for Engagement in Fragile States

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SUMMARY

- In 2011 the Government of South Sudan updated the country’s official Aid Strategy. This new strategy responded to several key aid coordination challenges encountered since the publication of South Sudan’s first Aid Strategy in 2006.
 - The timing of the 2011 Aid Strategy coincided with growing international consensus on how to improve the effectiveness of aid to fragile states. This consensus culminated in supranational groups such as the International Dialogue on Peacebuilding and Statebuilding and the g7+ group of fragile states advocating for the New Deal for Engagement in Fragile States.
 - The principles of South Sudan’s 2011 Aid Strategy aligned well with those of the New Deal. Although it was not the direct impetus for the development of the 2011 Aid Strategy, the New Deal helped to reinforce and legitimise many of the proposed changes that the strategy outlined.
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The 2005 Comprehensive Peace Agreement (CPA) officially ended the civil war in Sudan and resulted in the creation of the semi-autonomous Government of Southern Sudan. This ushered in a new era of development cooperation aimed at addressing the enormous development needs of Southern Sudan and the high expectations of the population. Prior to independence in July 2011, Southern Sudan received an estimated \$1bn of development assistance each year. The need for significant external resources was strongly emphasised by the Joint Assessment Mission (JAM) undertaken during the peace negotiations. However, the JAM also recognised that large

provisions of aid could impose a significant management burden on the newly established Government. To address these concerns, the Government worked quickly to develop a comprehensive framework for managing aid, which resulted in the 2006 Aid Strategy.

Well before independence was achieved in 2011 it had become clear that not all the provisions of the 2006 Aid Strategy had been implemented as originally intended. Despite its broad success in establishing a strong set of aid coordination mechanisms, the pace of aid delivery was universally regarded as having been too slow and not always in line with key aid effectiveness principles. There was also a gradual decline in the functionality of the major

aid coordination mechanisms. These concerns prompted a review of the Aid Strategy and the development of a new approach for the post-CPA era. The timing of this review coincided with major reviews of aid policy at the international level. In 2008 the Accra Agenda for Action refocused international attention on the challenges of aid delivery in fragile states. The OECD responded in 2010 by launching the International Dialogue on Peacebuilding and Statebuilding, in which the Government was an early and regular participant. The result was a revised Aid Strategy that was far more strategic in identifying the linkages between aid delivery and institutional development and in setting out a process of transition from humanitarian to development aid.

CHALLENGES FACED IN IMPLEMENTING THE 2006 AID STRATEGY

The 2006 Aid Strategy was strongly influenced by the prevailing aid effectiveness orthodoxy of the mid-2000s, drawing heavily on the Paris Declaration. Using the Paris Declaration's 'five fundamental principles' as the basis of its core framework (see Box 1) the 2006 Aid Strategy highlighted the need for donors to avoid many of the practices prevalent in other developing countries, such as project proliferation and the tying of aid. Having launched the Aid Strategy, the government actively monitored its implementation through the annual publication of the South Sudan Donor Book, which provided analysis on the extent to which the aid strategy principles were being adhered to; and the Quarterly GoSS Donor Forum, which provided a platform for ongoing dialogue between the government and donors.

As noted in Davies et. al. (2010) the main success of the Aid Strategy was in quickly establishing a simple set of coordination mechanisms. This enabled the government to take early leadership over aid management. The most notable achievement was the creation of a pragmatic government-led

BOX 1: THE 2006 GOSS AID STRATEGY PRINCIPLES

1. **Alignment** of donor assistance with Government priorities
2. **Co-ordination** of aid with Government programmes to avoid duplication, concentration or neglect
3. **Predictability** of the volume and timing of aid flows
4. **Harmonisation** of donor activities and programmes
5. **Institutional Development** using aid to enhance government capacity
6. **Mutual Accountability** between Government and donors

approach to budget planning, which involved the participation of the Government, donors and NGOs in developing sector plans and resulted in a good degree of coordination and information sharing. Nevertheless, overall compliance to the six Aid Strategy principles was mixed. By 2009 the Government was beginning to express serious concern regarding the way in which aid was being delivered. The Government's concerns focused on four 'behavioural' issues and two key 'procedural' challenges. The 'behavioural' issues were:

- The **lack of alignment** of development assistance to the government's core priorities was a persistent problem. In 2009, only 45 per cent of development assistance was aligned with the government's six expenditure priorities and by the end of 2010 this figure had increased only to 51 per cent.
- A persistent **lack of aid predictability**, in which several donors were only able to commit funds on an annual basis, made effective medium term planning virtually impossible. In 2009, for example, the estimated level of donor funding for 2011 was \$264 million, yet by 2011 the figure was reported as \$937 million.
- At the same time **project proliferation** hampered the capacity of the government to monitor aid flows, despite the emphasis in

the 2006 Aid Strategy on doing the precise opposite. By 2010 only 24 per cent of total funds were channelled through pooled mechanisms and large scale programmes, while over thirty organisations were providing assistance through bilateral projects. This was a considerable failure in coordination given the proposals set out in the JAM, the formation of the Joint Donor Team, and the Government's active role in Aid Coordination.

- Finally, the Government was increasingly frustrated that, during the period between 2006 and 2011, not a single donor channelled any of their funding through the Government's own fiduciary systems, preferring instead to use **parallel mechanisms** that at best did nothing to promote institutional capacity building and at worst undermined it.

Linked to these 'behavioural' problems, the Government faced 'procedural' difficulties with implementing the various coordination mechanisms to monitor and manage aid flows. These included:

- The **Inter-Ministerial Appraisal Committee (IMAC)** was set up to review each and every donor project worth over \$1 million to ensure that they adhered to the Aid Strategy principles. IMAC was unable to cope with the increasing level of project proliferation. In excess of 400 projects were reported in 2010 – if the IMAC was to fulfil its mandate, it would have needed to hold meetings on a twice daily basis. By focusing on individual projects (many of which were already being implemented) the IMAC failed to gain traction in influencing the overall sectoral allocation of donor funds at the macro level.
- The **Quarterly GoSS Donor Forum** was originally set up to facilitate government donor dialogue. The forum regularly struggled to obtain the political support required to have a meaningful discussion on the allocation and modalities for aid delivery. Instead of being a focal point for political dialogue, the forum became a more

technical body, again hampering macro level allocation. The result was a distinct lack of coordinated high level policy dialogue between Government agencies and the donor community. This undermined efforts to improve aid effectiveness.

Thus, while the 2006 Aid Strategy correctly identified many of the issues that would affect the Government's ability to manage aid and was successful in setting out government policy to address them, it did not provide sufficient tools to influence donor behaviour. The huge delays in aid disbursement following the CPA reflected the inability of the Government to influence the choice of modalities used by donors. The centrally managed Multi-Donor Trust Fund (originally setup to streamline donor contributions and increase the speed of aid delivery) was emblematic in this regard: it spent just 35 per cent of donor contributions four years into the six year life span of the fund. These delays were widely regarded to be the result of overly stringent procurement requirements that were not conducive to fast delivery in a fragile context. According Davies (2009), the World Bank's regulations required up to 62 separate steps to procure anything. This imposed long delays to the delivery of essential services that were urgently needed throughout the country.

The highly cautious approach to fiduciary risk adopted by donors also served to highlight the limited recognition on the side of the Government for the need to strengthen its own systems in order for donors to improve aid delivery. The lack of improvement in budget execution and procurement resulted in a decision on the part of donors to avoid the use of the Government's systems altogether.

The recognition of these additional, unanticipated barriers to effective aid delivery, and the problems faced in implementing the basic tenants of the 2006 Aid Strategy, prompted the decision to undertake a review of the existing aid management framework to inform the development of a revised strategy that addressed the problems faced post 2006.

THE INFLUENCE OF THE NEW DEAL ON THE DEVELOPMENT OF THE 2011 AID STRATEGY

Work to revise the Aid Strategy commenced in late 2009, shortly before the launch of the International Dialogue on Peacebuilding and Statebuilding. Following an analysis of the experience of the previous five years, the Ministry of Finance began to articulate a number of ideas for improving aid effectiveness. These included a strong focus on budget support and the use of stronger sector coordination mechanisms, possibly through pooled funds, to improve the dialogue between the government and donors. During this period, the first contributions from the International Dialogue began to filter through. An OECD country case study on the specific peacebuilding and statebuilding challenges faced by the Government since 2005 noted that *“donor aid flows have been unpredictable....[and] have not delivered quick results”* echoing the government’s own analysis. Later surveys, such as the OECD’s 2011 Report on Engagement in Fragile States, vindicated this view. The report concluding that *“with all aid being off budget.....the expected results from the attention being paid to harmonisation, alignment and integration have not yet emerged”* and *“continued bypassing of the government in the delivery of basic services....will cause harm in the medium to longer term”*.

At the same time, surveys and consultations from other fragile states illustrated that these problems were not exclusive to South Sudan but were endemic across fragile states. At the second global meeting of the International Dialogue in Monrovia in June 2011, almost all countries lamented the lack of government ownership of development assistance and their inability to influence how money was allocated and what modalities were used to spend it.

The *New Deal for Engagement in Fragile States* was an initiative to address these concerns led by the governments of fragile states through the g7+ group.¹ The g7+ advocated for a new framework that emphasised, amongst other things, the need to align all support behind one national plan; the need to adjust donor attitudes to risk so as to improve the speed of aid delivery; and the need to use country systems as much as possible in an effort to build institutional capacity. These proposals aligned well with the views emanating from South Sudan and this served to increase the Government’s willingness to engage in the international process. Indeed, South Sudan’s support for this international process led to Juba hosting the first ever Ministerial retreat of the g7+ group of fragile states in support of the New Deal process in October 2011.

At the same time as the international process was evolving, the revised Aid Strategy was beginning to take shape. The result was a new framework that was consistent with the language of the New Deal and which shared many of its principles.

The revised Aid Strategy is much more focussed on the specific issues that concern fragile states than the original 2006 Aid Strategy. For example, it heavily emphasises the need for aid programmes to build state capacity, along with delivering the desired outputs. The need for aid to use and improve Government systems, to be delivered in a way that strengthens the Government’s capacity and to be aligned behind the South Sudan Development Plan (‘one vision, one plan’) are the central themes of the revised Aid Strategy. These are also issues that feature prominently in the New Deal. Perhaps the most explicit expression of the influence of the International Dialogue process is the recently introduced requirement for all donors to indicate on their IMAC submission form how their Country Assistance Strategy is helping to implement the New Deal in South Sudan. A summary of the main complementarities between the New Deal and the 2011 Aid Strategy is presented in Box 2 overleaf.

BOX 2: CONSISTENCY BETWEEN 2011 AID STRATEGY BENCHMARKS AND THE NEW DEAL

| GOVERNMENT AID STRATEGY BENCHMARKS | NEW DEAL FOCUS/TRUST INDICATOR ALIGNMENT |
|--------------------------------------------------------------------------------------------------|------------------------------------------|
| 1. Aid is aligned with overall Government and sector policies and plans | FOCUS - One vision, one plan |
| 2. Aid is managed by Government institutions and uses Government systems | TRUST - Use & strengthen country systems |
| 3. Aid is aligned with the Government budget cycle and channelled through Government PFM systems | TRUST - Use & strengthen country systems |
| | TRUST - Risk-sharing |
| 4. Aid supports institutional capacity and systems | TRUST - Strengthen capacities |
| | TRUST - Risk-sharing |
| 5. Aid is oriented to the achievement of outcomes | TRUST – Transparency |
| | TRUST - Timely and predictable aid |
| 6. Aid is provided coherently and fragmentation is avoided | TRUST - Timely & predicable aid |

It is important not to over-emphasise the influence of the international process on South Sudan’s revised Aid Strategy. Although the international process was well aligned to the situation facing South Sudan, it was the national process of review and evaluation that led to the final form and structure of the strategy. This is evident in the details of the strategy, which goes beyond a statement of broad aid effectiveness principles to practically respond to the circumstances specific to South Sudan. For example, the document sets out a number of benchmarks for aid delivery to facilitate the implementation of Aid Strategy principles, together with concrete steps that both the Government and donors could take to facilitate implementation. A set of Government commitments to improve its fiduciary systems were also included, recognising that this was a requirement if development partners were to take steps towards using Government systems. Thus, the revised Aid Strategy moved beyond the aspirations of the New Deal and responded to the local context.

The New Deal therefore served to *reinforce*, rather than *initiate*, the content of the new Aid Strategy. It did this in two important ways. Firstly, it provided legitimacy to the new aid strategy benchmarks and greater ownership of the proposals that were being developed. For example, the need for aid to use government fiduciary systems and to promote institutional capacity became the central theme of the final 2011 Aid Strategy. Without the g7+ championing this issue, it may not have gained so much prominence within the document. Secondly, it helped to moderate Government views and provided a sense of realism to the proposals. For example, the first draft of the 2011 Aid Strategy was rather aggressive on the need for donors to immediately provide budget support. The International Dialogue process demonstrated that this was not immediately feasible given that, at the time, aid was not being channelled through government systems at all. Later drafts were modified to reflect more realistic objectives. Budget support became a medium term goal, recognising that more innovative aid instruments would be needed in the short term to overcome donor attitudes to risk.

CONCLUSION

The 2006 Aid Strategy was formative in establishing a basic framework for aid coordination, but as South Sudan's donor environment became increasingly complex it failed to meet the evolving needs of the Government. Poor donor compliance to the principles of the 2006 Aid Strategy, and slow pace of aid delivery following the CPA, prompted the demand for a new approach. The realisation that other fragile states were experiencing the same problems reinforced the Government's conviction that changes needed to be made at the domestic level. The New Deal therefore strengthened the Government's position and enabled the 2011 Aid Strategy to

project a more powerful statement of intent. The fact that potential solutions to these problems were being developed, discussed and agreed to at the international level gave the proposals in the 2011 Aid Strategy a greater degree of legitimacy.

However, we should recognise that most of the provisions within the 2011 Aid Strategy would have existed even without the New Deal. This does not imply that the international processes did not have a significant impact; rather, that it provided an enabling environment that complimented and enhanced the proposals set out the Aid Strategy, which in turn led to a more sophisticated and refined product.

ENDNOTES

1. The g7+ is a group of 17 fragile and conflict affected countries collectively lobby the international community to change the way international assistance is designed and implemented. The current members of the g7+ are: Afghanistan, Burundi, CAR, Chad, DRC, Guinea, Guinea-Bissau, Haiti, Ivory Coast, Liberia, Papua New Guinea, Sierra Leone, Somalia, Togo, Solomon Islands, South Sudan and Timor-Leste

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