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Planning and budgeting in Southern Sudan: starting from scratch

Lessons for planning and budgeting systems in post-conflict settings

Key points

- Experience in Southern Sudan injects a note of realism about the development of planning and budgeting systems in other post-conflict settings
- While international technical assistance can provide support, it cannot replace Government leadership and decision-making
- It is vital to fully understand local capacity levels and existing systems when designing post-conflict support programmes to ensure starting points are realistic and developments are fully grounded

What factors are needed for successful budget reforms after conflicts? Experience in Southern Sudan can shed light on this crucial issue. Since its creation in 2005, the Government of Southern Sudan has had real success in developing integrated systems for planning and budget preparation. These systems have been built from scratch, against the backdrop of practices that existed both before and during the conflict. Two factors, in particular, have influenced this success:

1. **Strong technical leadership** from an integrated Ministry of Finance and Economic Planning, responsible for planning, budgeting and aid coordination.
2. **System development that was tailored to this specific context**, with incremental improvements aligned to development in local capacity.

International technical assistance (TA) played a more mixed role – positive when focusing on the development of context-appropriate systems, negative when trying to introduce systems that exceeded local capacity to manage them.

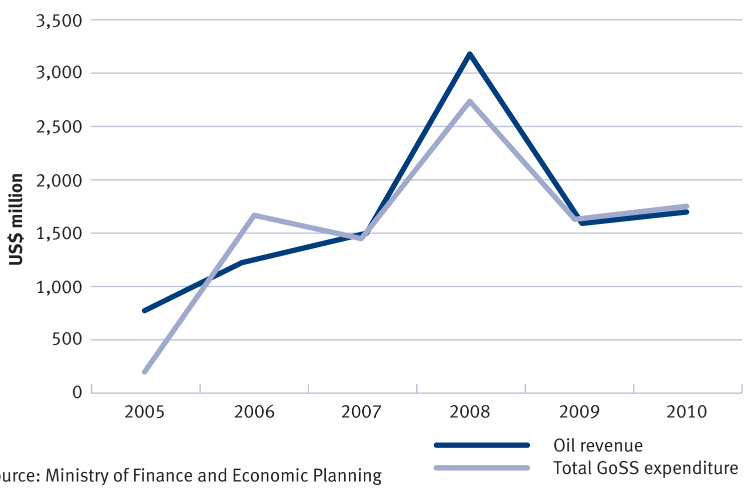
Introduction

The semi-autonomous Government of Southern Sudan (GoSS) was established in 2005 after a Comprehensive Peace Agreement (CPA) ended 22 years of conflict between the Government of Sudan and Sudan People's Liberation Movement (SPLM). Perhaps uniquely for a post-conflict government, GoSS had immediate access to millions of dollars of domestic oil resources with which to fund its budget. As a result, the development of its planning and budget system was not shaped by the external conditionalities usually associated with dependence on donor financing. Instead, it was organic, based largely on the degree of internal capacity, as well as the extent of political and technical will for transparent management of public resources. Formal and informal practices that existed both before and during the conflict shaped what was possible in terms of systems development at the start of the peace.

Southern Sudan provides insight into appropriate approaches for planning and budgeting systems in post-conflict settings.

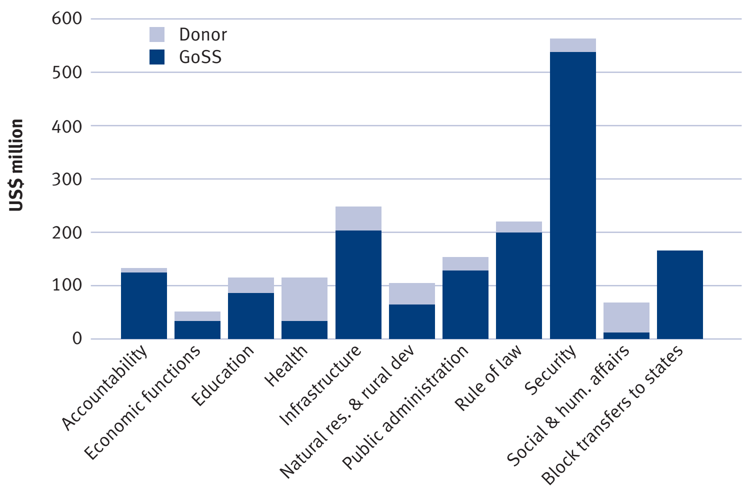
GoSS drew on staff from both the Southern Sudan Coordinating Council, which administered territories controlled by the Government of Sudan in the South during the conflict, and the Civil Administration of New Sudan, which covered the areas held by the rebel Sudan People's Liberation Army (SPLA). Capacity, however, was very limited. Key Ministries had very few technical staff, and the skills of those staff were not suited to modern, output-oriented budgetary systems. Poor local infrastructure (including transport and housing), pre-fabricated offices, weak IT capacity and limited communication (a dependence on expensive satellite phones) only compounded

Figure 1: GoSS resources and expenditure 2005 to 2010



Source: Ministry of Finance and Economic Planning

Figure 2: Planned GoSS and donor resources for 2009



Source: Ministry of Finance and Economic Planning

these problems. Nonetheless, GoSS had to embark immediately on the process of budget preparation, as millions of dollars of oil revenues started to flow as early as 2005, as mandated by the CPA.

The revenue from oil averaged $2.1 billion per year over the period 2006 to 2009, accounting for 98.3% of GoSS domestic resources (approximately five times the level of donor aid in 2009). With an estimated population of 8.26 million (Sudan Population and Housing Census, 2008) this translated into approximately $252 of public expenditure per capita per year – a considerable sum when compared to $61 per capita per annum in Sierra Leone during 2008.

Building the systems

The Ministry of Finance faced the immediate challenge of introducing a budget system capable of managing billions of dollars in a context of limited capacity. It started by setting a single, overarching objective – establishment of prioritised budgeting within a constrained resource envelope. Although the aim was simple, it represented a radical shift from the unconstrained approach of the past. The aim was to make the budget both efficient and affordable, elements that had been lacking in the previous pre-CPA budget systems. The introduction of budget ceilings was the foundation for the achievement of this aim. The overall budget ceiling reflected the expected level of resources available to GoSS from oil and other sources, while agency specific budget ceilings were intended to reflect the relative needs and priorities across GoSS, consistent with Government objectives.

At first, government planners found it hard to prioritise the use of constrained resources, given Southern Sudan's enormous post-conflict investment needs. Officials who were used to the previous, unconstrained approach were fiercely resistant to the concept of budget ceilings. It took committed technical leadership from the Ministry of Finance to ensure that budget ceilings were developed and that planners adhered to them. Senior officials of the Ministry spent large amounts of time arguing the rationale for constrained budgeting to the rest of government, through government-wide workshops, budget call circulars, one-on-one meetings with spending agencies, and, at the political level, ministerial briefings and cabinet papers. The Ministry secured political backing for the ceilings, by ensuring that they were endorsed by the Council of Ministers before being issued to the agencies that would be spending the money. In instances where these Spending Agencies refused to comply with their ceilings, political pressure was brought to bear via the intervention of the Minister of Finance, or as a last resort, the Vice President.

Once the Ministry of Finance had established the basic premise of its budget approach, it faced a number of trade-offs in terms of the level of sophistication of the budgeting system it introduced. These trade-offs were thrown into stark relief by the differing opinions of those providing international technical assistance (TA) to the Ministry. On the one hand, some of the donors providing TA advocated a 'big-bang' introduction of output-oriented budgeting, whilst others supported a more gradualist approach, starting with input-based budgeting and moving towards an output-based approach once planning objectives had been identified and the spending agencies had fully grasped the basic principles of budgeting.

Those that advocated output-oriented budgeting put pressure on the Ministry of Finance, even going as far as developing a 'second volume' of the 2006 Budget, based on the output-oriented approach. The Ministry's senior officials, however, decided it was preferable to develop its budget system incrementally, in line with the Ministry's own capacity and the level of capacity in spending agencies. They took the view that it was enough of a challenge at the outset to get agencies to understand and accept the concept of budget ceilings. Any attempts to introduce a sophisticated budgeting system before this basic concept was accepted were likely to be futile. Instead, it was preferable to introduce a simple system that could evolve over time, starting with budgeting for expenditure items (vehicles, buildings etc.), an approach with which officials were familiar, and gradually moving to budgeting according to activities and objectives, once planning capacity developed.

Year one: The 2006 budget was prepared by expenditure item only, according to expenditure ceilings determined by the Ministry of Finance with the approval of the Council of Ministers, with very little indication of the intended output of the expenditures. There was no planning framework, or statement of government priorities, to guide allocations. Because of limited capacities across government institutions, most budget submissions were handwritten or submitted in Microsoft Word, and a number of institutions failed to adhere to their resource ceilings. This necessitated significant cuts to their submissions during the budget preparation process.

Year two: The 2007 planning and budget process was strengthened by the establishment of Budget Sector Working Groups. These groups divided all GoSS institutions into ten planning sectors which included both GoSS officials and development partners (see Box 1). The groups permitted the production of Budget Sector Plans for each sector, which identified objectives against which institutional resources could be allocated. Crucially, the grouping of institutions into sectors also helped leverage inter-institutional capacity by allowing stronger spending agencies to support weaker ones, and introduced an element of peer review and learning to institutions' plans and budgets. It also, through the integration of donor partners into the groups, helped establish the concept of coordination of development partner support with GoSS activities (during the war, donors and NGOs had operated, for the most part, in isolation).

The first Budget Sector Plans were, however, a learning experience. The Ministry of Finance issued resource ceilings and planning guidelines, but the ceilings and formats were not, in many cases, adhered to. Some GoSS institutions only had one or two technical staff in place to work on the plans, and many donors did not report activities. Prioritisation also proved a challenge, as did the concept of sequencing. One plan, for example, envisaged building several hydropower stations and an oil refinery in just one year. This meant the plans of many spending agencies were unrealistic and there was no way of translating the plans ultimately into an actual budget. The budget for 2007 was, therefore, still produced by expenditure item only, but with a limited introduction of the concept of output orientation through the indication of the objectives of each Sector, according to their plans.

Years three and four: the link between the budget sector plans and institutions' detailed budget submissions was strengthened systematically in 2008 and 2009, as the Ministry of Finance's capacity to manage the process grew, and officials in spending agencies became increasingly familiar with the planning and budgeting approach. The recruitment of more technical staff also helped improve the quality of planning and budget submissions.

By 2008 all plans contained a prioritised set of activities for each institution, consistent with their resource ceiling. The 2008 Budget was able to improve the link between the plans and the budget, by showing each institution's budget estimates according to their planned activities as well as by expenditure item. However, the two sets of estimates were developed in parallel. So, for example, it was not possible to tell which health activities would be covered by the Ministry of Health's budget for vehicle fuel. In addition, the budget coding only enabled expenditure tracking by expenditure item, limiting the scope for monitoring activity-based budget execution.

By 2009, planned activities were far more detailed, going down to the level of expenditure item. The 2009 budget was therefore able to budget expenditure items according to each planned activity (for example, the purchase of three vehicles for vaccination campaigns). In addition, an activity coding system was in place that enabled each institution's expenditures to be tracked according to their planned activities. This allowed feedback between budget execution and monitoring of budget sector plans. Most GoSS institutions now had the computer skills in such programmes as Excel to handle the more detailed approach – the result of the gradual recruitment of mid-ranking and junior staff with IT skills. And crucially, by 2009, the concept of budget ceilings was

Box 1: Budget Sector Working Groups

All ten GoSS Budget Sector Working Groups (BSWG) were established at the same time, irrespective of the varied capacity between sectors: Accountability, Economic Functions, Education, Health, Infrastructure, Natural Resources, Public Administration, Rule of Law, Security and Social and Humanitarian Affairs. Through a plenary meeting of all senior technical staff in Government, every GoSS institution was allocated to a Sector, based on its function. Donor partners with activities in a sector were asked to participate in the relevant BSWG. Each Group has a GoSS Chair and Donor Co-Chair. The Secretariat Function is assured by GoSS institutions within the sector, with technical support from the Ministry of Finance.

The Ministry of Finance and Economic Planning issues planning guidelines to the BSWGs on an annual basis, together with indicative planning ceilings. It then holds a training week for all Sectors, after which BSWGs meet every week for six weeks to draft their Budget Sector Plans for the following financial year – the basis for their budget allocations. The Plans are reviewed at the end of the planning process during a Review Week, before being finalised.

Early establishment of a comprehensive, participatory planning process prevented the emergence of fragmented or parallel systems. This principle helped ensure that planning was GoSS-led from outset, ensuring coordination across Government and encouraging donors to align themselves to the Government system rather than operating in tandem to it.

broadly accepted, as GoSS officials had adapted to the reality of constrained resources dependent on the flow of oil revenue. However, some institutions turned their attention to circumventing their own ceilings by committing GoSS to contracts that exceeded the budgetary availability of funds.

Throughout this process, the Ministry of Finance received continuous technical assistance including long-term TA based in the Ministry, short-term consultants for training and quality assurance, and logistical and financial support for workshops. Although this support played a key role in the design and development of the systems, decision-making and strategic direction always belonged to the Ministry of Finance. In addition, the gradual recruitment of technical staff meant that the Ministry was increasingly able to manage systems itself, although with back-up support.

Factors behind the success

The success of the new system was by no means guaranteed. Two factors can be argued as having underpinned the success in implementing and advancing the planning and budgeting systems.

First, there was strong technical leadership from an integrated Ministry of Finance, responsible for planning, budgeting and aid co-ordination. Several senior officials in the Ministry of Finance played a key role in 'championing' the development of the systems and provided the core of the Ministry's technical strength. This strength ensured that budget ceilings were not only set, but enforced when preparing the budget.

Second, systems were developed in a context-appropriate manner. The systems were designed to match capacity levels at onset, with incremental improvements made each year that were aligned with the trajectory of capacity improvements. Over time, increasing levels of sophistication improved the quality of both the process and subsequent plans, and the priority needs of ordinary people remained front and centre. International technical assistance played a more mixed role – positive when focusing on the development of context-appropriate systems, negative when trying to introduce systems that exceeded local capacity to manage them. While intentions to develop advanced systems may have been grounded in 'best-practice', what resulted was an approach that was too far advanced, supported by a software that most technical staff in GoSS could not use. This led to a parallel budget system (Kitabire, 2008) that was discarded by the Ministry of Finance. Only when budget fundamentals (resource-constrained, realistic, prioritised) were widely understood was there space for more sophisticated budgeting tools.

However, the success that has been achieved to date can be considered 'upstream', focusing on planning and budget preparation. GoSS still has significant weaknesses in 'downstream' areas of budget execution and accountability. Efforts are needed to ensure that budget execution is consistent with budget allocations, a major weakness in GoSS to date. In addition, commitment controls and monitoring and evaluation need to be strengthened. A legislative framework for PFM also needs to be approved, and efforts are required to enhance domestic accountability and transparency, a particular concern in Southern Sudan, where corruption is considered to be extensive, and external pressure for accountability carries limited weight due to the significant level of domestic oil resources.

Policy lessons

The Southern Sudan experience provides useful insight into appropriate approaches to developing planning and budgeting systems in other post-conflict settings. Above all, it injects a note of realism about what can be achieved.

The key policy lessons are as follows:

- A strong technical lead by an integrated Ministry of Finance is essential. Although international technical assistance can provide support to system design and management, it is not a replacement for the leadership role and decision-making capacity of Government.
- When designing post-conflict support programmes, efforts are needed to fully understand the levels of local capacity, and the systems used prior to and during the conflict, so that starting points are realistic.
- For system development to be fully grounded, it needs to be aligned with the rate of improvement of local capacity. This means accepting that process development can take years, and that best practice, however desirable, cannot always be achieved overnight.

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