



Aid Strategy for the Government of the Republic of South Sudan

Ministry of Finance and Economic Planning
Republic of South Sudan

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Foreword

Since the passage of the Government Aid Strategy in 2006 the Government of South Sudan has made considerable progress in managing aid to ensure that it contributes to the achievement of our overall vision for the nation. Coordination mechanisms such as the Budget Sector Working Groups and the Inter-Ministerial Appraisal Committee have been established, a new database for recording and monitoring donor projects has been installed and a number of funding mechanisms have been set up to ensure that aid reduces the burden on government and aligns more effectively behind government priorities. Nevertheless, significant challenges remain, not least the current fragmentation of aid and lack of attention to strengthening government systems for the management of aid delivery.

This revised Aid Strategy has been developed in conjunction with the drafting of the first comprehensive Plan for the new Republic of South Sudan. The South Sudan Development Plan centres on building strong institutions needed to promote a transparent and accountable state, as well as the promotion of private sector-led economic growth and basic service delivery to reduce the incidence of poverty among our population. Aid will play a critical role in the implementation of the Plan, representing a significant proportion of total public expenditure. It is therefore crucial that the government and development partners work harder than ever to improve aid effectiveness across all sectors to secure maximum dividends for the population. This Aid Strategy sets out a framework intended to achieve this objective.

The process of drafting this updated Aid Strategy has allowed us to revisit the core principles of the 2006 Aid Strategy in light of the challenges we have faced, as well as the need to ensure the Strategy remains relevant following the conclusion of the interim period. It has also allowed us to incorporate the key messages arising from the ongoing international dialogue on aid effectiveness in fragile and conflict affected states. Thus, this Strategy is an update of the 2006 Government of Southern Sudan Aid Strategy with a focus on the next five years, at which point the government will review the Strategy again.

The development of the Strategy has gone through several stages of consultation, both within government and with our development partners. Finally, it was approved by the Council of Ministers in August 2011. I sincerely hope that this Strategy achieves its objective of improving the effectiveness of development assistance so that the people of South Sudan benefit fully from the aid provided to them.

Kosti Manibe Ngai
Minister of Finance & Economic Planning
Republic of South Sudan

Executive Summary

Background and objective

Between 2005 and 2010, South Sudan received in excess of \$3 billion in international assistance. In 2006, the Government of the Republic of South Sudan published an official Aid Strategy outlining the process for coordinating and aligning development assistance in South Sudan. This Aid Strategy replaces the 2006 strategy.

The objective of this Aid Strategy is to provide a framework for development partners to improve the effectiveness of development assistance and humanitarian aid delivery in South Sudan, by aligning funding with the Government's core priorities.

Partnership principles

The Aid Strategy is based on a set of principles that are intended to inform the partnership between the Government and its development partners. Development assistance should:

1. Be **Government-owned and -led**.
2. Be **aligned with Government policies** as set out in the South Sudan Development Plan (SSDP) and Budget Sector Plans (BSPs).
3. **Use Government systems and institutions** for public financial management (PFM), policy and service delivery, including at the State level.
4. Be **predictable**, over both the short and medium term.
5. Be **coordinated** and harmonised through sectoral mechanisms.
6. Be **managed for results** with project outcomes tracked alongside sectoral policy outcomes.
7. Be based on the principle of **mutual accountability**.

Mechanisms for aid coordination

The Aid Strategy outlines four key mechanisms for aid coordination:

1. A new **High-level Partnership Forum (HPF)** will provide an opportunity for senior members of the Government and development partners to discuss key strategic policy issues of interest to both groups.
2. The **Quarterly Government–Donor Forum (QGDF)** will serve as the central mechanism for coordination and information exchange between the Government and development partners.
3. The **Inter-ministerial Appraisal Committee (IMAC)** will play a strategic role by reviewing and approving all sectoral Aid Financing Strategies, donor Country Strategies and major aid operations expected to disburse over \$20 million.

4. **Sector Working Groups (SWG)**s will be enhanced through the introduction of a more strategic Sector-based Approach, and a lead donor will be established for each sector.

Underlying the four main mechanisms for aid coordination will be the **Aid Information Management System (AIMS)**, which is an important tool for planning future development assistance and reporting on existing aid operations. Data on the system will be secure, but also publicly available to support effective coordination among partners.

Benchmarks for aid delivery

Drawing on the Partnership Principles, the Strategy sets out six core benchmarks for aid delivery, towards which the Government and development partners will work over its lifetime:

1. Aid is aligned with overall Government and sector policies and plans.
2. Aid is managed by Government institutions and uses Government systems.
3. Aid is aligned with the Government budget cycle and channelled through Government PFM systems.
4. Aid supports institutional capacity and systems.
5. Aid is oriented to the achievement of outcomes.
6. Aid is provided coherently and fragmentation is avoided.

The Aid Strategy sets out the nature of these benchmarks and the role of the Government and its partners in achieving them. The Government does not expect the benchmarks to be achieved overnight. However, development partners are expected to work with the Government to make significant moves towards achieving these benchmarks over the lifetime of the Strategy. The transition to the delivery of aid using country systems will be gradual, carried in collaboration with development partners.

The Aid Strategy is aligned with the principles of the New Deal for Engagement in Fragile States (the New Deal), a new framework for international support to fragile states endorsed at the 4th High-Level Forum on Aid Effectiveness in November 2011. The New Deal recognizes that support for fragile states should focus on **Peacebuilding and Statebuilding Goals**, which are necessary preconditions for sustained development. The Strategy is one of the Government's means of implementing the New Deal by contributing to meeting the **FOCUS** and **TRUST** principles (see Box 6). These principles provide a framework for a new country-owned and country-led engagement and a set of commitments to improve the effectiveness of aid.

Design of aid operations

All aid operations should be designed in partnership with the Government institutions responsible for managing and implementing them, in close collaboration with the respective SWGs.

The Strategy sets out preferences for how different aid instruments should be used, which should guide development partners when designing their aid operations. It introduces two new aid instruments that use Government systems: local services support (LSS), which will support the system of state conditional transfers to fund decentralised services; and budget support, which will be used for funding overall Government service delivery at both the national and state level in support of policy priorities.

A framework for the management of the risk associated with providing aid to South Sudan is also set out.

Implementing the revised Aid Strategy

The framework for monitoring and evaluation (M&E) of the implementation of the Aid Strategy has three levels:

1. Monitoring the implementation of the SSDP and sectors overall.
2. Monitoring of the results of aid operations themselves, using the AIMS.
3. Monitoring of donor performance towards achieving the benchmarks for aid delivery.

This will help the Government and development partners to ascertain the degree to which implementation of this Aid Strategy has contributed to more effective aid and the contribution of that aid towards the achievement of the Government's policies.

In terms of implementation, **the Government is responsible for strengthening its own systems and can create an environment for more effective aid.** In order to achieve this:

1. The Government will establish new and strengthen existing aid coordination mechanisms, and ensure strong leadership of these.

2. The Government will set out clear guidelines for the design and management of aid operations, showing how they can use Government systems.
3. The Government will develop an approach to capacity development.
4. The Government will prepare and implement plans to improve core governance functions, including those which address the specific fiduciary and system risks that concern development partners.
5. The Government will strengthen its policies, plans and delivery mechanisms at the sector level.
6. The Government will agree with development partners clear milestones and temporary safeguards which will allow aid to use Government systems.

In the spirit of mutual accountability, Government expects donors to respond to its efforts to create a conducive environment for aid by **changing the way aid is delivered.** This will require that:

1. Development partners support, use and respond to aid coordination mechanisms and instruments.
2. Development partners increase the amount of aid managed by the Government.
3. Development partners focus their capacity development activities on strengthening Government policies, systems and delivery systems.
4. Development partners provide aid, including project support, that increasingly uses Government systems.
5. Development partners begin to focus project support to the Government on infrastructure provision and institutional development, and away from funding operational aspects of service delivery.
6. Development partners provide LSS for decentralised level service delivery.
7. Development partners provide the Government with budget support, starting at the sectoral level.
8. Development partners reduce the fragmentation of aid.

Introduction

This Aid Strategy sets out the Government of the Republic of South Sudan's principles and framework for the management of development assistance. It is intended to replace the 2006 Aid Strategy and has been developed alongside the South Sudan Development Plan (SSDP). At the end of the six-year Comprehensive Peace Agreement Interim Period, such a review of the Aid Strategy's core principles also provides an opportunity to take into account key developments in aid management, particularly as the new Aid Strategy has a focus on improving the design and effectiveness of future aid operations. The revision takes into account key international agreements on the provision of development assistance to which developed and developing countries have signed up. This includes the Accra Agenda for Action, the OECD principles for engaging in fragile states and the New Deal for Engagement in Fragile States.

Progress in implementing the 2006 Aid Strategy

The Government's first Aid Strategy¹ was approved by the Council of Ministers in 2006, following a consultative process among key stakeholders. In 2007, it was formally endorsed by all development partners and submitted to the South Sudan Legislative Assembly.

The 2006 Aid Strategy was intended to 'co-ordinate development aid to South Sudan within a Government-led framework, so that the people of South Sudan benefit fully from the aid which is provided to them'. It set out key principles (Box 1) based on the 2005 Paris Declaration on Aid Effectiveness. In particular, it aimed to harmonise and align donors' aid delivery, so that development assistance would be provided in a manner that was cost-effective, accountable and aligned with South Sudan's priorities, systems and procedures. The Strategy noted that development assistance, when provided properly, 'can contribute positively to economic growth, especially in countries which have good policies and a strong institutional environment. It can also enhance service delivery, and act as a useful support to Government-led policy reform and capacity building.'

To implement these principles, the 2006 Aid Strategy set out procedural mechanisms designed to ensure that development assistance contributed positively to South Sudan. The key mechanisms were as follows:

- **Budget Sector Working Groups** (BSWGs) were established to function as the main body for Government-wide coordination and planning (including aid coordination). The groups consist of both Government spending agencies and development partners, and currently meet annually in June and July. They are responsible for producing annual Budget Sector Plans, which set Government priorities and expenditure allocations for the next three years, and also map donor support. BSWGs have grown considerably in terms of their capacity and effectiveness related to both strategic decision making and overall coordination since their inception in 2006.
- The **Inter-ministerial Appraisal Committee** (IMAC) was set up to carry out the role of appraising and approving all donor-funded projects within South Sudan. It remains a key achievement of the 2006 Aid Strategy, as it represents a structure for Government ownership over development financing. Its main objective is to ensure that donor projects are consistent with the Aid Strategy, are aligned with Government priorities and avoid unnecessary duplication, concentration or neglect. This applies to all donor-funded projects, including those channelled through third parties such as the United Nations (UN) and non-governmental organisations (NGO).

Box 1: 2006 Aid Strategy principles

1. *Alignment* of donor assistance with Government priorities.
2. *Coordination* of aid delivery 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.

1. Ministry of Finance and Economic Planning, November 2007 Government of South Sudan Aid Strategy 2006-2011.

- The **Government Donor Forum** was established as a mechanism for coordination and communication between the Government and development partners. It has proved a useful mechanism for sharing information at the technical level but has failed to galvanise the political support required.

Significant progress has been made in terms of utilising these mechanisms to ensure that development assistance aligns with the seven Aid Strategy principles. Moreover, flows of development assistance have moved slowly to become increasingly aligned with the Government's development priorities and vision for South Sudan.² However, assistance remains fragmented and in many cases is still provided in a manner that contradicts the 2006 Aid Strategy's intent.

Most challenging is the continued lack of alignment with the Government's priorities. In 2009, 45% of development assistance was aligned with Government expenditure priorities;³ in 2010 this figure had only increased to 51%. This lack of alignment and the continued provision of development assistance through mechanisms that fail to further strengthen Government systems pose a significant challenge to both the Government and its development partners.

Some progress has been made in attempting to harmonise development assistance, with five pooled funding mechanisms established since 2005. However, the overall percentage of funding going through pooled mechanisms dropped from 34% in 2009 to 24% in 2010 owing to the proliferation of bilateral projects over the period. Current data suggest that over 30 organisations are providing assistance on bilateral projects, many of which operate in a large number of sectors. Similarly, fragmentation within sectors remains high, with Health and Education taking up 91 and 65 projects respectively in 2010.

In attempting to redress this situation, the Government and development partners have increasingly focused on issues of mutual accountability and the restatement of Government policies and priorities in order ensure that development assistance is provided for the overall benefit of the people of South Sudan through a Government-led framework. Key policy statements have been as follows:

- The Government and development partners' agreement in 2009 on the Juba Compact and restructuring of pooled funds according to their perceived strengths.
- The Government's statement on basic service provision priorities.
- Publication of three Government donor books.
- Use of BSWGs and the move towards articulating sector strategies both within the BSWGs and with regard to specific agencies (Health and Education).
- OECD principles on State Building and Peace Building, to which Government was a major contributor.
- The 2008 and 2011 Paris Declaration Survey and the 2011 Fragile States Principles Survey.
- The New Deal for Engagement in Fragile States.

2. Ministry of Finance and Economic Planning. April 2008. Expenditure Priorities and Future Needs 2008-2011; Vision 2040.

3. Government Donor Books 2009-2011.

Objective

The Aid Strategy covers all forms of international financing to the Government from development partners, both at the national and the state level.

The objective of the Aid Strategy is to **improve the effectiveness of development assistance and humanitarian aid to South Sudan in support of the implementation of the Government's priorities**, so that the people of South Sudan benefit fully from the aid provided to them.

International assistance, when managed properly, will impart significant benefits to South Sudan, but poor management leads to a culture of aid dependency. The Government intends to work with its development partners to ensure that development assistance strengthens Government systems, increases accountability and supports economic growth. This is best achieved by moving towards a situation where development assistance is aligned with the Government's policy priorities and works through its budget and financial management systems. The Government recognises that it is its own budget and resources that will have the most significant outcome on poverty reduction and growth within South Sudan. Its policy is for development assistance to be provided to South Sudan in line with its priorities and **focused on public infrastructure development, basic service delivery and institutional development** as part of a transition away from humanitarian assistance.

Partnership principles

The Aid Strategy is based on a set of principles intended to inform the partnership between the Government and its development partners. These Partnership Principles must inform both Government policy and development partners in their engagement with the Government and people of South Sudan. The Partnership Principles are as follows:

1. **Government-owned and-led:** This is the overarching partnership principle. The Government must own all development aid, taking responsibility for externally funded programmes and their effective delivery. Full ownership by the Government of aid operations will ensure that assistance promotes, rather than undermines, institutional development. An open and transparent dialogue on the other six partnership principles is necessary if this is to be the case.
2. **Alignment with Government policies:** Aid operations should be aligned with the Government's stated development priorities and policies. The Government specifically requests that its development partners align their support with the aid funding priorities it has set out (for example in the SSDP) and with sector policy priorities set out in Budget Sector Plan (BSP). This will be managed through Sector Working Groups (SWGs), the IMAC and ultimately the High-level Partnership Forum (HPF).
3. **Using Government systems and institutions:** Development assistance should be coordinated with the Government's planning and budgeting systems, as part of an open and transparent dialogue led by the Government with its development partners. Development assistance should adhere to Government financial management, procurement and reporting systems to the maximum extent possible. The Government commits to making efforts to strengthen these systems over time. Aid should also be aligned to the Government institutions responsible for policy, infrastructure and service delivery, in support of the Government's policy of decentralisation. This promotes, rather than undermines, institutional development, building institutional capacity by fully engaging the Government.
4. **Predictability:** Aid must be predictable in both the short and the long term. Development partners should disburse annual aid commitments in full and seek to ensure project aid is spent when Government systems are not used. Where aid uses Government systems, the Government will attempt to ensure the activities it funds in the budget are realised as planned. The realisation of short-term development aid commitments is not sufficient for transitioning from humanitarian provision to long-term development assistance. Funding commitments of development partners should be matched to the government planning process, starting with the SSDP and the Government's three-year Medium-term Expenditure Framework (MTEF), as established through the SWG process. This enables predictable development planning and financing.
5. **Coordination and harmonisation of support:** The Government requests that its development partners coordinate and harmonise their delivery of development assistance through sectoral mechanisms to avoid concentration, duplication and neglect. Furthermore, development partners should ensure aid operations within and across sectors complement each other. This will reduce the management burden placed on individuals, Government agencies and officials.
6. **Managing for results:** The Government recognises the need to measure progress and track project outcomes to ensure the people of South Sudan receive the services promised to them. This requires both the Government and its development partners to ensure that all projects have clearly stated outcomes and outputs, monitored through the Government's systems. It also requires that adequate attention be provided during the design and implementation of aid operations to ensure that institutions and systems have the capacity to deliver such results. In doing so, the Government and its development partners can ensure that the people of South Sudan benefit from both the Government's resources and those of its partners.
7. **Mutual accountability:** The Government fully recognises the importance of providing accountability to development partners and, as such, is committed to establishing transparent, participatory planning mechanisms and strong fiduciary systems within Government. At the same time, it expects development partners to provide full and regular accountability to Government on the performance of their aid operations and on their adherence to the principles of the Government's Aid Strategy, as set out above.

Mechanisms for aid coordination

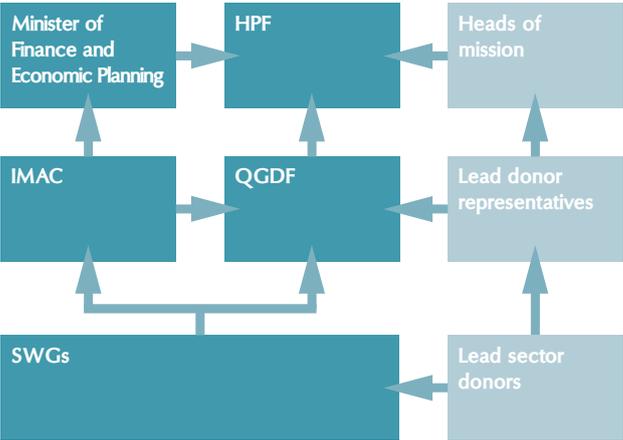
The core principles of the Aid Strategy is that **development assistance be owned by the Government and fully aligned with the Government’s development priorities**. To achieve this, it is important that development partners engage in the Government’s planning process and that development assistance be reflected within the Government budget. Transparency is critical, so all development partners are aware of Government’s priorities and of the processes they need to align and coordinate their aid within a Government-led framework. Participation is essential, so development partners can support the priorities that their aid is to be aligned with and work with Government to identify gaps in capacity and service delivery that require donor support.

As a part of the revision of the 2006 Aid Strategy, the Government has examined the functioning of the participatory mechanisms established to manage development assistance to South Sudan. These mechanisms represented a substantial step forward in managing development assistance and, with the exception of the High-Level Partnership Forum (HPF), have not been modified significantly. The mechanisms are:

1. The **High-Level Partnership Forum (HPF)** which is to provide an opportunity for senior members of the Government and development partners to discuss key strategic policy issues of interest to both groups.
2. The **Quarterly Government–Donor Forum (QGDF)** which will be the central mechanism for coordination and information exchange between the Government and development partners.
3. The **Inter-Ministerial Appraisal Committee (IMAC)** which is to play a more strategic role, reviewing and approving donor country strategies and flagship projects expected to disburse in excess of \$20 million, as well as sectoral aid financing strategies.
4. **Sector Working Groups (SWG)** which will be central to aid coordination, being enhanced through the introduction of a more strategic Sector-based Approach, with a ‘lead donor’ for each sector.

Another important instrument is the **Aid Information Management System (AIMS)**, which is an important tool for both planning future development assistance and reporting on existing aid operations.

Figure 1: Aid coordination structure



High-level Partnership Forum

The **HPF** is a response to an acknowledged need for further high-level coordination and dialogue between the Government and development partners. This meeting will occur on an annual basis, and will focus on key policy issues of interest to both groups. It will be chaired by H.E. the Minister of Finance and Economic Planning and will consist of all key Government Ministers and State Governors.

The meeting will occur in the first six months of each financial year and review the previous year’s budgetary performance, as well as development partners’ ongoing activities and outcomes achieved within the period. It will also be an opportunity to review progress against the SSDP and to discuss Government and development partners’ funding projections across sectors. Finally, the HPF will be a mechanism for monitoring progress by the Government of its development partners in the implementation of this Strategy.

Quarterly Government–Donor Forum

In addition to the HPF, the Ministry of Finance and Economic Planning (MoFEP) on behalf of the Government will convene three QGDFs with development partners. These forums will be the main mechanism for technical coordination of donor activities. They will discuss issues of mutual interest and key aspects of the planning and budgeting cycle. The meetings will be held at a technical level and involve the following representation:

- Government representation will consist of at a minimum the MoFEP and the Office of the President. The Ministry of Foreign Affairs and the Ministry of Labour, Public Service and Human Resource Development will also be invited to attend.

- Donor representation will be limited to the lead sector donors (see below), a lead multilateral donor and a lead bilateral donor. These lead representatives will be chosen from among the donors themselves.

The QGDFs will provide an opportunity for collaborative exchange of information between donors and the Government on topics of interest (e.g. budget execution, international aid initiatives) and key challenges currently being faced in the technical implementation of the Aid Strategy.

Sector Working Groups and the sector-based approach

The **SWG**s, formerly the Budget Sector Working Groups, are the main forum for sector-level planning and budgeting. They are made up of all spending agencies in a sector as well as development partners in that sector. To date, their main function has been limited to the annual preparation of **BSP**s, which set out the sector's objectives, targets and expenditure priorities for the coming three years. The Government intends to strengthen and broaden their role so they are the main mechanisms for advancing the implementation of this Aid Strategy and, more broadly, the Government's policy priorities. They will henceforth be called **SWG**s to reflect this broader role.

This will be achieved through the introduction of a **Sector-based Approach** to policymaking, planning, implementation and monitoring and evaluation (M&E), which will involve the following:

- Elaboration of clear sector policies and plans aligned to the SSDP and setting out the roles and responsibilities of different actors, systems of service delivery and strategies for capacity development.
- Development and review of financing strategies for sector policies, including aid and the way aid will be delivered in the context of the SSDP.
- Development of M&E mechanisms to assess progress in implementing sector policies, plans and budgets.

SWG's will have a central role in coordinating the Sector-based Approach. This will involve both expanding the role of SWG's and deepening the planning process. In order to ensure effective coordination, the Government commits to ensuring that the SWG's meet regularly, at least three times a year:

- A first meeting would review the previous year's performance.
- A second meeting, at the start of the planning process, would involve reviewing performance mid year and identifying priorities for the forthcoming plan period.
- In a third meeting, SWG's would approve the BSP in advance of the budget process.

Development partners' participation in the SWG's is intended to increase Government ownership of aid

operations to ensure overall support is aligned with sectoral priorities as articulated by the sector in their BSPs. Development partners are requested to reflect ongoing and planned aid operations as part of their technical engagement at the sector level. SWG's will review this aid to ensure that it is coordinated, complementary and aligned with the Government's policies

For each SWG, the Government requests that development partners select a **lead agency** to coordinate the international community's inputs into the sector. These agencies will co-chair the sector and, in conjunction with the sector chairs, provide reports to the QGDF on sector progress. Reports on sector performance will be presented by the Government at the HPF on a yearly basis for review. In dialogue on policy and performance issues, donors are requested to agree a common position and communicate this through the lead agency.

The **division of labour** between the Government and development partners within a sector is established in the roles and responsibilities outlined in the BSPs and reviewed on a yearly basis. Development partners are requested to agree a division of labour among themselves with regard to key sectors of support. This means individual donors should harmonise their activities within their portfolio, by limiting the number of small projects funded and by concentrating assistance to some, rather than all, sectors. Where donor headquarters are insistent on engagement in multiple sectors, these agencies should consider engaging in silent partnerships with other development partners, delegating their cooperation to them and working through the lead agency.

The Inter-Ministerial Appraisal Committee and the appraisal of development assistance

The MoFEP is the Government institution mandated to manage all Government budgetary and financial issues, including flows of donor aid. Prior to accepting development assistance, the Government believes it is extremely important to ensure this assistance is in line with its stated priorities and its Partnership Principles.

The **IMAC**, chaired by the MoFEP, has eight core members⁴ and is responsible for approving all aid operations, prior to aid funding documents being signed. **Signatory authority for all donor development assistance rests solely with the Minister of Finance and Economic Planning.** In this regard, the Minister will sign all major donor country strategies and large donor projects, provided they have been endorsed by the IMAC. All spending agencies from within a sector are invited to meetings to discuss projects and strategies that are relevant to their sector.

However, the IMAC will play a more strategic role than it has previously done. In order to do so, it will not attempt to appraise all aid operations but only larger programmes – those which are expected to disburse over \$20 million a

4. Core members are Finance, Regional Cooperation, Office of the President, Legal Affairs, Centre for Statistics, Environment, Gender and the Local Government Board.

year. It will focus on reviewing and approving overall donor country strategies and sector aid financing strategies. When appraising donor strategies and aid operations, the IMAC will seek to ascertain whether 1) proposals are consistent with stated Government policy priorities, as laid out in the SSDP and by SWGs; and 2) have complied with the management cycle and benchmarks for aid delivery in their design, and with associated operational guidelines elaborating these (see below).

Aid Information Management System

The Government commits to maintaining the AIMS to record and track all development assistance in South Sudan. The AIMS will be an important tool for both planning future external assistance and reporting on existing aid operations.

Data on the AIMS database will be secure, but will be available publicly in order to support effective coordination among partners. Information from the AIMS will be included in various planning documents (such as BSPs, the MTEF and Budget Execution Reports), will be used to support various aid coordination mechanisms and will provide the basis for the annual publication of the Donor Book. Information will also be disseminated to the State Ministries concerned.

For the AIMS to work effectively requires development partners to provide timely information regarding all aid operations on a regular basis. Once fully operational, partners will be able to directly input the information into the system via the internet. The Government commits to providing guidance on the required reporting requirements and on how to use the AIMS.

Benchmarks for aid delivery

Drawing on the Partnership Principles, this section establishes six core benchmarks for aid delivery that the Government and development partners will work towards over the five year period of the Aid Strategy:

1. Aid is aligned with overall Government and sector policies and plans.
2. Aid is managed by Government institutions and uses Government systems.
3. Aid is aligned with the Government budget cycle and channelled through Government public financial management (PFM) systems.
4. Aid supports institutional capacity and systems.
5. Aid is oriented towards the achievement of outcomes.
6. Aid is provided coherently and fragmentation is avoided.

The Government recognises that these benchmarks cannot be achieved immediately; achieving them will require significant work by both the Government and development partners, and the process will be iterative. The Government must develop and strengthen its policies, systems and institutions with support from its development partners; development partners are requested to respond to this by making sure aid increasingly uses such policies, systems and institutions. The Government and development partners will monitor progress towards the achievement of these benchmarks.

Aid is aligned with overall national and sector policies and plans

In order to strengthen ownership of development assistance, it is important that aid be aligned with Government policies and plans. This must happen at two levels:

- Overall, aid should be aligned with Government aid financing priorities, which are explicitly stated in the SSDP.
- At the sector level, aid should be aligned with sector policies and plans.

In the development of the SSDP, the Government has established a clear set of policy priorities for the medium term. These are likely to evolve over time and should guide development partner decisions on where to allocate their overall funding. At the sector level, the Government will need to work towards developing the necessary policies and plans to enable policy alignment to happen in a meaningful way. Policies at this level will need to set out clear institutional responsibilities within the sector, systems for service delivery and strategies for capacity

development. This will take longer, and will require the support of development partners. The introduction of the Sector-based Approach in sectors where aid financing is a priority will be important in this regard.

Under a clearer policy framework, the Government will ask development partners to align their support with these priorities. Aid Financing Strategies will be developed as an instrument to facilitate policy alignment, for the SSDP overall and for sectors that represent a priority for aid funding (Box 2).

Box 2: Sector and SSDP Aid Financing Strategies and division of labour

Following finalisation of the SSDP and this Aid Strategy, an Aid Financing Strategy in support of the SSDP will be developed. This will be updated following each iteration of the SSDP and will set out:

- The envisaged architecture of aid financing within sectors.
- The donors involved in each sector.
- Indicative funding levels across sectors over the SSDP period, and any remaining funding gaps in priority areas.

Furthermore, development partners, in their country strategies and in the design of their aid operations, should articulate how their plans are aligned with Government policies. The process of policy alignment will be managed through the SWGs, the IMAC and ultimately the HPF.

Aid is managed by Government institutions and uses Government systems

Currently, the vast majority of aid is managed by donors directly, or transferred to international or local NGOs which manage the funds and deliver services. NGOs have played a key role thus far and will continue to do so in the development of South Sudan. Nevertheless, a core objective of the SSDP and this Strategy is to build stronger Government institutions and service delivery systems. For this to happen, aid must increasingly be managed by Government institutions and use Government's chosen systems for delivery against policy priorities.

A first dimension involves the Government being involved in the management of aid operations. There are three stages to this:

- Government institutions taking part in oversight/management committees of aid operations implemented by non-governmental institutions and monitoring and evaluation assessments.

- Government institutions being responsible for managing aid operations, supported by a Project Management Unit (PMU) in the institution. While PMUs are an important interim step, it is important that development partners only introduce one per Government institution, which should be charged with managing all donor assistance on its behalf.
- Government institutions being fully responsible for managing aid funds using their own institutional structure. In this case, donors can provide technical assistance to Government institutions to support them to perform their functions in managing aid.

The second dimension involves those aid operations increasingly using Government systems (and institutions) for delivery. There are two stages to increasing the degree to which aid is managed by and uses Government systems and institutions:

- Government setting out and implementing plans to improve core governance, systems and implementation capacity at national, sector and state levels. This will involve identification of the key constraints to service delivery and how these can be addressed.
- Alongside this, development partners setting out how they will support the implementation of these plans and increase their use of Government systems as they are strengthened.

A first step in this regard is for sectors to set out clearly the systems and institutions for service delivery in their policies and plans.

In this context, the Government has emphasised the importance of decentralisation and is seeking to strengthen State and County Governments in the provision of local services. Furthermore, it means that the role of NGOs and the private sector will change. Development partners are thus requested to support both decentralisation and the changing role of NGOs (Boxes 3 and 4).

Box 3: Supporting decentralised service delivery

This is best achieved by establishing strong national policies and systems for decentralised service delivery at the centre, rather than directly supporting individual States.

- In the provision of financial aid, aid operations should use central Government transfer systems established for funding decentralised service delivery, and not create parallel funding mechanisms.
- Capacity development activities should support systemic strengthening across states in a consistent manner.

This should lead to development partners supporting sustainable central Government and State Government systems and institutions.

Aid is aligned with the Government budget cycle and channelled through Government PFM systems

A core dimension of Government systems is PFM. It is important that aid funding be increasingly incorporated into the stages of the Government budget cycle, from planning and budgeting through to budget execution, accounting and auditing processes. Table 1 shows the key dimensions of the budget cycle, and how aid funding can use Government financial management systems.

Box 4: The evolving role of NGOs and the private sector

NGOs are likely to continue to play a very significant role over the lifetime of this Strategy. However, their role will change.

- Services delivered by NGOs or private sector organisations on behalf of the Government will increasingly be contracted by the Government and have their contracts managed by the Government. In many sectors, for example Health and Education, this may be an important interim step towards the use of Government systems for service delivery. In some sectors, there may be a permanent role for NGOs and/or private providers in service delivery.
- Direct donor funding for NGOs can continue in areas where Government does not have a mandate – for example activities such as advocacy, transparency, accountability and community mobilisation.

The precise role of NGOs needs to be worked out on a sector by sector basis.

The Government does not expect aid operations to use Government systems in full from the outset. However, there are simple steps development partners can take to use Government systems without any additional risk to their funding. Including aid in BSPs, the annual budget and reports is an example of this.

However, for development partners to begin using Government budget systems in other areas, such as Treasury, procurement, accounting and auditing, the Government will make efforts to address key weaknesses in these areas. In order to enable this to happen, the Government will work in partnership with donors:

- To continue to assess the strengths and weaknesses of its PFM systems regularly.
- To identify and agree to implement actions to address key weaknesses in these systems.

A key first step will be for the Government to put in place the legal framework, including the enactment of the Public Financial Management and Procurement Bill.

While budget support represents the most straightforward way of ensuring aid follows and uses the Government budget cycle, it is important to emphasise that project support has the potential to use all dimensions of the Government budgetary cycle as well. As part of the implementation of the Strategy, the Government will develop guidelines on how project aid as well as budget support can use Government planning and budgeting systems. The government accepts that safeguards will need to be agreed and auditing of donor funds being channelled through Government systems will be required.

Table 1: How external finance should use the Government planning and budget cycle

Planning and budgeting	
Budget sector planning	<ul style="list-style-type: none"> • Three year projections for non-governmental and Government aid appear in BSPs. This information is captured in the AIMS.
Annual budget	<ul style="list-style-type: none"> • All aid funding provided to and managed by the Government forms part of the Government’s annual resource estimate and budget allocations to Government spending agencies. • Aid funding is aligned with the Chart of Accounts.
Budget execution and accounting	
Treasury	<ul style="list-style-type: none"> • Financial aid is disbursed into a Treasury account in the Bank of South Sudan. • Financial aid is managed through Government systems for cash management and expenditure control.
Procurement	<ul style="list-style-type: none"> • Externally funded expenditures use Government procurement systems.
Accounting	<ul style="list-style-type: none"> • Externally financed expenditures are recorded and accounted for using the Government accounting system, in line with the annual budget and budget classification system.
Reporting and auditing	
Reporting	<ul style="list-style-type: none"> • Expenditures and outcomes for all non-governmental and Government aid are captured in the AIMS and the Donor Book. • Expenditures and outcomes for all Government aid appear in relevant budget performance reports, BSPs and budget documents.
Auditing	<ul style="list-style-type: none"> • Externally financed expenditure audited by the Audit Chamber.

Aid supports institutional capacity and systems

Over the past five years, the Government has significantly increased its operational capacity. Development partners have increasingly focused on strengthening the institutional and human capacity of the Government at both national and state levels. To continue to build on this, the Government requires development partners to consider how their operations will develop the capacity of the National and State Government. To date, the approach to capacity building, by both the Government and the international community, has been neither coordinated sufficiently nor comprehensive enough. The SSDP sets out a more coherent strategy for capacity development.

It is important to emphasise that **the best way for aid to support institutional capacity is for aid to use Government policies, systems and institutions, as described in the previous three benchmarks.** However, in order to complement this, aid has an important role in supporting the strengthening of institutional capacity and systems through training, studies and the provision of technical assistance. **Attracting South Sudanese capacity into the civil service** is also a key priority for Government, which development partners should support.

Box 5: Attracting South Sudanese capacity

- Young educated and skilled South Sudanese from the diaspora and within the country represent the best opportunity for building strong Government institutions.
- It is these people who will run the Government in the future and the foundation of future capacity.
- Development partners are requested to support the Government in the development of innovative ways of identifying and attracting South Sudanese to work in the civil service.

Specifically, aid should support institutional capacity and systems at two levels:

- **Addressing systematic weaknesses across Government institutions** in core governance functions and skills areas in a coordinated manner: This must be based on the leadership of the Ministry of Labour, Public Service and Human Resource Development. Programmes should be delivered across Government and at scale. The implementation of piecemeal skills development programmes is not acceptable. The development of governance functions should be led by the Government Capacity Building Strategy and build on institutional needs assessments, to provide institution-specific strategies.
- **Addressing sector-specific service delivery and capacity issues through mechanisms at the sector level:** This involves identification of key constraints to service

delivery at the sector level and specific capacity development needs. It then involves the identification of means to responding to these through capacity development and other activities. Through Sector-based Approaches, the effectiveness of capacity development activities in the sector should be reviewed regularly.

Activities at these two levels must reinforce each other but not overlap. This requires strengthened coordination of capacity development, to be led by the Ministry of Labour, Public Service and Human Resource Development. This means crosscutting capacity development activities need to respond to sector-specific concerns, while activities at the sector level do not duplicate sector crosscutting activities.⁵

Aid is oriented to the achievement of outcomes

The Government recognises the need for it to increase the transparency of its funding allocations and to hold its agencies to account for the activities they undertake. To support the Government in this process, a benchmark for development partners must be the provision of outcome-oriented support. At the highest level, this means financing that is first and foremost aligned with the Government's political priorities and not driven by the policy objectives of development partners. Furthermore, when designing aid operations, activities should be aligned explicitly with the achievement of the Government's policy objectives. Adequate attention must also be provided during the design and implementation of aid operations to ensuring that institutions and systems have the capacity to deliver.

Development partners are requested to **report regularly on the planned and actual activities and outcomes of aid operations** and not just on funding allocations and expenditures. This should be done via the AIMS and the BSP process (see annex 2).

Furthermore, if activities and outcomes are to be achieved as planned, **development partners must provide predictable funding** in line with their commitments set out in BSPs and the annual budget. Development partners should not cut aid within the financial year, as this will adversely affect service delivery, unless there are clear instances of gross mismanagement of funds. Instead, development partners should have the option to cut aid in subsequent financial years.

Nevertheless, Government expects and accepts that donors will make aid conditional on the Government's performance as well. This must be done in a way which strengthens the incentives for the Government to perform. The SSDP sets out targets, and these will be further refined through the development of sector plans and M&E frameworks, in the context of Sector-based Approaches. These indicators and targets form the apex of a performance monitoring framework for the Government and its development partners.

5. For example, donors should not respond to weaknesses in PFM systems in a sector by setting up a new accounting system within a sector Ministry.

Our partners should not cut funding on the basis of failure to achieve outcome targets alone. In cases where targets are not achieved or performance is poor, the Government requests that development partners work with the sectors to identify the key issues underlying poor performance and to work towards improving performance in a constructive manner.

Therefore, **development partners should base their conditions on agreed actions to improve sector outcomes.** The Government and development partners should collectively agree actions (over which Government agencies have control), which are designed to improve sector outcomes, as part of the BSP process. If the Government fails to implement the agreed actions without good reason, development partners should be able to reduce their support. However, if such actions fail to have the desired outcomes, this should not result in cuts to donor support.

Aid is provided coherently and fragmentation is avoided

When donors are designing their overall aid strategies for South Sudan and individual aid operations, they must ensure their aid does not contribute to undue fragmentation and also that it is complementary. Donors must take into account other aid operations and Government-funded activities in a sector and ensure there is not a plethora of small projects across sectors. Aid must not duplicate activities funded by other aid operations or the Government.

In order to reduce fragmentation, the Government requests donors to adhere to the following principles:

- A donor should only engage bilaterally in a sector **if they are providing in excess of \$20m to that sector.**
- When a contribution to a single sector **amounts to less than \$20m, the donor should channel it through a pooled fund**, or engage in a silent partnership with other development partners operating in the sector, delegating cooperation to them and working through the lead agency.
- For capacity building projects which have a dominant Technical Assistance component, any support valued at under \$1m per annum should be given through a pooled fund. Furthermore, these projects are obliged to have a training component for South Sudanese employees or officials, in order to build national capacity.⁶

Aid Financing Strategies, developed as part of the implementation of Sector-based Approaches, and information from the AIMS will be important tools in ensuring complementarity and monitoring the coherence of aid operations. The MoFEP and the IMAC will review compliance with these principles.

Aid is aligned to the New Deal for Engagement in Fragile States

The Aid Strategy is aligned with the principles of the New Deal for Engagement in Fragile States (the New Deal), a new framework for international support to fragile states endorsed at the 4th High-Level Forum on Aid Effectiveness in November 2011. To date, 35 countries and agencies have endorsed the New Deal, including all donors active in South Sudan. The Government was an active participant in the New Deal development through its membership in the g7+ group of fragile states.

The New Deal notes that the Millennium Development Goals, the international standard for measuring human development progress, assume sound institutional, financial and human capacity to deliver services – circumstances that rarely exist in fragile contexts. The New Deal proposes an intermediary step where development partners use the five **Peacebuilding and Statebuilding Goals (PSGs)** as the basis for working in fragile and conflict-affected states. The PSGs represent the pre-requisites for achieving the MDGs and include (1) legitimate politics, (2) security, (3) justice, (4) economic foundations and (5) revenue and services.

To achieve the PSGs, members of the g7+ group of fragile states and development partners have committed to **FOCUS** on new ways of engaging in fragile states and to build mutual **TRUST** by providing aid and managing resources more effectively (see Box 6).

Box 6:

<p>FOCUS A new country-owned, country-led way of engaging through:</p> <ul style="list-style-type: none"> • Fragility assessment • One vision, one plan • Compact • Use country systems • Support political dialogue & leadership 	<p>TRUST A set of commitments to achieve better results through:</p> <ul style="list-style-type: none"> • Transparency • Risk Sharing & Risk Management • Use & Strengthen Country Systems • Strengthen Capacities • Timely & Predictable Aid
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The Aid Strategy is one of the Government’s tools for implementing the New Deal. The table 2 below shows how the Aid Strategy builds on the FOCUS and TRUST commitments made by development partners and g7+ members in order to improve the effectiveness of aid.

6. In exceptional circumstances, the Government might waive this requirement – for example pilot projects supporting innovative approaches to service delivery/capacity development.

Table 2:

NEW DEAL Principles	South Sudan Aid Strategy Benchmarks
<p>Consistent with the FOCUS principles, which commits development partners to align their support to a country-led and country-owned transitions out of fragility based on a fragility assessment, vision and plan.</p>	<p>Benchmark 1. Aid is aligned with overall Government and sector policies and plans</p>
<p>TRUST Principle 3: Use and strengthen country systems. This principle focuses on strengthening national public financial management systems and oversight mechanisms to enable development partners to make greater use of country systems for aid delivery.</p>	<p>Benchmark 2. Aid is managed by Government institutions and uses Government systems.</p>
<p>TRUST Principle 1: Transparency. This principle focuses on the transparent use of aid, to be achieved by tracking aid flows and their contribution to development results. Recipient governments commit to increasing the transparency of budget processes, including aid receipts, while development partners commit to making aid data available in a manner consistent with international standards such as the International Aid Transparency Initiative (IATI).</p>	<p>Benchmark 3. Aid is aligned with the Government budget cycle and channelled through Government public financial management (PFM) systems.</p>
<p>TRUST Principle 5: Timely and predictable aid. This principle recognizes the importance of acting swiftly and predictably in fragile contexts by using simplified and accountable fast-track financial management and procurement procedures, publishing three-to-five year indicative forward estimates of aid, and reporting on aid flows.</p>	
<p>TRUST Principle 4: Strengthen capacities. Recognizing the importance of building critical domestic capacity and strengthening institutions, development partners commit to reducing the number of programme implementation units (PIUs) in government institutions, improving the effectiveness of external technical assistance, reaching agreement on remuneration codes of conduct for national experts and facilitating peer learning among fragile states.</p>	<p>Benchmark 4. Aid supports institutional capacity and systems.</p>

Design of aid operations

The preceding section set out key principles and benchmarks for aid delivery and the mechanisms by which aid will be coordinated. These must be at the centre of the designing of aid operations. This section sets out some core principles showing how aid operations should be designed.

Working with Government institutions

All operations should be designed in partnership with the Government institutions that will be responsible for managing and implementing them, in close collaboration with the respective SWGs. Where the Government implementing agency is initially unclear, the development partner will work with the SWG, through *ad hoc* sector meetings as required to identify a lead Government agency.

In circumstances where aid is multi-sectoral, the MoFEP will be the lead Government counterpart, unless agreed otherwise. The design process must include consultation with State Governments, as they are responsible for the actual delivery of services. The IMAC and the MoFEP remain responsible for approving all development assistance prior to implementation.

Furthermore, aid operations should explicitly put institutions and systems for the delivery of infrastructure and services at the heart of design. Development partners and the Government should therefore support the identification of the major constraints to improving infrastructure and service delivery within sectors, and factor the implementation of strategies to overcome these constraints into the design of aid operations and BSPs.

Choice of aid instruments

Currently, all development assistance to the Government is provided in the form of either standalone or pooled project support, which funds much of Government service delivery. Many of these projects are fragmented. International and local experience has demonstrated that conventional project funding of service delivery is not a durable way to build sustainable systems for service delivery.

Therefore, over the lifetime of this strategy, the Government would like to see development partners start to provide aid in the form of two other instruments: local services support (LSS) and budget support. Table 3 (overleaf) sets out the preferred ways to use these instruments and project support.

An aid operation may include more than one instrument. For example, a pooled fund could include a combination of LSS⁷ to support the costs of service delivery and project support to fund capacity development activities. Pooled funding of

aid operations is preferred to standalone operations. The Government prefers grant financing as opposed to loan financing. The Government will also develop a debt strategy, which will set out principles for Government borrowing.

Managing risks

Furthermore, the Government understands there are significant **risks** for development partners with regard to providing development assistance in South Sudan. The Government and development partners should jointly identify the major risks associated with the provision of support, especially in the case of LSS and budget support, and develop **Risk Management Strategies** in all instances. These will set out the key risks in using Government delivery and financial management systems and strategies for addressing them. Temporary safeguards will be agreed as a means of reducing risk, to be removed once Government systems are strengthened.

Box 7: Rapid delivery of infrastructure

A key early priority will be the rapid development of public infrastructure in South Sudan – such as roads, schools, health centres and power. To date, external project support has been slow to deliver in this regard, with donor procurement procedures often not well-suited to delivering rapid progress. The Government would like to work with development partners to develop an approach to project support that enables rapid delivery of infrastructure across South Sudan.

Table 3: Preferred use of aid instruments:

Instrument	What is it?	Preferred Use of Instrument
Standalone project support	<ul style="list-style-type: none"> Project support is funding which is kept separate from mainstream Government expenditures Any aid separately identifiable from expenditures in Government plans, budgets and reports is considered by the Government as project support Project support can use Government planning, budgeting, procurement and financial management systems 	<ul style="list-style-type: none"> The preferred use of project support in support of service delivery is for large-scale public infrastructure projects and humanitarian aid Project support is also an effective vehicle for the provision of time-bound technical assistance and capacity building, when the Government leads in the process Where project funding funds the operational costs of service delivery and/or small-scale infrastructure, this should be at the Government level As they are strengthened, projects should use Government procurement and financial management systems and processes Pooled project support is preferred to standalone projects
Pooled projects	<ul style="list-style-type: none"> Pooled funding is a form of project support but is jointly funded by multiple donors, providing a more coordinated implementation mechanism 	<ul style="list-style-type: none"> The preferred use of LSS is for State- and County-level service delivery and community development through conditional transfers Specific and temporary safeguards may be put in place where there are significant weaknesses in Government systems, until such a time as those weaknesses are addressed The objectives of LSS should be linked to the achievement of sectoral outcomes set out in the SSDP and elaborated in BSPs. In doing so, it can strengthen sectoral systems for service delivery at both national and state levels
Local Services Support	<ul style="list-style-type: none"> LSS is disbursed directly to the Government Treasury and uses Government planning and budgeting systems LSS will be earmarked to specific conditional state and county transfers LSS funded expenditures will be separately identifiable in the expenditure budget LSS may be jointly funded by multiple donors, or by a single donor 	<ul style="list-style-type: none"> Budget support is the preferred mechanism for funding overall Government service delivery at national and state levels in support of Government expenditure priorities Provision should be linked to overall achievement of Government priorities set out in its development plan and elaborated in BSPs Budget support also can support improvements in systems for PFM, public service management and decentralised service delivery
Budget support	<ul style="list-style-type: none"> Budget support is disbursed directly to the Treasury and uses Government planning and budgeting systems General budget support is un-earmarked and allocated through the Government budget. Sector budget support may be earmarked to specific sectors or sectoral State transfers Expenditures funded by budget support will not be separately identifiable in the budget 	<ul style="list-style-type: none"> Budget support is disbursed directly to the Treasury and uses Government planning and budgeting systems General budget support is un-earmarked and allocated through the Government budget. Sector budget support may be earmarked to specific sectors or sectoral State transfers Expenditures funded by budget support will not be separately identifiable in the budget

Implementing the Aid Strategy

If this Aid Strategy is to be implemented successfully, the Government must be increasingly involved in the management of aid, and more aid should be channelled through Government systems. The reality of aid delivery is very different at the outset.

This section first sets out the framework for monitoring the implementation of the Aid Strategy. It then sets out the key actions the Government will take to strengthen its policies and delivery systems, thus creating the conditions for more effective aid. Finally, it sets out the required response from development partners, changing the way aid is delivered and ensuring it is increasingly managed by the Government and uses Government systems.

Monitoring the implementation of the Aid Strategy

The framework for monitoring the Aid Strategy's implementation has three dimensions:

1. The framework for the M&E of the implementation of the SSDP and its successors and of plans at the sector level by the Government and development partners will enable assessment of the achievement of Government policy outcomes. It will also allow the Government to monitor the degree to which its policies, systems and institutions have been strengthened.
2. The framework for monitoring the results of aid operations themselves, through the AIMS, will enable the Government and development partners to assess the degree to which external aid is contributing towards the achievement of Government policy outcomes and the strengthening of Government systems and institutions.
3. The third dimension relates to the monitoring of donor performance individually and collectively, in moving towards the benchmarks for aid delivery set out in this document. Indicators for monitoring these benchmarks are set out in Annex 1.

Strengthening Government systems and creating the conditions for effective aid

The Government has the primary responsibility for ensuring that this Aid Strategy is implemented successfully and that development assistance successfully supports the implementation of its policies and the development of South Sudan. It is the Government that can create an environment for more effective aid. In order to achieve this,

1. **The Government will set out an overall Aid Financing Strategy** which will set out its priorities for funding, levels of funding required, preferred aid instruments and a suggested division of responsibilities. This will be updated periodically.
2. **The Government will establish new and strengthen existing aid coordination mechanisms, and ensure strong leadership of those.** This includes establishment of the HPF and strengthening the roles of the QGDF, the IMAC and SWG.
3. **The Government will set out clear guidelines for the design and management of aid operations and how these can use Government systems.** These will include guidelines for aid using Government budget systems and principles and frameworks for project aid and LSS.
4. **The Government will develop an approach to capacity development.** This will include a framework for coordinating capacity development and guidelines for the design and management of technical assistance and training.
5. **The Government will prepare and implement plans to improve core governance functions, including those which address the specific fiduciary and system risks which concern development partners.** This includes areas such as PFM, public service management and decentralisation. Regular assessments of progress in these areas will be made.
6. **The Government will strengthen its policies, plans and delivery mechanisms at the sector level.** Initially, the Government will focus on the sectors that are priorities for aid funding in the SSDP, establishing two Sector-based Approaches within the first year of implementation of the Aid Strategy. Progress will be monitored regularly through sector M&E systems.
7. **The Government will agree with development partners clear milestones and temporary safeguards which will allow aid to use Government systems.** This will need to take place for core governance functions as well as at the sector level. Specifically, the MoFEP will develop a plan to address key fiduciary risks in aid using Government PFM systems in the first year of Aid Strategy implementation.

Changing the way aid is delivered

In the spirit of mutual accountability, the Government expects donors to respond to its efforts to create a conducive environment for aid. This will require that:

1. **Development partners support, use and respond to the aid coordination mechanisms and instruments** established by the Government. Among themselves, donors will establish their own coordination structures to enable them to do this. This also means partners behaving in a transparent and accountable manner, using instruments such as the AIMS, Aid Financing Strategies and BSPs.
2. **Development partners increase the amount of aid managed by the Government.** This means progressively increasing the degree to which the Government is involved in the management of aid. It follows that development partners should reduce the amount of aid funding that they manage directly or provide directly to NGOs.
3. **Development partners focus their capacity development activities on strengthening Government policies, systems and delivery systems** within the framework established by the Government.
4. **Development partners provide aid, including project support, which increasingly uses Government systems.** Development partners will from the outset make efforts to use elements of the planning and budget cycle which do not add risk to their funding. As the Government achieves agreed benchmarks in strengthening its systems or puts in place agreed safeguards, development partners will respond by using other elements of Government systems.
5. **Development partners begin to focus project support to Government on infrastructure provision and institutional development, and away from funding operational aspects of service delivery.** Furthermore, projects should be designed in such a way that they deliver this infrastructure rapidly.
6. **Development partners provide LSS** as a mechanism for funding decentralised delivery in state, county and ultimately community level.
7. **Development partners provide the Government with budget support, starting at the sectoral level,** during the lifetime of this Strategy.
8. **Development partners reduce the fragmentation of aid** by focusing on fewer sectors, engaging in harmonised funding mechanisms and reducing the number of small aid operations.

Conclusion

This Strategy has set out the principles, coordination mechanisms and benchmarks for aid in South Sudan, and guidelines for the design of aid modalities. Overall, it sets out a clear framework for the management of aid and a clear direction for changing the way aid is delivered.

Implementing the Strategy will require significant effort on the part of both the Government and its development partners, but together they will be able to make significant strides towards the achievement of the benchmarks for aid delivery. This in turn will both support improvements in the effectiveness of aid and ensure that aid supports the achievement of Government policy priorities.

In this way, aid has significant potential to support the building of the Republic of South Sudan and the welfare of its people.

Annex 1: Indicators for monitoring donor performance⁸

Benchmark / Indicator	Definition
1: Aid is aligned with overall Government and sector policies and plans	
1.1 % aid provided to SSDP priority programmes from total aid funding	Defined as those programmes identified as priorities for aid funding in the Aid Financing Strategy and subsequent Sector Aid Financing Strategies
1.2 % of donors with a currently valid CAS submitted to the Government along with IMAC Form 1	Defined as the number CAS submissions to MoFEP
1.3 % of sector aid financing strategies with donor funding over \$20million approved by IMAC	Defined as the number of Sector Aid Financing Strategies (over \$20m) reviewed by IMAC in a given FY
1.4 % of aid operations over \$20 million reviewed by the IMAC	Defined as the percentage of aid operations over \$20m reported in the AIMS that are reviewed by IMAC
2: Aid is managed by Government institutions and uses Government systems	
2.1 % aid for which the Government has a management role	Defined as where the Government is either a Chair or Co-Chair of the Steering/ Management Committee for the aid operation
2.2 % of sectors with a full Sector Based Approach	Defined as where a sector has a clear policy and strategy; an elaborate Budget Sector Plan; a functioning M&E system and established donor coordination mechanisms
2.3 % aid directly managed by Government institutions	Defined as where funds are directly managed by the ministry, whether by mainstream staff, contract staff or PMU reporting directly to GRSS staff
2.4 % aid provided as LSS, RIDF or budget support	Defined as where funds are disbursed according to LSS/RIDF framework or are disbursed directly into the government single treasury account
3: Aid is aligned with the Government budget cycle and is channelled through Government PFM systems	
3.1 % donor agencies providing indicative three-year sector level commitments by the deadline in the budget process	Defined as where a donor agency enters 3 year information into the AIMS by the deadline requested in the Aid Call Call Circular
3.2 % donor agencies providing indicative and firm annual programme allocations by the deadline in the budget process	Defined as where a donor agency enters 3 year information into the AIMS by the deadline requested in the Aid Call Call circular
3.3 % sectors preparing full sector aid financing strategies	A full aid financing strategy is one which give details on how the sector plans to meet AID strategy bencham
3.4 % aid incorporated in detailed budget estimates and Appropriation Act	Defined as where aid allocations feature in the appropriation act
3.5 % aid disbursed to RSS Single Treasury Account	Defined as where funds are disbursed directly into the government single treasury account
3.6 % aid managed through the Financial Management Information System	Defined as where aid is managed using the Freebalance FMIS, where reports are generated using the full Government chart of accounts
3.7 % of aid using government procurement systems	To be determined
3.8 % donors reporting on time to the AIMS on a quarterly basis	Defined as the percentage of donors reporting on time as set out in the Aid Call Circular / Budget Timeline
3.9 % aid audited by the Audit Chamber	To be determined
4: Aid supports institutional capacity and systems	
4.1 To be determined	To be determined
4.2 To be determined	To be determined
5: Aid is oriented to the achievement of outcomes	
5.1 % projects reporting on planned and actual activities & outputs in the AIMS	Defined as the number of project entries in the AIMS which report on actual outputs
5.2 % of annual aid allocations reported as spent in the AIMS	Defined as the percentage of donor allocations reported as spent
5.3 % sectors with agreed performance measurement frameworks	Defined as the percentage of sectors with agreed performance measurement frameworks
6: Aid is provided coherently and fragmentation is avoided	
6.1 % of aid provided through harmonised mechanisms	Defined as aid channelled through pooled mechanisms & silent partnerships
6.2 % of bilateral programmes disbursing at least \$20m per annum	Defined as the percentage of all bilateral programmes disbursing at least \$20m per annum
6.3 Average annual aid disbursement by a donor to a sector	Defined as the average disbursement by donors at the aggregate and sector level
6.4 Average number of sectors a donor is engaged in	Defined as the number of sectors in which a donor is disbursing funds
6.5 Average size of aid operation	Defined as the total aid disbursed in the year divided by total number of aid operations reported on in the AIMS

Annex 2: Aid and the budget cycle

Planning and budgeting

The Government wishes to ensure that donor information on expenditure projections and outturns are incorporated in the annual budget and MTEF. This is important in terms of both accountability and alignment of donor aid within a Government-led framework.

In order to achieve these objectives, both the Government and its development partners must work together to ensure that information is:

- Aligned with the Government's budget classifications, including programmes and activities, operating and capital;
- Provided for Government- and non-Government-aligned aid;
- Provided in a timely fashion; and
- Is accurate.

Development partners are requested to provide the MoFEP with projections of funding for aid operations and activities, on a sectoral basis, including those contributions channelled through non-Government mechanisms, for the following three financial years. This information will be used for coordination purposes and will be provided to the MoFEP and each SWG on a quarterly basis as directed by the government. In particular, the MoFEP will require information:

- prior to the annual planning process – indicative allocations and activities for review by the sectors; and then
- at the start of the budget process, at which donors should provide firm commitments for the forthcoming financial year.

Development partners are requested to provide the MoFEP with indicative commitments at a programme level for every aid operation within their portfolio for the next three financial years. The project information must be clearly mapped to sectors and Line Ministries, to activities/programmes within Line Ministries and to geographic locations (at a minimum to the States involved). This information should be provided using the AIMS.

Budget execution, accounting and audit systems

To ensure that this takes place, to enhance transparency and to minimise the management burden placed on the Government, **donor funds channelled through or managed in conjunction with the Government should be governed by the same fiduciary and financial management procedures that apply to Government expenditures financed by domestic revenues.** This refers to the Government's systems for opening and managing bank accounts, payments, procurement and accountability, as established by the MoFEP and the Auditor General.⁹

Reporting and auditing

The Government has established a system for aid reporting and evaluation, which is transparent and participatory and pays adequate attention to the evaluation of outcomes. Too often, donor aid projects are measured in terms of the amount of money spent rather than the outcomes achieved, and new projects are formulated before the outcomes of existing projects have been evaluated properly. The existing AIMS reports not only on expenditure but also on project outcomes to ensure that development assistance can become more effective. This must be maintained in the new AIMS.

Just as they must appear in BSPs, partners must report on all aid operations, including those that do not use Government budget execution and accounting systems. Furthermore, at the closure of each operation, donors will be asked to submit an end-of-project report to the relevant SWG and the MoFEP. The MoFEP will each year request specific sectors to evaluate lessons learnt from project implementation and outcomes within the sector, and every year will produce a donor project evaluation report which summarises the lessons learned from each sector's report.

9. Guidelines will be prepared by the MoFEP as to how this can be achieved for different aid modalities.

Annex 3: Development of innovative aid operations

A key way to kick start the implementation of the Aid Strategy will be for the Government and development partners to jointly design and start to implement a number of innovative aid operations within one year of finalisation of the Aid Strategy. These are intended to support the achievement of priorities set out in the SSDP and to start the process of strengthening and using Government systems:

- LSS funding of conditional state transfers for service delivery in the Health and Education sectors;
- The establishment of a fund for rapid delivery of large-scale public infrastructure, focusing on roads, water and energy. As identified in the SSDP, insufficient infrastructure is a major constraint to economic and human development and will be a key priority for South Sudan following independence. The focus of the fund should be on construction of asphalted inter-state trunk roads, construction of water supply systems in major urban centres and electricity generation and distribution networks in major urban centres;
- An enlarged Capacity Building Fund focused on building core governance functions.

The Government will still require more conventional project support at the national level to complement these initiatives in the near term. Furthermore, additional LSS and pooled funding operations will be developed subsequent to these instruments. It is envisaged that preparation of budget support operations will begin within the first three years of Aid Strategy implementation.

