BASIC SERVICES IN SOUTH SUDAN: AN UNCERTAIN FUTURE

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Framing the Issue

As South Sudan prepares to mark its first anniversary of independence, hopes for accelerated progress in human development have given way to resignation. Military tensions over disputed border areas have reignited fears of renewed conflict with the Republic of Sudan. Conflicts within South Sudan continue to cause large-scale displacement. Meanwhile, Africa's newest country—and one of its poorest—is heading toward a bout of enforced austerity, with budgets adjusting to a catastrophic loss of oil revenues. What does all of this mean for the fragile gains in human development made since the end of the civil war, and what are the prospects for the future?

The answer to these questions remains uncertain. Much will depend on how the Government of South Sudan (GoSS) manages the acute fiscal pressures that will emerge over the next two to three years, should the oil crisis remain unresolved. Tough choices will have to be made between competing priorities. Donors will also face challenges. South Sudan urgently needs predictable, long-term aid financing to transform the current fragments of basic service provision into credible national systems that are accessible and affordable for all citizens. Having taken somewhat tentative steps in this direction, donors will have to adapt their strategies to an economic and political environment that is less conducive to poverty reduction.

What's at Stake?

For the people of South Sudan, the human costs of delayed progress in human development will be enormous. This is a country with the highest maternal mortality rate in the world. It ranks fourth in global deaths from malaria and suffers some of the world's highest child death rates. Many of these indicators could be rapidly improved through low-cost interventions. Yet 60 percent of the population has no access to health care and just one in five children are immunized. Fewer than one in five births are attended by skilled health personnel (DFID 2011).

The situation in education is equally dire. UNESCO points out that South Sudan is at the bottom of the international league table for basic education. Around 1 million children—half of the primary school age population—are out of school. The net enrollment rate for girls is just 37 percent. In a country with a population the size of Sweden, fewer than 400 girls make it to the last grade of secondary school. There are desperate shortages of classrooms and books—and just one qualified teacher for every 117 students (UNESCO 2011).

Overcoming these immense human development deficits is not just about building physical infrastructure. Teachers and health workers have to be trained. Administrative systems have to be developed, along with an effective public finance management system. In the case of South Sudan, the challenge is less one of post conflict reconstruction than of constructing national systems from scratch.

The Government of South Sudan and Donor Coordination

Much has been achieved over the seven years that have passed since the Comprehensive Peace Agreement. The government has developed an overall planning framework—the South Sudan Development Plan 2011–2013—along with sectoral strategies for health, education and other basic services. However, public finance management systems remain weak and budget allocations have not been well-aligned with the goals set for basic services. One reason for this is the very high share of the budget allocated to security (28 percent in 2011) and the low shares directed to areas such as education and health (7 percent and 4 percent respectively in 2011).

The aid architecture for basic services has evolved over the years in a somewhat fragmented and haphazard fashion. South Sudan is a major recipient of development assistance, with commitments reaching $1.2 billion in 2010. Around 40 percent of aid is provided on a bilateral basis, with the remainder provided by multilateral agencies or through pooled funds. No development assistance is provided in the form of budget support (GoSS 2010). The largest donor, the United States, currently operates through projects entirely outside of the pooled funds, while most other major donors combine pooled funding with bilateral projects as shown in **Table 1**.

Donor fragmentation is a serious concern. There are over 20 active donors in both health and education, supporting various projects with an average value of $2-3 million. Given the limited capacity of government agencies, there are inevitable problems in coordination. To some degree, pooled funding has helped to address these problems. There are five major pooled funds supporting basic service provision or capacity-building. This includes the Multi-Donor Trust Fund (MDTF), which operates under the auspices of the World Bank (PriceWaterHouseCoopers 2011). Another pooled funding source is the Basic Services Fund (BSF), which was created by the United Kingdom's Department for International Development (DFID) but is now supported by Norway and the Netherlands and chaired by the GoSS (Dew Point 2010). Donors account for well over 80 percent of overall financing for basic services. The multiple sources of donor funding are illustrated in **Figures 1 and 2**.

Pooled funds have a checkered record. The MDTF has been characterized by very slow rates of disbursement and operational inefficiency, prompting a recent U.K. parliamentary report to question whether DFID should continue to channel bilateral aid through the World Bank in South Sudan (House of Commons International Development Committee 2012). By contrast, evaluations of the (considerably smaller) BSF have been very positive (Brown 2011). Both of these pooled funds expire at the end of 2012, raising questions about what, if anything, will replace them. Given the fact that the BSF is the single largest source for the provision of primary health care

Table 1: Top 12 Donors in South Sudan (2010) (US$)

	Donor Country	Total Funding	Total Expenditures	% Funding to Pooled Funds	% Committed Funds Spent
1	USA (inc. OFDA)	410,387,132	320,410,980	0%	78%
2	European Union (inc. ECHO)	118,910,898	100,952,701	19%	85%
3	Netherlands	101,937,552	67,019,952	68%	66%
4	UK	102,519,606	81,136,664	76%	79%
5	Norway	100,614,484	73,376,945	45%	73%
6	Canada	57,400,040	38,926,748	37%	68%
7	Denmark	50,252,585	30,005,750	10%	60%
8	Japan	37,082,761	19,077,074	0%	51%
9	Sweden	34,945,696	27,626,658	60%	79%
10	Global Fund	28,030,537	23,411,251	0%	84%
11	Spain	20,851,879	16,957,942	65%	81%
12	Germany	20,127,454	9,074,037	18%	45%
#	*Other Donors*	196,688,471	152,322,310		
Total:		1,279,749,094	960,299,010		

Source: GoSS Ministry of Finance and Economic Planning, 2010

Figure 1: Donors to the Education and Health Sector (2011 Commitments as a Percentage of Total Funding)

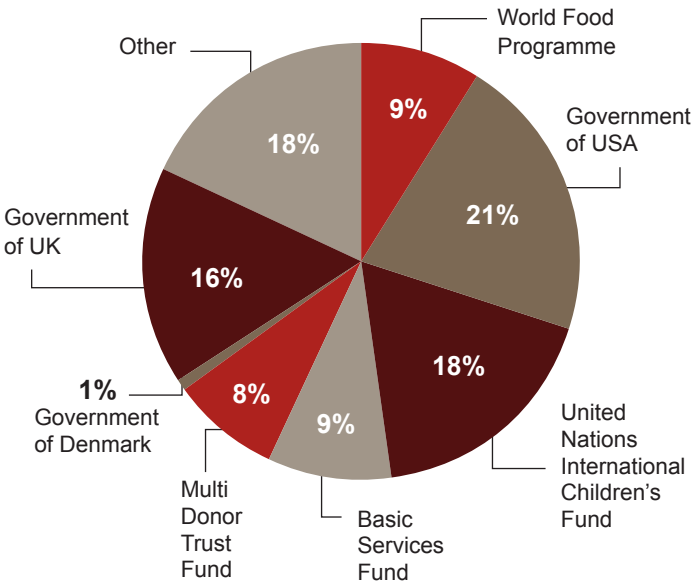
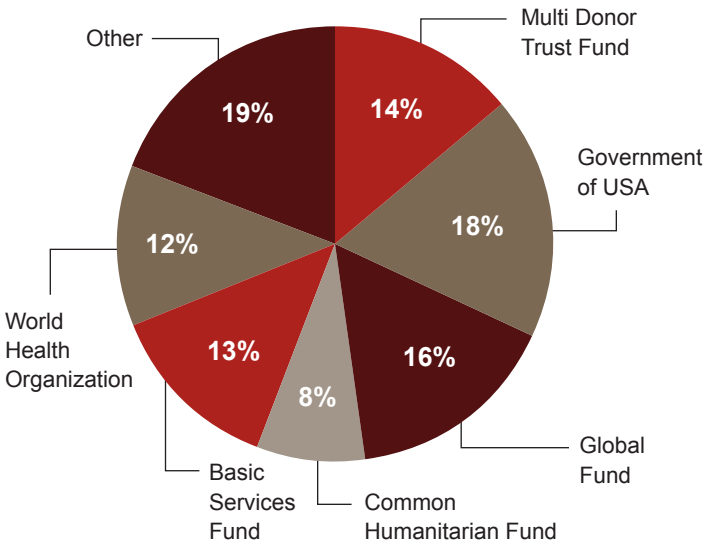


Figure 2: Donors to the Health Sector (2011 Commitments as a Percentage of Total Funding)



Source: GoSS Ministry of Finance and Economic Planning, 2010

and a significant funder in education in South Sudan, uncertainty over the future is a major concern.

Early indications are that basic services will bear the brunt of budget adjustments. With an allocation of at least one-half (and probably more) of the budget, defense and security have been earmarked. Meanwhile, the share of the budget allocated to basic services has been cut from already desperately low levels. The projected share of the 2012 budget earmarked for education has fallen from 7 percent to 5 percent, while the share for health has been cut from 4 percent to 2 percent. Because many pooled funding projects are co-financed, there is a risk that the withdrawal of the GoSS's contribution will lead donors to place support on hold.

How should donors react to the fiscal crisis? Britain has already signaled an intention to shift aid away from long-term development assistance and toward humanitarian aid. Parts of the aid budget for health and education have already been trimmed. There are also concerns that DFID will withhold support for the pooled fund for health due to come into operation in 2012—a fund that it has previously championed. Other donors, including Britain's two 'troika' partners—Norway and the United States—are committed to continuing long-term development assistance, though there are concerns that the deteriorating aid environment will diminish support for South Sudan. That would be a tragedy for the country and its people—and a lost opportunity to build a more resilient peace.

Policy Recommendations

The international community should be far more actively engaged in creating conditions for conflict resolution, notably by putting in place strategies for demilitarizing disputed border areas and curtailing aggression on the part of the Republic of Sudan. While the GoSS's decision to cut-off oil exports was understandable in the light of what were clearly provocative measures authorized by Khartoum, an interim negotiated settlement would be clearly be a preferable option.

Beyond the overwhelming imperatives of avoiding war and resolving the oil dispute, five key policy priorities suggest themselves:

- ***Ruthless prioritization***. Both the GoSS and donors need to reassess financing strategies for basic services. In the education sector, plans for the construction of state-of-the art schools and teacher training colleges should be put on hold. These are highly capital-intensive investments that are incompatible with new budget realities. Spending aimed at supporting community-based classroom construction, short courses for teacher training, and low-cost provision in conflict-affected areas should take priority. Similarly, health sector interventions should prioritize the training and support of child and maternal health care workers and inputs.

- ***Avoid precipitate action***. Capacity-building and basic service provision are not activities that can be switched on and off without significant costs, human and economic. While donors need to prepare for humanitarian emergencies, this should not be at the cost of long-term development financing.

- ***Strengthen pooled funding***. With the existing pooled funds reaching the end of their life-cycle, new mechanisms have to be put in place to provide continuity. These mechanisms should draw on lessons derived from the mistakes of the MDTF and the best practices on the BSF. Alongside the pooled fund for health, donors should urgently develop plans for a pooled fund in education. One proposal, drawn up by the former British prime minister, Gordon Brown, has called on the World Bank and the Global Partnership for Education to provide $180 million in cofinancing a wider pooled fund aimed at getting 1 million children into school by 2016.

- ***Build the public finance management system***. Ultimately, improved aid effectiveness will require more aid to be channeled through the GoSS's budgets. Large-scale budget support is not a realistic project in the short-term. The GoSS has drawn up proposals for an innovative aid instrument—the Local Service Support Aid Instrument—through which aid would be directed through the intergovernmental fiscal transfer system to fund basic services at the facility level. This is a proposal that merits donor support, initially on a pilot basis.

- ***Convert oil wealth into human capital***. Reaching a resolution of the oil crisis is by far the most effective way of maintaining the revenues needed to strengthen basic service provision. However, oil wealth is finite and revenues are projected to decline rapidly from around 2016. It is crucial that the GoSS develops a strategy for exploiting oil revenue to strengthen the human capital base of the country.

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