

**UNDP-REPUBLIC OF SOUTH SUDAN**

***CAPACITY BUILDING PROGRAMME FOR STRENGTHENING CORE PUBLIC FINANCIAL MANAGEMENT FUNCTIONS AT THE SUB-NATIONAL LEVEL FOR IMPROVED LOCAL SERVICE DELIVERY AND HUMAN DEVELOPMENT***

**PROJECT DOCUMENT**

|  |  |
| --- | --- |
| Country: | South Sudan |
| Executive Entity: | UNDP |
| UNDAF Outcome(s) | Within the UNDAF for years 2013-2016, the project support outcome 1: Core governance and civil service functions are established and functional |
| Country Programme (CP) output 3: | Budget allocation and expenditure shift to target pro-poor priorities |
| Expected Project Outputs: | * Established sustainable and efficient domestic resource mobilization system with well-trained national staff to independently manage the system from national through states to local government levels; * Gradually diversified the fiscal revenue base away from near- complete dependence on oil revenue; * Improved budget execution and expenditure management and efficient utilization of public fund at all levels of government, and gender responsive multiyear resource allocation by MOFEP in seven states; * Developed technical skills of the state legislative assembly select committees to be proactive in their oversight responsibilities especially in the seven states, and improved accountability and management of public resources; |
| Project Partners | * Ministry of Finance, Commerce, Investment, and Economic Planning; State Ministries of Finance; Office of the President |
| Time Frame | * 2years |

Programme Period: 2014-2016

Programme Component: Human Development and Inclusive Growth

Atlas Award ID: 00064179

**Start Date: Sept.2014**

**End Date: Augt. 2016**

Management Arrangement: Direct Implementation Modality (DIM)

Total resources required: USD5 770,365.34 million

Total allocated resources: Nil

* Regular \_\_\_\_\_\_\_\_\_
* Other:
  + Donor \_\_\_\_\_\_\_\_\_
  + Donor \_\_\_\_\_\_\_\_\_
  + Government \_\_\_\_\_\_\_\_\_

Unfunded budget: USD 5,770,365.34

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**A. SUMMARY**

The Republic of South Sudan, jointly with development partners, has been implementing a wide range of PFM initiatives in the country at the national, state and country levels. The first PFM Bill was passed in 2011. However, despite these positive steps, a wide range of institutional weaknesses persist which ultimately affect local service delivery and multi-dimensional poverty reduction efforts at the sub-national level. Weak implementation of the legal and institutional framework at the sub-national levels within a unified, harmonized framework remains a key challenge. The sub-national governments are not yet equipped to perform their functions and meet their Constitutional mandates. Moreover, the recent crisis resulted in severe setback in three states while lesser obstacles remain in the other **seven States.** The proposed project would help enable the sub-national government counterparts to discharge their functions effectively and independently. Specifically, while complementing and taking forward existing efforts made by the development partners at the national level and envisaged at the county level. UNDP will seek to undertake a systematic capacity building plan at the state level while reinforcing adherence to national PFM regulations.

**PROJECT RATIONALE IN THE CURRENT ENVIRONMENT**

The current security situation in South Sudan has an uncertain outlook particularly in the conflict affected states, which is likely to persist into the foreseeable future. In this environment, it would be critical to help the country maintain core PFM performance functions while consolidating the gains made at the sub-national levels, with UNDP support would also contribute to mitigating the risks of conflict spill-over in to the relatively peaceful states, and alleviate any potential adverse development fallout at the local level.

The proposed technical knowhow transfer project is strategically designed to build on, intensify and sustain the Government of South Sudan’s efforts to strengthen and close the gaps in the current financial management system. The project is aimed at nurturing national and local ownership of the technical PFM skills diffusion agenda at all levels of government. It is specifically designed around national priorities and PFM regulatory processes. The implementation of UNDP’s SDPFM project since 2008 has generated a number of valuable lessons including on financial sustainability and exit strategy. These have been factored into the design of this project.

The need for efficient resource mobilization, accountability, equitable distribution and allocation for urgent service delivery to mitigate the impact of the conflict on the women and children and the mass population as whole is fundamental to any sustainable peace and social cohesion. At this critical period in the history of South Sudan, progressive development is necessary to rebuild the breakdown of government systems; restore trust and confidence; improving economic livelihood; and above all creating an environment for post-conflict reconstruction.

**A1. BACKGROUND**

Decades of marginalization and war have resulted in a near complete lack of policy and regulatory frameworks, minimal government capacities, negligible social services and tremendous infrastructure gaps across the country. In this context, the legitimacy of post-conflict government in the eyes of its citizens is crucial in building sustainable peace, social cohesion and trust in government. The ability of government to sustainably expand the domestic resource base and allocate these resources in a transparent and equitable manner for service delivery constitutes the very foundation for building public trust and confidence in government. In this sense, budget execution and expenditure management are bound by political imperative as well as economic logic. [[1]](#footnote-1)

The task of social service delivery and infrastructure development in South Sudan primarily falls on the sub-national government level, where resources are most limited and public financial management (PFM) capacity is weakest. The Transitional Constitution (2011) specifies a three-tiered system of decentralized government: national, state and county. While the majority of high-yielding revenues (oil exports, corporate taxes, PIT, dividend tax, Capital gain tax) are collected at the national level, the Constitution, together with the Local Government (LG) Act 2009 devolves responsibility for primary service delivery and infrastructure building to states and counties.

These mandates however, remain largely unfunded. UNDP’s proposition is that these basic service delivery gaps erode the very basis of trust building by the citizens in nascent government institutions in a conflict- prone and fragile environment. The current conflict is a stark reminder of the need to underpin political stability with development progress. This in turn is a non-starter without appropriate and robust sub-national PFM processes in place that underpin enhanced domestic resource mobilization and its equitable and transparent allocation. Thus the Institutional capacity of the public sector needs to be strengthened to restore credibility and legitimacy in the eyes of the general population who have faced multi-dimensional deprivations exacerbated by the renewed conflict.

***Table 1***

***B1. Most revenue accrues at national level, but service delivery is at local government levels***

|  |  |  |
| --- | --- | --- |
|  | **Revenue** | **Social service delivery responsibility** |
| **National** | Most revenue arrives $ |  |
| **State** |  |  |
| **Counties** |  | Most service are delivered here  D:\Deft Communications\Work Profile\Jamida\tap.jpg D:\Deft Communications\Work Profile\Jamida\washing hands.jpg |
| **The largest sources of revenue (oil, customs, sales tax, VAT, Business Profit Tax) go to the national government, but the major expenditure responsibilities for service delivery lie with state and country authorities. There are therefore, vertical imbalances, between revenues and responsibilities (Unfunded mandates).** | | |

***\*the internally generated revenue at the states and county levels is inadequate to compensate imbalance in transfers from the national government for service delivery responsibilities. This is due to weak domestic resources mobilization systems at the local government levels\****

**B2**. In the context of such a vertical imbalance, State Ministries of Finance, the State Legislative Assembly and, county councillors are vitally important in three respects:

State Ministry of Finance

First, they have to accurately establish the level of resources required to avoid unfunded mandates

Second, they must serve as an efficient, effective and accountable conduit for funds flowing from the national, to state and county level.

Third, they must optimize local revenue collection in order to reduce dependence on national transfers.

***Figure 1***

Counties Legislative Councils

States Legislative Assemblies

This project is very relevant at this critical moment where trust and confidence in government has hit a new low. Enhancing the capacity of these institutions mentioned above at state and local government levels and linking it to the national level for sustainable peace.

**B3. Figure 2: KEY PUBLIC FINANCE CHALLENGES**

**Challenges Implications Solutions**

Poor collection, large inefficiencies/gaps in the collection system

Confusion and mistrust among the three levels of governments on revenue administration

Inefficient way of collecting revenue, limited interaction between the national and states tax officers

Misappropriation, under assessment, undervaluing and revenue loss to the states and national government.

Taxpayers take advantage of confusion between the national and states tax officials to evade and avoid tax

Ineffective allocation of resources for service delivery

Weak oversight roles of the SLA due to lack of technical knowhow to protect the public interest

Support the establishment of uniform tax system across the states comparable to best practice in the sub region

Support development of standard policies, regulatory frameworks, guidelines across the three levels of government

Support development of standard training manuals and programs to enhance technical skills of the target groups (tax officers & SLA)

Support the use and development of addition legal financial forms for revenue collection

Design join training program for both state and national tax officers on application of relevant laws and regulatory frameworks.

Provide technical skill training to SLA and Councillors

Support state and county Transfer committees to ensure efficient and effective use of transfers and timely transparent reporting on their use

Lack of harmonized domestic revenue administration across states

Lack of standard domestic revenue policy and regulatory frameworks across states

Tax officers in most states are largely untrained and lack the requisite technical skills

Domestic revenue accountability across states is very weak

Disconnection between national and states tax administration

Local revenue allocation in annual budget for service delivery is lacking

County level PFM system is still weak

Lack of transparency in local revenue distribution and management

**B4** **Figure 3**

*CORE GOVERNANCE INSTITUTIONS THE PROJECT WILL STRENGTHEN*

*National Ministry of Finance and Economic Planning*

Reporting relation

State Legislative Assemblies

State Ministry of Finance and Economic Planning

-Enhance budget execution and expenditure management

-Improve domestic resource mobilization at national, state and county levels

-support national and state tax systems and tax policy reforms

-strengthen county revenue generating system.

-improve pro-poor planning and gender sensitive budget at all levels of government

-support the organization structure of the domestic resource mobilization institutions at all levels of governments

-support states on monthly revenue and expenditure reporting, and annual accounts

-support local resource mapping and investment opportunities across states and counties

-support select committees on budget monitory and expenditure control

-strengthen the technical knowhow of the members on evaluation of annual auditor’s report

- strengthen the capacity of county councillors on budget monitory and local resource allocation for social service delivery

-support economic and finance committees of the SLA on basic macroeconomic analysis and indicators

-Strengthen the capacity of the leadership of state legislative assemblies on how to summon the executive arm and the relevant questions to demand an answer for

-support the state legislative assemblies to develop appropriate local laws for resource mobilization and management

While the regulatory PFM framework has largely taken shape through the enactment of the Public Financial Management and Accountability (PFMA) Bill (2011) and the LG PFM Manual (2013), PFM capacities at the sub-national levels continue to be weak despite some improvements:

* The State Legislative Assemblies did not have the capacity to exercise their role of oversight through approval and monitoring of budgets.
* The issue of large unfunded mandates remain. As a result, the responsibility for local service implementation is often taken up by the national or state governments with very limited involvement at county levels.
* While state budgets are now based on fixed ceilings rather than unverified needs, states spent an average of over 30 % of resources outside their approved budget lines in 2012/13due to fiscal indiscipline among state government officials and/ or inability to manage accounts in line with expenditure ceilings.
* There is ineffective and inefficient pro-poor and gender-sensitive multi-year resource allocation by government. The correlation between budget allocation and social service delivery at local government levels is practically missing due, inter alia, to mismanagement. This calls for building the capacity of the SLA to ensure appropriate financial and development accountabilities.

In line with the above findings, [[2]](#footnote-2)a recent assessment of local social service systems established a direct link between weak PFM capacity and poor social service delivery. This was manifested in weak upward and downward accountability and led to inadequate, unbalanced and unclear modalities for funding decentralized service delivery. In resolving these blockages, State Ministries of Finance (where resource allocation decisions are made) and state legislative Assemblies (which have oversight responsibilities) and County Councilors have a central role to play. [[3]](#footnote-3)They are the major channels between national resources and local service delivery, exercise of control and oversight over fiscal transfers to the county level, proper reporting on their use, and support to the county governments in public financial management.

On the demand side for accountability, members of the State Legislative Assemblies (SLAs) lack the necessary experience and technical skills to accurately scrutinize the annual budget, annual financial accounts and external audit reports to ensure a more pro-poor and gender-sensitive resource allocation. Further, the absence of public participation in the budget process and non- disclosure of financial information by sub-national governments serve to effectively prevent citizens, Civil Society Organizations (CSOs) and other non-state actors from holding the sub-national governments accountable and responsive to local needs.

**C. UNDAF Outcome(s):** Outcome 1: Core governance and civil service functions are established and operational.

**D. Expected CP Output(s):** Output 3: Budget allocations and expenditure shift to target pro-poor priorities

**D. Project Objectives:**

***The intervention will focus on supporting key reform areas to:***

***Figure 4***

Enhance capacities to effectively operationalize financial management system at the three levels of government; and support development of pro-poor and gender sensitive public expenditure policies in order to improve access to quality health care, education, water and sanitation, community infrastructures and livelihoods

Strengthen domestic revenue administration through establishment of a sustainable tax system at national, state and local government levels, developing standardized training manuals and programs, harmonize domestic resources mobilization system.

Build institutional and human resource capacity of select committees (accountability committee and finance and economic committees) of the SLA towards efficient oversight responsibilities for safeguarding public welfare.

***E. Outcomes***

***The project will contribute to the achievement of the following key outcomes:***

***Figure 5***

Gradually diversified the fiscal revenue base away from near- complete dependence on oil revenue;

Improved budget execution and expenditure management and efficient utilization of public fund at all levels of government, and gender responsive multiyear resource allocation by MOFEP in seven states;

Established sustainable and efficient domestic resource mobilization system with well-trained national staff to independently manage the system from national through states to local government levels;

Developed technical skills of the state legislative assembly select committees to be proactive in their oversight responsibilities especially in the seven states, and improved accountability and management of public resources;

**E. Scope**

UNDP’s PFM project yielded a number of specific achievements upon which the new phase builds upon. This project is focused on institutional and human resource capacity development at different stages of the PFM cycle in order to strengthen government systems at the local and state levels and effectively link them to the national levels. Project staff will engage with relevant government counterparts and development partners at each stage in the cycle while building technical capacity in the areas mentioned below. The public finance stage is illustrated below:

***Figure 6* PUBLIC FINANCE STAGES**

**PLANNING & BUDGETING PROCESS**

* Planning
* Resource envelop
* Preparation of budget ceilings for approval by the Council of Ministers
* Preparing the budget call circular
* The State budget workshop
* The Ministry of Finance supports budget committees in preparing their plans and budgets
* Budget hearing with sector budget committees
* Compiling annual plans & budget and making adjustments
* Forwarding budget estimates to the council of ministers and assembly
* County budgets

**MEDIUM TERM PLANNING**

**Multi-year resource allocation**

**PERFOMANCE MONITORING AND EVALUATION**

Defining performance indicators

Collecting data to measure performance

Analysis of performance information

Use of information to monitor performance

Evaluation of performance to inform the following stage Preparation of annual accounts or financial statements

**ACCOUNTING AND REPORTING**

* Capturing and recording transactions
* Analysis of financial information
* Bank and other reconciliations
* Preparation of monthly/weekly reports on revenue, expenditure, assets and liabilities
* Preparation of quarterly reports
* Preparation of annual accounts or financial statements

**BUDGET IMPLEMENTATION**

* Cash Planning
* Authorization & release of funds
* Procurement
* Commitment
* Delivery and verification of goods
* Payment authorization/Payment order
* Payment
* Internal control – compliance procedure (internal audit, etc)

***F. RATIONALE OF THE PROJECT***

Public financial management system in South Sudan is at a nascent and fragile stage. Expenditure of public funds does not conform to approved budgets in many significant ways and public resources are not always properly recorded. Domestic resource mobilization system is at its infancy resulting in huge revenue lost to the governments. Lack of transparency in domestic resource management and inequitable allocation and distribution of resources are some further ills that plague the PFM system. The need for trust and confidence in government is acknowledged as the key to sustainable peace and social cohesion. The ability of government to demonstrate that it can manage domestic resources efficiently, and allocate these resources in a transparent and equitable manner for service delivery will be a catalyst for peacebuilding. It is in this context that this project acquires an added salience at this critical time. The project is focusing on the relatively peaceful states, consolidating the gains and linking them to the national level through a dynamic and interactive process of intergovernmental fiscal dialogues.

**BOX 1: Collaboration of UNDP and Mikese University College in WES**

In the midst of the current conflict it is imperative to continue strengthening public financial management and capacity development of the national counterparts in the relatively peaceful states that have not been affected by the conflict. One of the tangible sustainable gains of UNDP’s SDPFM project in terms of capacity development is the collaboration to run an accredited diploma certificate course in Public finance with specialization in Taxation Management.

 

The first batch of 32 students completed pre-diploma certificate and graduated per the pictures above. The second batch of 14 students are currently pursuing diploma certificate course in taxation management and are expected to complete their course in June, 2014. The process leads to a systematic transfer of appropriate technical skills to the national counterparts and create the process of change in both human and institutional levels.

The PFM project registered a number of further achievements upon which this new phase is proposing to build. In 2012, State Ministries of Finance registered improved budget execution through strengthened implementation of financial management procedures as well as improved application of the Integrated Financial Management Information System (IFMIS).The percentage of total state expenditure spent according to budget averaged 66% for the three states of Northern Bahr el Ghazal, Warrap and Eastern Equatoria. There was also notable improvement in state and county government capacities to mobilize resources, resulting in increased own source revenue generation and more sustainable financing for identified government priorities. States like WES, EE and Northern Bahr el Ghazal have since recorded significant improvements in local revenue generation.

***REVENUE DATA IMPROVEMENTS AS A DIRECT IMPACT DEMONSTRATION***

WES, which has a well-functioning State Revenue Authority managed by well-trained tax officers, has recorded the most significant increase in local revenue as a result of the structure, regulatory frameworks put in place and training implemented from 2011 to 2013.

***Figure 9***

***\*The fall in revenue collection from 2012 to 2013 is due to the centralization of most tax sources to the national level. There was a substantial increase on a comparable basis due to the widening of the tax base. \****

***G. TRAINING AND CAPACITY DEVELOPMENT***

The training and capacity development will be structured into short–to-medium–to long term. The methodologies and the structure/content of training manuals will be standardized to suit each target group’s specific PFM needs. Two major training manuals shall be rolled out: i) for state legislative assembly and ii) on domestic revenue mobilization, in addition to the already existing LGPFM manual. The content of the manuals will be developed on the existing legal and regulatory frameworks in the country supported by relevant development partners

UNDP’s capacity development support is focused onstrengthening country systems, a major objective of the “FOCUS” and “TRUST” principles of “using and strengthening government systems” Under the new Deal for Fragile States[[4]](#footnote-4). The strategy used by the project has four major components, namely:

* One-to-one counterpart training, coaching and mentoring;
* Structured formal group training and workshops;
* Partnerships with stakeholders in the PFM sector;
* Peer learning through external and internal exchange visit.

***Figure 10***

Content of the Training Manuals

Local legal frameworks for resource mobilization

Allocation and distribution of local resources

Local revenue monitoring and control

Budget analysis and evaluation

Monitoring of budget execution and expenditure management

Analysis and evaluation of auditor’s report on government spending

Conceptual approach to accountability

Approaches to accountability

Tendering and procurement process

Concessionary agreements and Royalties

Tax Revenue

Theory of Taxation

Income taxation (business profit tax, PIT, corporate tax VIT, Rental Income tax)

Capital Gain tax

Dividend tax

Tax Audit

Value Added Tax (VAT)

Customs and Excise Tax

Introduction to Petroleum Taxation

Capital Allowance theory

Financial Accounting

Non Tax Revenue

Royalties on natural resources

Forestry Product

Property Tax/levy

Land Rates

Other local fees

***G. PERFORMANCE SOLUTIONS***

The project’s capacity development strategy focuses on addressing those gaps identified through an array of performance solutions, and enabling continuous performance improvement by establishing or leveraging monitoring systems. The goal is to improve PFM performance, leading to measurable improvements in development indicators, in particular for health, education, water and sanitation and infrastructure. In undertaking capacity development, the project will strengthen the effective performance abilities of partner

* The coverage area shall be zoned into three regions and the technical advisors shall visit these regularly to conduct training program and workshops. Since our objective is to localize and nationalize the concept, state counterparts shall form the core local Trainers of Trainees group to sustain the program, (the regional division shall be determined later).
* staff each based in a state to facilitate effective follow up and regional coordination. The project will have 7 national
* The project will have 3 core technical advisors based in Juba with regular travel to various states, each lasting up to a week. Their primary goal will be the transfer of specialized knowledge and technical skills rather than its substitution, utilizing appropriate combinations of coaching, mentoring, formal trainings, and inter-state exchanges. Gender considerations will be factored into all aspects of capacity development, and maximum effort will be made to increase the participation of women.
* The project will collaborate and synergize with the relevant UNDP projects specifically, the IGAD project, to make use of CSSOs – in each state ministry of finance to undertake one-to-one coaching and mentoring. The project technical team will give induction and orientation to the CSSOs in state MOFs, as well as ongoing logistical support to facilitate cross-state consistency of their work.
* The major training tools to be rolled out for entire project duration shall be the training manuals to be developed, and the already rolled out LGPFM.

**H. *LINK TO GOVERNMENT* *PRIORITIES***

The UNDP proposal is fully aligned with South Sudan’s long and short-term development policy frameworks. In its governance pillar, the South Sudan Development Plan (SSDP) 2011-2016 establishes institutional strengthening, as well as improving transparency and accountability of government systems as a top-level objective, with a particular focus on financial management.

The proposal also directly supports ongoing reforms in public financial management and service delivery, including: (a) implementation of the Public Financial Management and Accountability Act (PFMAA); (b) roll-out of Local Government Public Financial Management (LG PFM) policies; (c) strengthening the use of the Financial Management Information System (FMIS) FreeBalance, (d) strengthening the use of Budget Preparation System (BPS). The proposal further directly support the crisis management agenda of the development partners; in this context, in order to attain sustainable peace and social cohesion, it is imperative to consolidate the existing relatively peaceful atmosphere in some of the states that are not affected by the current conflict.

***I. PARTNERSHIP STRATEGY***

Creating and leveraging partnerships between UNDP and the Capacity Building Trust Fund (CBTF), USAID-funded projects, the World Bank and other donors will yield significant synergies in the areas of planning and budgeting, financial management and local revenue. UNDP and other development partners supported the rollout of the Local Government PFM manual. This has already created an opportunity for collaboration on capacity building using the same framework. Similarly, UNDP and the other development actors are members of the PFM Technical Working Group, which reviews and sets standards of capacity building in PFM. This collaboration will be strengthened during the project period.

*Table 2: Sketch map of support to Government in the area of public finance and basic services*

|  |  |  |
| --- | --- | --- |
| **Institutions** | **National** | **States/Sub national** |
| **UNDP’s Budget support initiative** | -Prepare key documents (National Budget Plan, budget speech, donor book, budget book, citizen’s budget); quarterly and semi-annual reports.  -Train staff to coordinate the planning and budget process and manage the budget planning system.  -Prepare sector planning and budgeting proposals and budget reports on an integrated planning and budget system | -Design and issue the State & County Planning & Budgeting Guidelines to guide their budget processes  -Developed domestic resource mobilization program and training programs and manuals.  - Support tax administration and tax policy reform  -Supported the roll- out of LG PFM Manual  -Strengthen capacity of oversight /accountability institutions (SLA, County legislative councils) |
| **USAID-DELOITTE-CORE II** | -Improve budget planningand preparation  -Improve treasury operations and IFMIS  -Support tax administration and tax policy reform  -Improve intergovernmental fiscal arrangements | -State budgeting and state treasuries |
| **AFRICA DEVELOPMENT BANK** | -Financial management assessment  -Improve procurement system and policy |  |
| **CBTF- GATC II** | -implementation of the electronic payroll | -Roll-out implementation of the electronic payroll system (SSEPS)  - Local Government PFM Manual (LG PFM) |
| **NORWAY** | -Macro department on the management of oil revenues |  |
| **EU** |  | -Roll-out of the Local Government PFM Manual |
| **ECORYS** |  | -Training on the LG PFM Manual |
| **LGSDP** |  | -Strengthening utilization of LGPFM |
| **WORLD BANK** |  | Local governance service delivery |

***J. RISK ANALYSIS***

***Table 3***

|  |  |  |  |
| --- | --- | --- | --- |
| **RISK** | **IMPACT** | **LIKELIHOOD** | **MITIGATION** |
| **Failure to implement the signed peace agreement, and continued arm hostility** | High | Medium | UN peacekeeping support, and UNDP’s portfolio includes large-scale peacebuilding and stabilization Programmes. UNDP will use the UN security system to protect staff/property. Were full scale war to erupt, however, appropriate mitigation would involve reviewing the project for feasibility. |
| **Exacerbation of the current conflict or all-out war** | High | Low | Focus on transparency, accountability at all levels of government; and noting that even in a very optimistic scenario, the improved capacities will materialize much later, so a mid-term review can catch this risk. |
| **There is insufficient political will to drive through change.** | High | Medium | Careful design of each intervention, monitoring of progress via the project technical team, and where necessary, political support via the UNDP Country Director or DSRSG/DRC/HC/RR |
| **Poor partner coordination leads to duplication or gaps in support.** | Medium | Low | Systematic consultation with all partners during the project design phase and close coordination in the Sector Working Group (SWG), STMC and LSS PFM Group will ensure coordination; also direct coordination with ODI, USAID and WB. |
| **Frequent changes in government counterparts** | High | Medium | In states, the project will target at least two IGAD CSSOs per technical sub-area. |
| **Government counterparts made available are not capable or do not have the incentives to absorb the knowledge transferred.** | High | Medium | The project will seek explicit commitments from State Minister of Finance to identify staff with appropriate profiles and put in place long-term capacity development incentives. |

***K.ENVIRONMENTAL CONSIDERATION***

South Sudan Development Plan states that “protection of the environment during rapid economic, agricultural and urban growth is a key policy and the Government has a responsibility to reflect this fact in legislation as well as in policy development and implementation.” State Strategic Plans also identified environment as one of the priority areas. While the direct environmental impacts of the project are limited due to its PFM capacity development focus, indirect impacts stemming from implementation of Governments activities detailed in strategic plans and annual budgets are considerable. In that context, it is recognized that consideration of environmental safeguards in (public) infrastructure investment projects and service delivery are often neglected due to insufficient budget allocations for activities such as environmental assessments, even if sound environmental legislation is in place. Apart from increasing awareness on existing environmental frameworks relevant to state PFM, the project will thus advocate for adequate budget allocations for environmental activities and oversight bodies (e.g. State Ministries of Environment) to carry out their mandates.

The project will ensure that relevant government formats, guidelines and training material to be developed and updated under this project will feature environmental considerations, building upon the safeguard sections of the Operational Manual for the government-led Local Governance and Service Delivery (LGSD) project supported by the World Bank. Further, materials will reflect relevant provisions of the new environmental bill once adopted by Government. Based on the materials, specific training sessions on environmental considerations will be incorporated into the various training workshops wherever feasible, for example on planning and budget preparation, the development of M&E frameworks and subsequent state government monitoring and impact assessments.

***L. UNDP CAPACITY***

In the context of the current crisis in South Sudan, the project proposal leverages UNDP’s comparative advantages as follows:

* UNDP has been engaged in institutional capacity building in South Sudan for more than thirty years; including years before the independence of the country. It has implemented PFM programs in South Sudan since the signing, in 2005, of the Comprehensive Peace Agreement (CPA) that gave rise to the independence of South Sudan, under the Support to States and Local Government Recovery Projects; and continues to-date through the Support to Development Planning and PFM Project.
* UNDP has strong in-house competence for capacity development in PFM, human development planning and reporting in fragile environments, with dedicated policy units at headquarters and regional centres in Johannesburg and Dhaka that are available to reinforce and advise the project team.
* UNDP has strong legitimacy with the national and state governments, and can provide support in difficult or political contexts where other development entities often cannot, in particular on governance issues. In South Sudan, UNDP has successfully supported political priority projects, including the referendum, the elections, as well as the constitutional review, and has regular access to political decision-makers in Juba and all ten states.
* UNDP is one of the few development entities able to deliver day-to-day support at the sub-national level, where challenging logistics, living and security conditions often limit the ability of other partners to provide permanent support. In doing so, UNDP is also able to leverage capacity of the UN peacekeeping mission, for example for transport, accommodation, security, evacuations and medical services.
* UNDP employs strong corporate resource allocation systems that enable the efficient, effective and transparent use of project resources, and allow longer-term financial commitments.
* UNDP is able to coordinate activities of across wide range of projects, including for governance and stabilization, to mitigate risks.
* As host of the Deputy Special Representative of the Secretary-General, UN Resident Development and Humanitarian Coordinator, UNDP is able to generate additional support to help promote positive change at the highest political level.
* As a member of the UN Country Team, UNDP can draw on the capacities of other UN agencies such as WHO, UNICEF and UNOPS to create synergies in the pursuit of better development outcomes, in particular in health, education and infrastructure.

***M. MANAGEMENT STRUCTURE***

The UNDP South Sudan Country Office will administer the project under the Direct Implementation Modality (DIM). All UNDP projects in South Sudan’s fragile post-conflict environment are currently implemented via DIM, under which the UNDP Office assumes overall financial management responsibility and accountability for project results. UNDP will minimize the creation of parallel structures by working directly with the designated Government counterpart institutions through existing coordination structures. To the extent possible, UNDP will also involve counterparts in project management and increasing will seeks to assign responsibility for the implementation of mutually agreed activities to national partners.

To ensure that UNDP TAs are regularly well versed with the needs and priorities of government in their capacity building role, there will be constant national to state feedback and vice versa. PFM needs to be addressed by partners are currently identified and prioritized through the PFM Action plan developed by government and partners like the World Bank and IMF at national level. Thereafter, the sharing of tasks is undertaken to ensure that partners engaged in PFM capacity building are collaborating in delivering on those priorities. The mechanisms for delivery are also now agreed in the PFM Technical Working Groups and a PFM Module is available to standardize the delivery.

During the initial phase of the project implementation period, the state level national associates, with technical support from Juba based UNDP TAs, will conduct an assessment of the PFM situation at state level in the context of the concurrent crisis. The aim of the assessment is to determine the capacity gap create by the current conflict in the respective institutions in the areas of skills, knowledge, systems and procedures. Gap identification is followed by joint review by relevant state institutions and agreement on priority actions to improve PFM in the state. The action plan will form the basis for the preparation of performance plans of the individual Specialist. The implementation of the action plan will be reviewed on a quarterly and annual basis under the leadership of the State Ministry of Finance. The state level action plans are also shared with the National MoFCIEP to ensure that the state priorities are reflected in the national level PFM action plan.

The Project Board is constituted by senior officials of the MoFCIEP, the Office of the President and the State Ministries of Finance and meets on a quarterly basis. Chaired by MoFCIEP, the role of the Project Board is to (i) provide overall guidance and direction for the programme; (ii) review and approve the annual work plans/budgets; (iii) ensure effective implementation of the project; (iv) review project annual progress reports and other relevant reports; (v) identify and resolve emerging risks to the project; (vi) address project issues raised throughout the implementation of the project. Decision-making in the Project Board is consensus-based. The UNDP Project Management Unit serves as the Secretariat to the Board, ensuring agendas and minutes are properly prepared and disseminated. UNDP will ensure that members of the Project Board can participate in field missions to enable to play their oversight and project assurance role more effectively.

Organisational Chart

***Figure 11***

Project Board structure

|  |  |  |
| --- | --- | --- |
| Senior Supplier  UNDP | Senior Executive  MOFEP | Senior Beneficiary  MOFEP, SMOFEP, SLA |

UNDP Quality Assurance Growth Team Leader Human Inclusive Development

National Programme Analyst

PMU TA (3)

1. Planning and M&E Specialist (P3)

1. DRM & Public Finance Specialist (P3)

(Domestic resource mobilization-DRM)

1. Financial Management Specialist (P3)

FAS (IUNV)

2 Logistic Assoc.

2 Drivers

--

7 NOA at regional/States levels

***Table 4***

|  |  |  |
| --- | --- | --- |
| **Proposed Staffing** | | |
| **Proposed No.** | Post | Level |
| **4** | 1. Planning and M&E Specialist  1. DRM/Public Finance Specialist  1. Financial Management Specialist | P3  P3  P3 |
| **1** | Finance Specialist | IUNV/P2 |
| **7** | Regional/State National Associates | NOA |
| **2** | Associate |  |
| **2** | Drivers |  |
| **Total No.** | 4 Internationals and 11Nationals |  |

Under the direction of Team Leader Team Leader-Human Development and Inclusive Growth Unit, the Technical Advisory Team in Juba will provide technical oversight and management as well as operational support to the 7 national project associates at the States levels to enhance effective coordination and follow up. The Project Support Team, and the Technical Advisory Team will consist of, a Planning and M&E Specialist, a Financial Management Specialist, a Domestic Resource Mobilization & Public Finance Specialist, a Program Specialist, a Finance and Administration Specialist, as well as support posts. The project proposal foresees nationalization of project by location national technical staff in government institutions in the states.

|  |  |
| --- | --- |
| ***Positions*** | ***Roles*** |
| ***TAs*** | * Provide overall guidance and support to the roll-out and improvement of (national) guidelines, formats and systems in area of expertise * Ensure effective collaboration with all relevant directorates in the MoFCIEP; * Provide backstopping support to government counterparts and state-based national project associates in area of expertise * Develop standard training manuals for implementation at the state levels * Provide induction training to the state based national project associates * Conduct workshops and trainings for gov’t counterparts and field-based national project associates * Conduct regular visit to the state for monitory * Promote collection and analysis of statistical information in area of expertise * Support regular and frequent sharing of information and guidelines with government counterparts, other project stakeholders and partners; * Regularly participate in relevant national government coordination fora; * Prepare the project annual work plans (AWP) and quarterly work plans in close conjunction with government counterparts; * Provide substantive and technical direction, as well as day-to-day management * Prepare comprehensive project progress reports as per requirements; |
| ***State Based National Project Associates*** | * Manage capacity development plans for government counterparts at state levels * Provide training and day-to-day mentoring support to the roll-out of (national) guidelines, formats and systems in area of expertise * Attend relevant Juba-level workshops and technical trainings for government counterparts * Promote collection and analysis of statistical information in area of expertise; * Support regular and frequent sharing of information and guidelines with government counterparts, other project stakeholders and partners * Regularly participate in relevant state government coordination foras * Coordinate activities with gov’t, development partners, and related UNDP projects. * Facilitate the role out of the standard training manuals |
| ***Fin/Adm Specialist*** | * Carry out finance, logistical and other administrative functions, including coordination of flights/road transportation in support of project implementation |

***N. FINACIAL REPORTING***

The UNDP will have the overall responsibility for the financial management of project funds and for reporting to World Bank. In the case funds are to cover agreements with partners, the Project Board will coordinate with UNDP to ensure that proper financial management and reporting systems are in place. UNDP will have final responsibility for ensuring that internal control mechanisms are in place for all recipients of funds. UNDP will be responsible for providing timely financial reports to World Bank and the Project Board. Standard UNDP financing agreements/grant arrangements foresee the application of the financial regulations, rules, policies and procedures of UNDP for financial management, project reporting, and internal and external project audits.

Quarterly and annual progress reports with a summary of results achieved against pre-defined annual targets at the output level will be prepared by the Project Manager and shared with the donor and the Project Board in line with existing UNDP standard reporting procedures. An Issue Log and a Monitoring Schedule Plan will be activated in Atlas and updated by the Project Management Unit to facilitate tracking and resolution of potential problems or requests for change, and track key management actions/events. Based on the information recorded in Atlas, complementary Project Progress Reports (PPR) will be submitted by UNDP to the donor and the Project Board, using the standard report format available in the Executive Snapshot. All progress reports are accompanied by financial reports following Atlas standard formats, facilitating the donor’s and Project Board’s oversight role to ensure maximum transparency and accountability in project fund management.

***O. VISIBILITY***

UNDP will ensure the visibility of World Bank. A full acknowledgement of the support World Bank will be given in all communication products and other relevant materials through the display of logo. The donor representative will be invited to the project launching ceremony, opening / closing of training and workshops as much as possible.

***Table 5***

**BUDGET**

| **LINE ITEM BREAKDOWN** | **Year 1** | **Year 2** | **%** |
| --- | --- | --- | --- |
| **1.1 Lead Implementing Partners Salaries** |  |  | **45.8** |
| **Financial Management Specialist (P3)\*** | 251,202 | 251,202 |  |
| **Planning and M&E Specialist (P3)\*** | 251,202 | 251,202 |  |
| **Domestic Resource Mobilization & Public Finance Specialist (P3)\*** | 251,202 | 251,202 |  |
| **Finance and Admin Specialist (IUNV)/P2** | 80,000 | 80,000 |  |
| **National Project Associates (NOA) 7\*** | 364,008 | 364,088 |  |
| **Logistics Associates and Drivers** | 123,365 | 123,365 |  |
| **Subtotal** | **1,321,059** | **1,321,059** |  |
| **1.2 Other Implementing Partner Salaries** | **0** | **0** | **0** |
| **1.3 Outside Consultant Fees** |  |  |  |
| **Baseline survey, Mid-term Evaluation and Final Evaluation** | 40,000 | 55,000 |  |
| **External Audit** | 0 | 0 |  |
| **Subtotal** | **40,000** | **55,000** |  |
| **1.4 Direct Expenses in HQ** | **0** | **0** | **0** |
| **1.5 Direct Expenses In-Country** |  |  |  |
| **Trainings and workshops (internal / external)** | 500,000 | 620,500 |  |
| **Office equipment, vehicles and furniture acquisitions** | 180,000 |  |  |
| **Travel (internal / external)** | 45,000 | 60,000 |  |
| **IT equipment and software** | 161,900 | 36,380 |  |
| **Supplies and miscellaneous expenses (incl. fuel, vehicle maintenance, IT supplies and toner, stationary, phone and internet services)** | 60,840 | 77,300 |  |
| **Printing and production costs (training manuals)** | 70,000 | 70,000 |  |
| **Subtotal** | **1,017,740** | **864,180** |  |
| **1.6 Gender** |  |  |  |
| **Gender training to state parliaments, CSOs and media** | 73,680 | 104,600 |  |
| **Gender responsive planning and budget preparation training** | 104,600 | 104,600 |  |
| **Gender analysis of plans, budgets and training outcomes** | 50,000 | 50,000 |  |
| **Subtotal** | **228,280** | **259,200** |  |
| **1.7. Other Direct Project Expenses** |  |  |  |
| **Overhead (GMS/RENT/CONTRIBUTION/REIMBURSEMENT)** | 338,920.27 | 324,927.07 |  |
| **Grand Total** | **2,945,999.27** | **2,824,366.07** |  |
| **DONOR CONTRIBUTION** | **2,945,999.27** | **2,824,366.07** |  |

*The above budget is based on pro-forma staff cost for UNDP South Sudan, as well as standardized cost for non-staff items. Budget items are subject to change, as project design is being finalized in consultation with the donor and partner institutions. With regard to staff costs, it is assumed that each staff contract for a period of one year will constitute twelve calendar months. Hence 100% staff cost per year.*

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| EXPECTED OUTPUTS | PLANNED ACTIVITIES | TIMEFRAME | | | | | | | | | | | | | |
| **FY-2014-15** | | | | | | **2015-16** | | | | | | | |
| *(with baseline, indicators and targets)* | *(with activity results and associated actions)* | **Q1** | **Q2** | | **Q3** | | **Q4** | **Q1** | | **Q2** | | **Q3** | | **Q4** | |
| Output 1: Improved accountability and oversight of public financial management by State Legislative Assemblies  *Indicator:*   1. *Number of auditor’s report examined and recommendation made for implementation by the executive* 2. *Number of State/County budgets approved/disapproved by the legislature.* 3. *No of supplementary budgets not submitted to SLA* 4. *Number of resolutions passed by SLAs/Counties’ Legislative Council on budgets and the utilization of public funds*   *Baseline:*   1. *Non-submission of auditor’s report to the SLA* 2. *2013/14 budgets approved by legislature for 2 States* 3. *Non-submission of supplementary budget to the SLA for approval* 4. *Two resolutions passed by SLAs Legislative Council on budgets and the utilization of public funds not clear.*   *Targets:*   1. *Annual auditor’s report submitted to the SLA for evaluation and recommendations made and given to the executive for implementation* 2. *Annual Budgets approved for 10 States and 79 Counties for the FY 2014/15 and FY 2015/16* 3. *Supplementary budget submitted to SLA for approval* 4. *Two resolutions passed by SLAs Legislative Council on budgets and the utilization of public funds* | **Activity Result 1.1: Capacity to perform PFM oversight functions and prioritize allocations of public funds strengthened** | | | | | | | | | | | | | | |
| **Actions Time Frame** | | | | | | | | | | | | | | |
| 1.1.1: Preparation of a training manual for the SLAs on how to discharge their constitutional mandate to enhance efficient utilization of public funds | | | **x** | | **x** |  |  |  | |  | |  | |  |
| 1.1.2:Training workshops (one per state) organized for members of SLAs on their constitutional mandates of overseeing the planning & budgeting process and the utilization of public funds | | |  | |  | x | x |  | |  | |  | |  |
| 1.1.3: Training workshops (TBC) organized for County Councilors on their constitutional mandates of overseeing the planning & budgeting process and the utilization of public funds | | |  | |  | x | x |  | |  | |  | |  |
| 1.1.4: Providing technical support to the state audit department on system control | | |  | |  |  |  | x | |  | |  | |  |
| 1.1.5: Training of core local TOT group for sustainability of the program | | |  | |  |  | x | x | |  | |  | |  |
| Output 2: Improved domestic resource mobilization and generation systems  *Indicators:*   1. *Level of domestic revenue generation* 2. *Percentage of domestic revenues in state /county budgets* 3. *No of states with a credible revenue generation systems* 4. *No. of tax officers trained on domestic resource mobilization from states covered* 5. *Social service delivery from domestic revenue*   *Baselines:*   1. *Estimated local revenue generated for the FY 2013/14 was below 30% on average for the States covered.* 2. *10% of domestic revenues in state and county budgets in previous FY* 3. *One State has credible revenue generation systems (classified as the best practice)* 4. *18 tax officers trained on domestic resource mobilization in WES* 5. *Allocation of state resources for basic services below 20% in the 2013/14 state budgets*   *Targets:*   1. *Amount of local revenue generated increased by 100%* 2. *The percentage of states own local revenues in states budgets increased to about 60%* 3. *Number of states that have a credible revenue generation systems and is classified as best practice increased to 5 through joint assessment by local and international expects.* 4. *About 20 tax officers each from states covered completed long term training on domestic resource mobilization* 5. *State resources allocated to basic services increased by 40%* | **Activity Result 2.1: Domestic resource mobilization and generation systems strengthened** | | | | | | | | | | | | | | |
| **Actions** | | | | | | | | | | | | | | |
| 2.1.1: Preparation of a training manual on domestic resource mobilization and generation systems | | | x | | x |  |  |  | |  | |  | |  |
| 2.1.2: Training revenue authorities on how to set up a tried and tested revenue generation system (long-term training) | | |  | |  | x | x | x | | x | |  | |  |
| 2.2.3: Replicating a model of revenue generation system across relatively peaceful states. | | |  | | x |  |  |  | |  | | x | |  |
| 2.2.1 Training workshops (one per state) for state revenue officials on local revenue administration | | |  | |  |  |  |  | | x | |  | |  |
| 2.1.3: Organizing two inter-state visits for state revenue authorities to promote peer-learning | | |  | |  |  |  |  | |  | |  | | x |
| Output 3: Enhanced inclusive growth and development through a more efficient and effective pro-poor and gender-sensitive multi-year resource allocation by the government.  *Indicators:*   1. *Multi-year share of resources allocated to health, education and Water* 2. *Number of states with gender-sensitive development indicators, activities/programs and targets included in multi-year plans with corresponding resource allocations within ceilings*   *Baselines:*   1. *Below 20% resources allocated to basic service delivery in the annual budget for FY 2013/14* 2. *No gender-specific allocations of resources in the annual budget for FY 2013/14*   *Targets:*   1. *Average of 35% of annual resources allocated over the multi-year planning horizon* 2. *All 10 states prepare and implement gender sensitive budget* | **Activity Result 3.1: Enhanced pro-poor and gender-sensitive planning** | | | | | | | | | | | | | | |
| **Actions** | | | | | | | | | | | | | | |
| 3.1.1: Training workshops (one per state) organized for directors of planning (state level) and County planners on gender responsive budgeting. | | |  | |  |  |  |  | |  | | **x** | |  |
| 3.2.1: Training workshop (one per state) for members of the State Legislative Assemblies (SLAs) and Councilors on how to engage in dialogue on pro-poor and gender-equitable allocation and utilization of public funds | | |  | | **-** |  |  |  | |  | | **x** | |  |
| 3.3.3: Training workshops for state M&E focal points on M&E mechanism for enhancing the appropriateness and effectiveness of socio-economic interventions. | | |  | | - |  |  |  | |  | |  | | x |
| 3.3.4:Organizing county to count visit to promote peer-learning and performance measurement | | |  | |  |  |  |  | |  | |  | | x |

*\* The project is expected to start on July 1, 2014, the beginning of the FY2014/15 through June 30; thus Q1 of fiscal year 2014-15 is Q3 of calendar year 2014.\**

1. ODI and Deloitt’s support to budgeting at national level and planned WB LGSDP at the county level [↑](#footnote-ref-1)
2. *Republic of South Sudan, Enhancing Local Service Delivery, Joint Plan of Action, 2013* [↑](#footnote-ref-2)
3. *Service Delivery Frameworks for Health, Water and Education (ODI/MOFCIEP 2013)* [↑](#footnote-ref-3)
4. *South Sudan is a self- nominated pilot country for the New Deal* [↑](#footnote-ref-4)