

Lessons Learned

June 2016

Developing PFM capacity to support basic service delivery in the fragile context of South Sudan

Technical Assistance for sub-national capacity building in payroll and PFM in South Sudan (EU- TAPP)

In a fragile country such as South Sudan, recently emerging out of conflict, developing an institutional setting for the reliable delivery of basic services is an essential condition for development. South Sudan has chosen for a decentralised model, where service delivery is the responsibility of local government: states and counties. Funds earmarked for service delivery have to move through the financial system: from the national government, to the state ministries, to the counties and then to the departments (i.e. health, education). Sound, trustworthy Public Financial Management (PFM) practices are needed to make the transfer of funds effective and transparent. To achieve this, the Ministry of Finance and Economic Planning (MoFEP) and the Local Government Board (LGB) in South Sudan have produced a PFM Manual for Local Government, accompanied by an implementation plan. The EU funds the project: **'Technical Assistance for sub-national capacity building in payroll and PFM in South Sudan', (EU-TAPP)** to assist the Government of South Sudan in building capacity on a local level to implement the LG PFM Manual. The project is executed by Ecorys and VNG between 2014 and 2016.

The lessons learned during this project are documented in this publication to ensure sustainability of the provided capacity building in South Sudan, as well as bring insights for future projects in providing capacity for PFM to improve service delivery in fragile contexts.

The EU-TAPP team operates in the demanding context of a young country recently emerging from war; as well as a difficult PFM situation at the local level characterised by a lack of effective systems and inadequate human resources. Developments occurring during the project period have further influenced the work being done. Civil war broke out in December 2013, when the project was scheduled to start, leading to a delay of the project as well limiting the scope to seven less affected states out of the total of ten states. On-going hostilities during the project and a difficult security situation requires agility and flexibility from the project team, as well as undermines the capacity building results.

Recently, the direction of PFM reform on the local level has become uncertain, as a Presidential decree to increase the amount of States from 10 to 28 is being implemented. This further demotivates the current state and county staff to prepare budgets and reports due to uncertainty of the future. Additionally, South Sudan has been sent into deep economic crisis through the civil war as well as a recent sharp drop in oil prices. Inflation is approaching 300%, and according to IMF officials this year's deficit could top \$1.1bn – 25% of GDP.¹ On the one hand, this hinders progress in the EU-TAPP project due to little amounts of money going through the government system and high inflation creating value problems. On the other hand, it further evidences the need for good PFM in South Sudan, which would enable donors to provide support by working through government systems.



¹ IMF Staff Completes 2016 Article IV Mission to South Sudan; Press Release No. 16/259; June 1, 2016

Structure and approach

The project is structured as follows:



As set out in the LG PFM implementation plan, the EU-TAPP team is divided in state-based teams, working in State Capacity Building Platforms together with other implementing partners. In this way the project is integrated into the broader Local Services Support agenda, at a national and local level, further implementing key reforms already initiated in the states and counties before the start of the project. The state-based teams operate in the seven blue states in the map below. The yellow states, most affected by the 2013 conflict, are covered by a roving advisor.

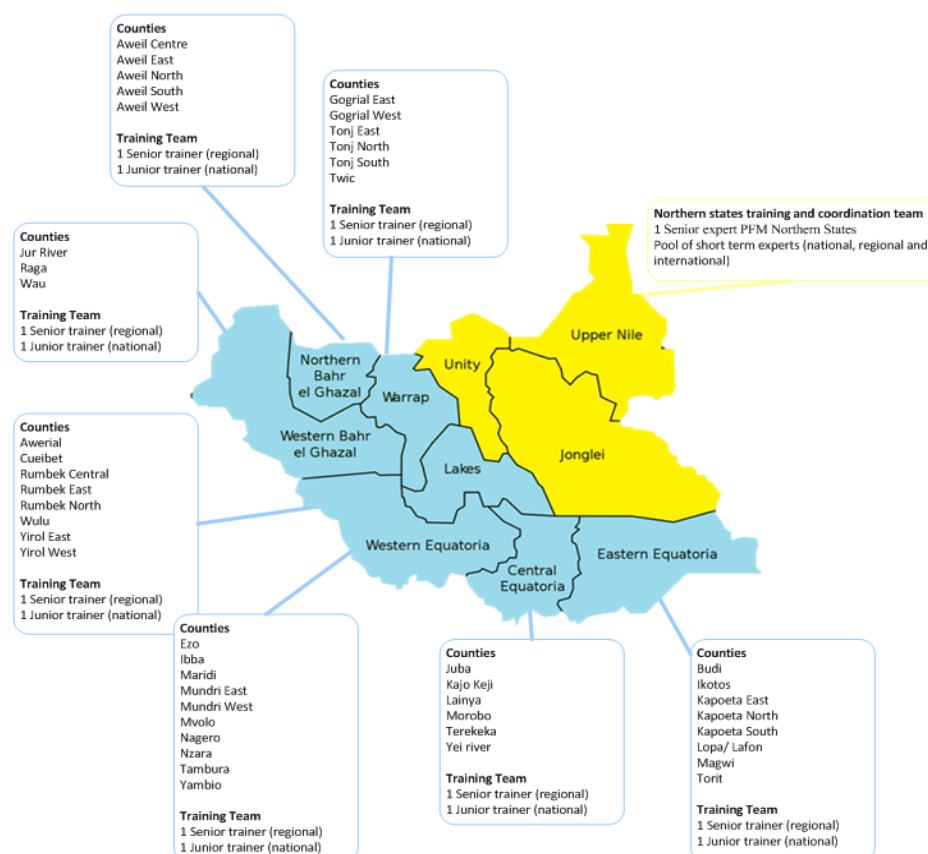


Figure 1

*Please note the division of states and teams above is based on the situation at the start of the project in 2014. Currently, the number of states have increased to 28, but the state-based teams are still situated in the original states.

After undergoing a Training-of-Trainers at the national level, the state-based teams developed work plans, then rolled them out in the states, performing the following functions:

- Advising on local government PFM and payroll issues and helping county governments in implementing, managing and reporting on their public finances to deliver basic services to citizens.
- Further building capacity in the state focal points, through coaching, mentoring and training, acting as resource persons and advisers on key PFM and payroll issues.
- Developing a community of practice (formal or informal) in functional areas (accounting, audit, procurement, payroll, property management, taxation) for local government officers.
- Organizing classroom training for state and county officers.
- Undertaking travel to counties to conduct additional workshops and to provide on the job capacity building support to county staff.
- Producing joint reports to be presented to the CTMC.

Results

The following key results are achieved (amongst others)²:

- The flow of financial resources from the national government to counties has improved, although bottlenecks still exist; counties now have a better understanding of the grants that are due to them and are able to follow up with the SMoF on funds released by the national MoFEP
- Counties have prepared budgets in standard formats prescribed by the LGB, had these approved by their executive councils and submitted these to the states and LGB systems and processes for the handling of cash. Public funds have gradually improved: counties have begun to implement the single treasury account system and the recording of financial transactions in finance forms is slowly improving albeit with difficulties.
- County financial reporting has improved: the counties are producing monthly reports to the SMoF as well as quarterly budget performance reports to the CTMCs through SMoLG.
- CTMCs are set up in 8 of the 10 states of South Sudan and are functional – receiving quarterly budget performance reports from counties, discussing them and submitting reports to the national government and feedback to the counties. This has improved the accountability and reporting cycle for public funds.
- Nominal rolls and establishment structures of counties have been updated, and in most states the payroll has been split between a state payroll and a county payroll.

Reform environment

The success of PFM reform is highly dependent on the context. Especially in a nascent country like South Sudan without a rooted institutional history, the environment is influential on the outcomes of reform efforts. In this section the government structure is explained, as well as the role of the local government, specifically with regards to Service Delivery and PFM. Finally, on-going developments during the project that influenced its outcome are shortly explained.

Government structure

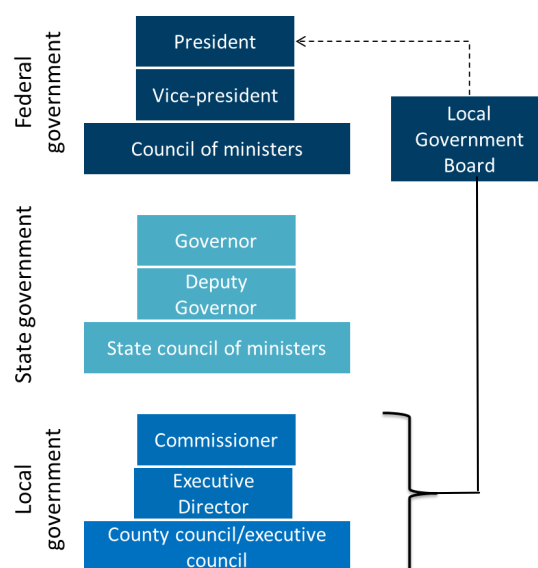
In 2005, the Comprehensive Peace Agreement (CPA) ended the civil war in Sudan, paving the way for the eventual independence of South Sudan in 2011. From then onwards, South Sudan had to build its institutions from scratch. The Interim Constitution of Southern Sudan (ICSS) implemented in 2006 stipulated a decentralized government with three levels, each having its own legislature, executive and judiciary. The executive government was structured as depicted on the next page.

²For more information, please refer to the EU-TAPP Evaluation Report on the Capacity4Development website.

The Local Government Board (LGB) is officially an advisory body for the Office of the President on local government affairs, however over the course of the years its mandate has developed to a more advisory and oversight role to the local government.

On the local government level, according to the Interim Constitution of South Sudan, a county council including elected councilors should form the executive. As no local elections have been held, the executive council consists of the appointed Commissioner, and the Executive Director and Heads of Department as civil servants. Primary responsibilities of Local Government councils are but not limited to (section 24 of Local Government Act 2009):

1. Regulation and maintenance of law and public order
2. Regulation, provision and maintenance of services to the people
3. Land administration and environmental management
4. Encouragement and promotion of local development and provision of access and opportunities for the people to engage in the development of their communities
5. Protection of the rights of the people and their interests.



Local Government PFM and payroll management in South Sudan

As stated above, service delivery is the responsibility of the Local government. In order to be able to perform this function, finances should flow from local revenue and from the national government down to the counties. Sound budgeting, reporting and transferal of funds is highly important in order to provide services and pay the salaries of the service providers. In 2013, the Local Government PFM Manual (LG PFM Manual) was designed, providing policies, procedures and forms for conducting PFM in local government, consistent with the Local Government Act 2009.

The conflict of the past decades (as well as the civil war that had started in December 2013) had left the PFM system in a dismal state. At the start of the EU-TAPP project in 2014, local government (LG) staff did not possess the adequate financial management skills to perform their functions effectively. LG staff did not know or knew too little of the LG PFM Manual, and were not working consistently on budgeting and reporting.

Budget preparation did not take place according to the manual, budgets were not compiled or submitted on time, and neither were they **approved** by county legislative or executive councils. The local government failed to adhere to **budget execution** procedures as set out in the LG PFM Manual, evidenced by poor coding and weak internal controls.

Concerning **budget reporting**, Quarterly Budget Performance Reports (QBPRs) were not being prepared, submitted or discussed by the County Transfer Monitoring Committee (CTMC), which is responsible for checking the reports and approving the transfer of funds to the specific county in the next quarter. CTMCs lacked the skills, knowledge and the capacity to analyse QBPRs and compile reports to the LGB.²

Payroll management was similarly in a dire situation. County nominal rolls were not updated and as such did not cover all departments and employees. County payroll was not split from State payroll, and due to lacking structures and nominal roles, the Ministry of Finance had the final financial control over payroll.



Lessons learned

Over the course of the project period, the EU-TAPP team has learned six key lessons in providing capacity building on PFM and payroll at a subnational level, especially in a context where there is such a great capacity building need, inadequate skills and low motivation among staff, little equipment available and political and security issues threatening the stability of the country and consequently the results and sustainability of the project.



Lesson 1: Work with State-based teams under the capacity building platform approach



The methodology of the project has worked particularly well in the South Sudanese setting. In each of the seven selected states (see figure 1) a state-based team comprising a regional and national advisor are working with selected state officials in a PFM Capacity Building Platform to deliver the capacity building interventions. The teams work with mixed methods: both short capacity building workshops and On-the-Job training (OJT). Having to deal with inadequate skills and low motivation amongst staff, frequent, short capacity building sessions are important to build lasting capacity. On-the-job training further ensures that the skills trained are applied in the daily context. The continuous presence of state-based teams in the

states, and frequent visits to the counties by the same advisors, also contribute to building a sustainable relationship and trust, further easing the work and reforms needed to be done in PFM. As the objective is for staff at county governments to be able to execute the basic requirements of their job functions, process transactions as per the PFM manual, prepare quarterly reports etc., it is necessary to provide them with the technical education but also support them as they actually utilize new tools and skills in their work place.

The availability of staff is a problem in South Sudan, due to high absence and continuous transfers. The inclusion of state officers in capacity building platforms can ensure the sustainability of the capacity built by continuously engaging staff, especially those that continue to resist training. As many of the finance departments are not fully staffed or the staffing structure is uncertain and changing frequently, the identification of “Champions” who are motivated to learn allows for capacity building of key individuals who can then train other staff as staffing becomes more stable. If there are one or two well trained staff in a department they can train other staff especially when they have tools such as the LG PFM Manual available to use as a training tool.



Lesson 2: Use a standardized PFM manual and capacity building approach

In order to ensure that all local government staff, regardless of their geographical location, would receive the same training and use the same tools, the EU-TAPP team has developed a standardized approach for capacity development, also using the standardized LG PFM Manual that was produced by the Ministry of Finance and Economic Planning (MoFEP) and the Local Government Board (LGB) in 2013. A Training-of-Trainer workshop on the standardized approach and the LG PFM Manual has been given to the state-based teams in Juba, after which they have rolled out the approach in the states.

The use of a standardized capacity building approach also mitigates problems regarding staff transfers. Meaning that if a staff member is transferred from one county to another, the same training will have been received by that officer. In the current situation where the number of counties might be significantly increased in the near future, the use of a standardized manual will ensure more sustainability in this process.

Specifically the use of a standardized LG PFM Manual enhances opportunities for coordination with other implementing partners. In the past, various implementing partners started projects with their own PFM manuals, undermining the earlier built capacity. Now, the use of the standard manual enhances complementarity of each other's efforts, building more and more sustainable capacity in the long run. The manuals can also be used by the local government staff themselves as training tools for new staff.



Case Study Yei River County (Central Equatoria State)

In Yei River County the EU-TAPP team has supported the County in compilation of Q1 BPR. The project was not able to support and follow up the county to compile and submit Q2 because the project duration had ended. Lucky enough the County was selected under the LOGOSEED project, thus LOGOSEED supported compilation of 2015/16 Q2 BPR. By the time EU-TAPP returned during the bridging phase Q2 report was already out and EU-TAPP thus supported the county to compile the Q3 report. This was only able to be achieved because the two Capacity Building providers were using the same tools thus each of them could build on what the other has done, building synergies.



Lesson 3: Work with a phased approach in payroll reform, primarily ensuring the right people are in the system

When assessing the situation of payroll management in South Sudan, the EU-TAPP team found that implementation of a computerized payroll system, SSEPS II, had not taken place effectively. In many counties, lack of electricity or hardware had hampered the implementation. In others, the ICT skills of the payroll staff was too low to use the available equipment. Furthermore, there was no idea on how to split the county payroll from the state payroll, as no updated nominal role or staff files of staff on the various levels existed. As such there was no accurate data ready to migrate to payroll software. The team thus decided to focus on having a payroll and nominal roll, first having the right data in place for the eventual implementation of a computerized payroll system. In a context with very low payroll management capacity, it is important to start with the most important issues, ensuring readiness for more in-depth reform.



Case Western Equatoria State – Leading from the front

The team in WES had a specific approach on splitting the payroll, starting with State payroll information, and from there onwards establishing a nominal role per county in collaboration with the key staff from the State Ministries of Labour, Public Service and Human Resource Development (SMLoPS&HRD) and the Heads of Department on a county level. This ensured county level was aware of the benefits, as it opened up funds by filtering ghost workers from the payroll that could be immediately used for recruitment, promotion or service delivery. The counties thus pressured the state to effectively split the payroll.

4

Lesson 4: Create simple and easy-to-use tools for building accountability and transparency mechanisms

Complicated IFMIS systems and reports do not work in a context where both equipment as well as capacity for using and interpreting the systems are inadequate. However, building accountability and transparency mechanisms is essential in building a financial management system, especially in a country with high fiduciary risks such as South Sudan. In response to this, the EU-TAPP team developed a variety of simple feedback mechanisms.

A **grant-tracking tool (GTT)** has been developed and piloted in Western Equatorial State: a set of excel templates designed to capture records of transfers for all grants from national government to the local government on a monthly basis. These are compared to what has been received by the higher levels of government and will reveal any discrepancies. Furthermore, it captures records of annual budgets and compares the budget with the actual receipts to reveal any gaps between budgets and actuals. The GTT improves the timeliness of grants, ensures greater consistency in the grants committed and decreases the likelihood of transfers being diverted. Below an example of the GTT is shown.

TOTAL TRANSFER BY SMoF TO COUNTIES AGAINST BUDGET					
	(A)	(B)	(C)	(D)	
SECTORS	BUDGET 2014/15	ACTUAL RECEIPT BY SMoF 2014/15	VARIANCE 2014/15 BUDGET	TRANSFERRED TO COUNTIES 2014/15	Balance Due B & D 2014/15
EDUCATION	4,560.000	4,560.000	-	3,600.000	960.000
HEALTH	5,400.000	5,400.000	-	4,800.000	600.000
WATER	1,452.000	1,452.000	-	1,440.000	12.000
General Administration			-		-
TOTAL	11,412.000	11,412.000	-	9,840.000	1,572.000

The State-based team in Warrap has introduced a **CTMC feedback mechanism**. The CTMC is an institution mandated to review the QBPRs (Quarterly Budget Performance Reports) from the Counties, and to send an analysis of these to the STMC (State Transfer Monitoring Committee), which then advises the MoFEP on how and whether to transfer funds. However, as the counties did not see any results flow from the QBPRs, the motivation to submit them on time or at all was low. The state-based team in Warrap worked together with the CTMC to provide reviews not only for the STMC, but to send simple, two page reviews with action-oriented recommendations and a timeline to the counties concerned as well. This enhanced motivation on the county side to improve their reporting systems, allowed for follow-up from the CTMC, and increased the quality of QBPRs being produced.

Accountability systems do not only matter within the government, but within the project management of EU-TAPP as well. As part of the M&E framework, the core team performs a quarterly **M&E assessment tool** of 75 questions to assess the progress of the counties. To increase readability and usability of these assessments, the team develops visually attractive **dashboards** of each county. These are used as reporting and knowledge sharing tools, comparing the different counties and stimulating them to improve their performance. An example of the dashboards is shown on the next page. In the reports, the dashboards are further expanded with a description of the findings and planned follow up.

Lessons Learned

Lopa/Lafon county					
EU-TAPP support		Number of beneficiaries (people trained / supported)			
Total days in County	4	Total	22	Male	19
Last visit to County	12/3/2015			Female	03
Staff Available		PFM Indicators		Payroll Indicators	
Executive Director	✓	County has an approved annual budget	✓	County has a fully separated payroll from state payroll	✓
Controller of accounts	✓	County operates a bank account	✓	Nominal roll and single payroll for county staff prepared	→
Planner	✓	County codes all conditional grants correctly	→	Monthly county payroll reports (by sector) are submitted	✓
Establishment officer (payroll manager)	✗	County submits quarterly budget performance report to CTMC	✓		

✗ = NO

✓ = Yes

→ = Partially achieved / ongoing



Lesson 5: Seek opportunities to collaborate and share information with other implementing partners and stakeholders

Coordinating and harmonizing aid efforts are a standard focus of projects in development cooperation. In the case of South Sudan, and specifically when working in subnational contexts on service delivery, this becomes even more important. Due to limited resources available, and security issues when travelling to the various states and counties, the EU-TAPP team collaborates with many other implementing and development partners. For example, workshops in the states are given together with other partners such as LOGOSEED (Local Government and Service Delivery Project), the GESS (Girls Education South Sudan) and the HPF (Health Pooled Fund).



Due to the EU-TAPP project having team members in most of the states, information gathered is relevant for other organisations as well. This information is shared with for example organisations stimulating advocacy amongst civil society (OXFAM), and we also received information (for example for our Grant-Tracking Tool) from the Budget Strengthening Initiative (ODI). Collaborating with these other programmes also increases their understanding of PFM and their role in the process and can improve transparency and accountability. For example, government and NGO actors in the health sector will contribute more to the budgeting process if they understand they can and should be participating and they may also demand more accountability over spending once they understand that they have been allocated funding that they may not have been receiving.



Lesson 6: Be flexible and persistent

Perhaps the most important lesson learned while working in a fragile, post-conflict state as South Sudan, is the importance of being flexible and persistent. The EU-TAPP team has been flexible in its approach: when conflict erupted, the team decided to work with state-based teams in the non-affected states, and a roving advisor in the three conflict states; when the roll out of the payroll ICT systems turned out to be too ambitious, the team worked with ensuring accurate nominal and payrolls on both state and county level, creating reform readiness, etc. Similarly the team chose not to focus on procurement, as no large procurements were possible, but focused on increasing the capacity on budgeting and reporting, the core of PFM. Thus working with a phased approach turned out to be necessary.

In these contexts it is important to work with what works, as well as with who wants to work. In the trainings and On-the-Job training, not all staff members are equally enthusiastic. In order to ensure results, the teams focus on working with the people that were willing to learn, engaging them as champions for reform to activate their peers.

Most of all it is important to persist. In fragile contexts setbacks will ensue frequently, shown here in the cases of civil war, or little political will. This project shows, however, that by persisting, concrete outputs and outcomes can be achieved. The team deems further follow-up of the workshops and OJT will be necessary to ensure sustainability of the results.



Future relevance of EU-TAPP and the lessons learned

The EU-TAPP project, extended with a five months bridging phase, will come to an end in August 2016. However, the results of the EU-TAPP as well as its lessons learned remain valuable for future projects in South Sudan or other fragile contexts.

In the current economic crisis in South Sudan, resulting from years of civil war and a dive in oil prices, the building of sound PFM systems has become increasingly important. The 2016 IMF mission to South Sudan, confirmed: "Demonstrating unity and commitment in the coming months to economic stabilisation and strengthening public financial management will be key steps to rebuilding policy credibility and regaining access to external financial support".³ Further building PFM and Payroll capacity in South Sudan can pave the way for budget support, gaining resources for improved service delivery on the ground. As South Sudan has a decentralized government structure in place with funding from the central government eventually passing down to the county level, it is critical to have sound PFM at the county level.

In light of the presidential decree to increase the number of states from 10 to 28, and with it the number of counties, the approach the EU-TAPP team has used can be further developed for the increase in governmental structures at the local level. Important aspects of the methodology of EU-TAPP such as standardized approaches and easily accessible accountability tools can be used when rolling out PFM capacity building to the new local governments.

Besides these recent developments, to ensure sustainability of PFM capacity building, specifically in a context where the capacity building needs are so high, continuous OJT and workshops are necessary to ensure the skills learned will be effectively implemented. 1,5 years is a short time frame in which to build sound PFM practices from scratch, and further institutionalisation of the work is necessary.

The lessons learned in South Sudan can be applied to similar situations in other fragile states where the PFM capacity building needs are high and equipment and resources are low. Although the approach will need to be flexible and adapted to the local situation, the EU-TAPP approach shows that results in PFM capacity building on a subnational level can be achieved.

Your Take-away

The take-away is the main point of something, like a lesson or presentation, to learn and remember. Please also let us know yours!

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