

Coordinating post-conflict aid in Southern Sudan

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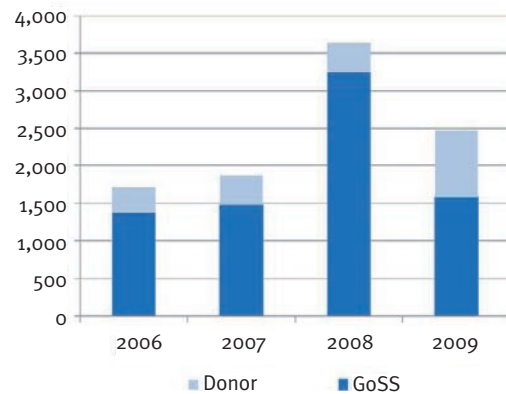
Experiences in Southern Sudan may shed new light on the continuing aid effectiveness debate. Between 2005 and 2009, the then Government of Southern Sudan (GoSS) recorded some significant successes in this area, establishing a government-led approach to aid coordination. It did so by developing its Aid Strategy shortly after the end of the country's civil war. It also aligned coordination structures to its own capacity.

This Background Note from ODI's Budget Strengthening Initiative reviews the background to aid effectiveness in Southern Sudan. It goes on to assess the performance of GoSS's Aid Strategy against its six core principles: alignment, coordination, predictability, harmonisation, institutional development and mutual accountability. It argues that the coordination of aid with the budget planning process led to a rapid improvement in reporting on aid projections, but lack of information on expenditure limited discussions on aid effectiveness.

Background

The semi-autonomous Government of Southern Sudan (GoSS) was established in 2005 after a Comprehensive Peace Agreement (CPA) ended 22 years of conflict between the Government of Sudan and the Sudan People's Liberation Movement (SPLM). Unusually for a post-conflict government, GoSS had immediate access to significant levels of oil revenues with which to finance its budget. From 2006 to 2009, aid was estimated to amount to just 26% of the government's own spending. From the outset, therefore, the coordination of donor activities

Figure 1: Government of Southern Sudan and estimated donor resources 2006 to 2009



Source: Ministry of Finance and Economic Planning.

with government expenditures within a government-led framework was considered a priority.

Aid context: pre- and post-conflict

During the civil war, aid in Southern Sudan was limited to humanitarian interventions. These were carried out by the United Nations, non-governmental organisations (NGOs) such as church organisations and groups, and other non-governmental actors working together with local communities. The UN played a lead role in aid coordination through the Operation Lifeline Sudan programme.

During the peace negotiations, the UN, the World Bank, the Government of Sudan and the SPLM fielded a Joint Assessment Mission (JAM) to identify the country's post-conflict development needs (see Box 1).

Box 1: Southern Sudan Capacity Assessment 2005

‘Southern Sudan starts from a situation of extreme poverty and underdevelopment with weak skills and the virtual non-existence of normal government institutions. The imperative is to establish structures to enable public spending to rise and be absorbed effectively and efficiently as soon as possible ... The scarcity of local capacity and the breadth and depth of needs place a significant premium on donor coordination.’

Source: Joint Assessment Mission Report 2005, Vol. 1, p.56.

Box 2: Southern Sudan’s Multi Donor Trust Fund (MDTF)

The objective of Southern Sudan’s MDTF was to ensure coordinated, flexible and swift donor responses to finance JAM priority expenditures, in the context of a unified budget and coherent public expenditure process. Significant government co-financing was envisaged, and it was anticipated that the MDTF would play a leading role in contracting third parties to deliver government services, in line with the priorities identified in the JAM. It was agreed that World Bank procedures would govern MDTF implementation to provide adequate fiduciary assurance to donor partners, while MDTF implementation would be led by the government, to ensure national ownership.

Fourteen donors pledged financing to the MDTF amounting to almost \$700 million over six years, while GoSS was initially expected to match every \$1 of donor financing with \$2 of its own funding. However, project implementation was slowed by a number of challenges, including ambitious and complex programme design relative to context, limited GoSS capacity to manage complex World Bank procedures, and significant challenges for NGOs in complying with World Bank procurement processes. As a result, more than halfway through the six-year period, less than \$150 million of donor funding had been spent and a perception was maintained of little visible impact (Scanteam, 2007; MoFEP 2009).

Box 3: GoSS Aid Strategy 2006-2010

Key principles:

- I. Alignment; of donor assistance with GoSS priorities
- II. Coordination; of aid delivery with GoSS programmes, to avoid duplication, concentration or neglect
- III. Predictability; of the volume and timing of aid flows
- IV. Harmonisation; of donor activities and programmes
- V. Institutional development; using aid to enhance GoSS capacity
- VI. Mutual accountability; between GoSS and donors

The JAM emphasised the importance of government ownership of donor interventions. It proposed joint donor engagement and the use of pooled funding mechanisms to enable effective coordination and harmonisation, and to minimise fragmentation and unnecessary transaction costs. In particular, it requested donors to work mainly through the Southern Sudan Multi-Donor Trust Fund (MDTF) that was established in 2005 as a part of the Wealth Sharing Protocol of the CPA (see Box 2). However, it acknowledged that while pooled donor funding was desirable, the MDTF would not be the sole funding channel for development assistance. The JAM envisaged that humanitarian and security assistance, and donors’ large ‘flagship’ development projects would be financed through separate channels.

Aid Strategy

When GoSS was established, the Ministry of Finance and Economic Planning (MoFEP) was assigned responsibility for aid coordination. MoFEP started developing the GoSS Aid Strategy almost immediately. Its objective was to: ‘coordinate development aid from international donors, so that it is used effectively and aligned with the priorities of the Government of Southern Sudan’.

The drafting process for the Aid Strategy was participatory, including technical discussions within government and with donors, approval by the Council of Ministers and endorsement by the Legislative Assembly. It outlined the six principles for donor engagement in Southern Sudan (Box 3), established structures for GoSS–donor dialogue, identified the roles and responsibilities of government agencies in aid coordination, and established procedures for aid approval and reporting that were integrated with government systems for planning and budgeting.

The Aid Strategy was based on the following coordination structures:

- the Quarterly Donor Forum (QDF), for systematic government–donor dialogue on fiscal, planning and aid coordination issues
- the Inter-Ministerial Appraisal Committee (IMAC), for evaluation of donor projects prior to their signature by the Minister of Finance
- donor participation in the GoSS Budget Sector Working Groups (BSWGs), to ensure alignment of donor activities with sectoral priorities and reporting of donor financing to the government budget.

MoFEP was realistic about the challenges it faced in establishing a government-led framework for aid coordination, in light of the ad-hoc, donor-led/

NGO implemented situation that pertained before GoSS was established, and GoSS's limited capacity. It therefore kept the coordination processes simple, ensured that all government institutions were involved, and emphasised the need for donor compliance, in order to minimise coordination transaction costs to government.

Performance against the six principles

Alignment

The government defined its priorities at a sectoral level through the three-year Budget Sector Plans produced by the Budget Sector Working Groups (BSWGs). These priorities were refined on a yearly basis during the annual planning process and, in 2008, the government produced a costed statement of its overall priorities for 2008-2011, requesting that 80% of donor funding be directed to the top six development priorities (security, roads, basic education, primary health-care, livelihoods and water).

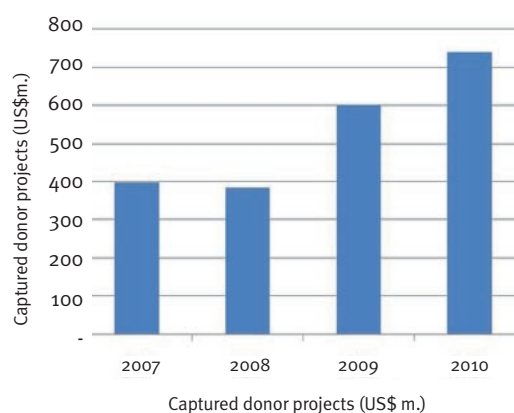
In practice, however, the actual percentage of donor funding to the top six priorities amounted to approximately 60% in both 2009 and 2010, rather than 80%, as GoSS had limited influence over aid allocation decisions made in donor capitals. The role of the IMAC was to ensure that donor projects were aligned to government priorities, but it received projects for evaluation only after they had been formulated and funding allocations proposed. This meant IMAC could focus only on the merits of an individual project, without influencing the overall alignment of aid allocations to government priorities. While it did succeed in appraising an increasing number of projects each year, it was an uphill battle to encourage donors to seek IMAC approval before starting activities, given the long-established donor practice of working directly with NGOs to implement projects. Through regular feedback at the Quarterly Donor Forums, IMAC compliance improved, but coverage remained far from complete.

Coordination

Donor participation in ten GoSS BSWGs constituted the main mechanism for coordination of donor activities across government. Donors were encouraged to participate in BSWGs from 2006, enabling sectors to capture donor projections for the coming three years during the preparation of their Budget Sector Plans, with the information being published in budget documents from 2007, including the Annual Budget Book presented to the Legislative Assembly, and the annual Donor Books.

Donor participation was reviewed regularly in the Quarterly Donor Forum, which was a mechanism

Figure 2: Donor projections reported in the government budget, 2007 to 2010



Source: Ministry of Finance and Economic Planning.

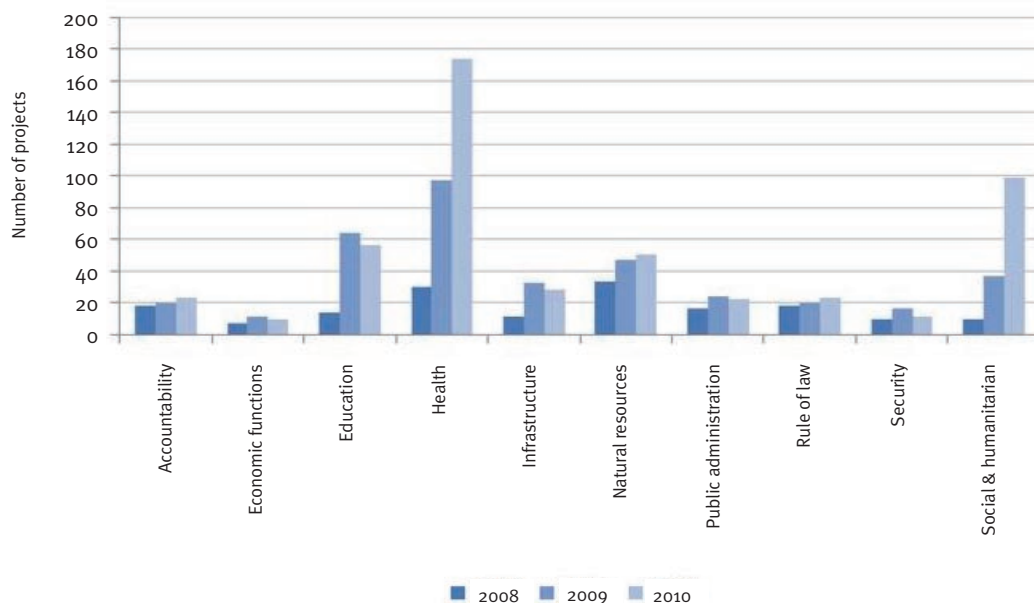
for technical dialogue between MoFEP and donor partners on aid, planning and fiscal issues. MoFEP used the Quarterly Donor Forums to provide candid feedback to donors on their BSWG participation and reporting performance. Encouraging transparency proved to be a successful means of enhancing accountability and ensured donor commitment to government-led coordination.

The aid data collected during the budget process each year enabled MoFEP to carry out annual donor mapping exercises. For 2007, projected expenditures amounted to \$398 million across 21 donors. The following year, the total estimated funding dropped to \$386 m., even though the number of donors reporting increased to 26, as a major donor declined to report. With the inclusion of NGOs in the BSWG reporting process in 2009, estimates shot up to \$600 m. For 2010, the estimate increased further to \$719 m.

The health sector, one of the largest, was one of those most affected by the inclusion of NGOs in the reporting process. Its number of reported projects increased from 30 in the 2008 Budget, before the inclusion of NGOs, to 97 in the 2009 Budget, with projected funding increasing by 50% from \$86 m. to \$131 m. Greater NGO commitment to aid coordination in the health sector was supported by a dedicated NGO focal point employed by an international NGO, who was seconded to the Ministry of Health.

Harmonisation

Even though harmonisation was a key principle of the Aid Strategy, there was widespread project proliferation and fragmentation, with the number of projects reported rising by 300% (from 121 to 495) over a four-year period (Figure 3 shows the number of projects per sector between 2008 and 2010, as

Figure 2: Donor projections reported in the government budget, 2007 to 2010

Source: Ministry of Finance and Economic Planning.

reported in the Budget for each year). Although much of this increase can be attributed to improvements in reporting, the number of projects being implemented, mainly through non-government mechanisms, far exceeded the expectation of the JAM that only donors' large 'flagship' development projects would be financed bilaterally. By 2010, 70% of donor aid was still delivered through bilateral channels.

The health sector saw the greatest proliferation, with 17 different donors reporting 97 projects at the beginning of 2009, resulting in an average health project size of \$1.35 m. During the course of 2009, as donors provided revised figures, the number of projects in the sector rose to 174. The drivers of this fragmentation included the continued use of NGOs to deliver services through small, area-based interventions as government implementation capacity remained weak, combined with the slow pace of expenditure through the MDTF, which dampened the harmonisation momentum. A number of other funds, such as the Sudan Recovery Fund and the Basic Services Fund were established or expanded to try to fill the gap, but were far smaller in size.

Predictability

As Figure 3 illustrates, donor funding was predictable to the extent that donors provided annual estimates of their spending through their participation in the BSWGs. However, the predictability of their funding over a multi-year period was extremely weak, as most donors continued to plan in annual cycles. In 2008, for example, the estimated level of donor funding for

2010 was \$189 m. By 2010, it was \$740 m., an increase of almost 300% on the level of funding estimated for 2010 two years previously.

Mutual accountability

The coordination mechanisms established by the Aid Strategy provided a good starting point for mutual accountability, with the IMAC enabling project appraisal, the BSWGs enabling reporting of aid estimates and activities, and the Quarterly Donor Forum enabling feedback and discussion around fiscal and aid issues. However, achievement of comprehensive accountability was hindered by the inability of donors to provide timely data on actual expenditures, and an absence of results-based reporting and analysis on both sides. As a result, discussions on aid effectiveness were focused on individual projects or instruments, rather than the aid portfolio as a whole.

Institutional development

The Aid Strategy envisaged that aid would be used in a way that enhanced government capacity. However, although the coordination process around aid was tied into the government planning process, the fact that aid did not use government systems limited its scope to enhance institutional capacity, except in projects which had specific capacity-building activities.

Performance evaluation

Of the six Aid Strategy Principles, the coordination principle was the most successfully implemented,

as GoSS established a credible, government-led approach to aid coordination, tied to the budget planning process.

Performance against the alignment principle was weaker, even though the government articulated its priorities, as decisions on fund allocations tended to be centralised in capitals, and donors continued to develop projects bilaterally with NGOs.

Performance against the harmonisation principle was extremely mixed. A number of harmonised instruments existed: the MDTF, the Capacity Building Trust Fund, the Southern Sudan Recovery Fund, the Common Humanitarian Fund, and the Basic Services Fund. The majority of aid, however, continued to be channelled bilaterally with high levels of project proliferation, particularly in service delivery sectors. Weak government implementation capacity limited donor use of government systems, and donors instead continued to use NGOs to deliver services through small, area based interventions. The slow performance of the major pooled fund, the MDTF, also dampened the impetus for harmonisation.

Implementation of the mutual accountability principle was hindered by limited reporting on aid out-turns, while the predictability principle was undermined by the donor practice of planning in annual cycles.

Policy lessons

GoSS's success in developing a government-led approach to aid coordination was the result of a number of factors. It established its Aid Strategy early, and ensured that it was implementable by designing simple coordination structures that involved all government institutions and were aligned to the government's own planning mechanisms. Involving both donors and NGOs in the budget planning process, and providing regular feedback on their participation, encouraged compliance.

Strong coordination processes established government hegemony, and improved information sharing, but contrary to initial expectations, this did not translate into increased aid harmonisation. Although the weakness of the government's implementation

capacity was cited as a key rationale for harmonisation, it conversely turned out to be one of the drivers for continued bilateralism and fragmentation. In the absence of such capacity, and in spite of the existence of harmonised instruments, donors continued to use NGOs to implement projects. The experience of Southern Sudan shows that harmonisation is a medium-term objective, which is not just achieved through the establishment of harmonised instruments. Several other measures are required simultaneously, namely:

- strengthening government implementation capacity, so that the incentive for donors to channel aid through NGOs reduces over time
- designing harmonised instruments that can engage NGOs to deliver services whilst government capacity is being built
- designing and securing donor commitment to a harmonisation road map, with credible commitments on both sides (for the government: establishing coherent coordination processes and strengthening government systems; for donors: division of labour, progressive use of harmonised instruments and transition to government systems).

Southern Sudan's experience also shows that a significant onus remains on donors to improve the results-focus and predictability of their aid in fragile contexts. GoSS played its part by developing a multi-year system for aid planning and reporting, but donors continued to plan in annual cycles and limited their reporting to estimates rather than out-turns and results.

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