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POLICY BRIEF

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Reforming Public Financial Management in South Sudan

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Summary

Public financial management (PFM) is a key pillar in reforms aimed at building more credible, transparent and accountable governments, especially in post-conflict contexts. The PFM reforms are the focus of multilateral financial institutions and bilateral aid agencies, and in many cases, drive donors' financial support. The PFM reforms are expected to contribute to the wider state-building objectives after the conflicts and which include transparent management of public finances, regular payment of salaries of civil servants, better service delivery to the citizens, and better allocation of resources in support of reconstruction priorities. However, the current state of PFM implementation and reform in South Sudan is in flux. To deliver the reform agenda and the development goals set forth in the national development strategy, the country needs to ensure fiscal discipline, strategic allocation of resources, and efficient service delivery, all enabled through the PFM institutional framework.

Ultimately, the reform program will require leadership, political commitment, and sustainability to produce effective results in the long term. Based on the provisions of Chapter 4 (4.10.1.1 – 6) of the Revitalized Agreement on the Resolution of the Conflict in the Republic of South Sudan (R-ARCSS), a successful PFM reform needs to take into account the unique local context, focusing on the following policy instruments:

- *To achieve public financial management reforms, political will and support at the highest level of government are seriously needed, the lack of which may lead to failure of the whole exercise.*
- *Toward this end, the soon to be established Revitalized Transitional Government of National Unity (RTGoNU) should provide the needed political will and support towards the reform efforts.*
- *The Transitional National Legislative Assembly (TNLA) should seize the opportunity to provide robust oversight for the reforms by conducting hearings regularly to monitor the progress made. This progress could be tracked to ensure that relevant legal frameworks are developed, enacted, assented to, implemented, and regularly reviewed.*
- *Each of the institutions identified, as part of this reform exercise should have its regulating mechanisms reviewed, personnel screened, systems upgraded, and priority given to institutional and human resource development.*
- *For reforms to succeed, institutional coordination and inter-agency relations should significantly be improved.*

- *Finally, the PFM should be continuously tracked and evaluated using a standard M & E framework for improvements.*

1. Introduction

The Revitalized Agreement on the Resolution of the Conflict in the Republic of South Sudan (R-ARCSS), signed on September 12, 2018 by the warring parties and other stakeholders in Addis Ababa, Ethiopia, stipulates a series of reforms covering a wide spectrum of sectors, including economic, security, public service, and judiciary, among others. This policy brief attempts to contribute to the reform agenda regarding the management of public finances in South Sudan. The paper seeks to advance this by exploring the nature and magnitude of reforms, if any, that are instituted thus far, as well as highlighting a number of key areas, which need an urgent attention, and recommends concrete policy steps the soon to be established Revitalized Transitional Government of National Unity (RTGoNU) should seriously consider.

Since independence and transition from Sudan in 2011, South Sudan has and continues to face immense political, institutional, social and economic challenges. The country lacks coherent core institutional structures of governance and critical infrastructure. Broadly, public financial management (PFM), which refers to a set of laws, rules, processes, and systems deployed by central and subnational governments to mobilize revenue, allocate public funds, undertake public spending, and account for public funds by auditing results, is in a state of flux in South Sudan.

The country largely depends on unpredictable windfalls from oil for income and public expenditure. Prospects for non-oil revenue are rudimentary and public expenditure continues to outstrip available revenue. It has been identified that public expenditure is largely driven by mismanagement emanating from lack of clear public expenditure frameworks, including lack of public procurement law and application of Public Financial Management and Accountability Act, 2011, among other laws, that are not implemented. At this point, there is a growing awareness in the government, civil society, the donor community, among other stakeholders, that the government needs to take swift and significant public financial management reforms – particularly by reducing public expenditures and increasing non-oil revenue mobilization.

The incumbent TGoNU and the opposition recognize the need for public financial management reforms. By signing the R-ARCSS, the signatories essentially indicate their willingness to follow through by implementing the provisions of chapter IV of the peace deal, which as mentioned previously, advances a number of key economic and financial reforms.

To ensure it is effective, transparent and accountable, the PFM process must involve many stakeholders, including academia, research institutions, political parties, civil society, bilateral and multilateral institutions, the parliament, government line ministries, and other accountability institutions. The PFM process would engender a broad range of functions that begin with a diagnostic of current status, policy design, institutional setup, technical strengthening, and results and evaluation frameworks.

The ultimate goal of the PFM Reform Strategy is to ensure an efficient, effective, and accountable use of public resources to spur economic development and improve service delivery. The PFM Reform Strategy needs to focus on setting up modern and effective systems and procedures for prudent financial management, as well as reporting and strengthening the institutional framework in accordance with international best practices.

2. The Current State of PFM Reforms in South Sudan

The nascent nation of South Sudan has had a checkered history characterized by conflicts, corruptions, and mismanagement of public funds, poor service delivery, and weak economic growth. The recently revitalized agreement stipulates the need to urgently and comprehensively undertake a number of reforms in South Sudan so as to strengthen and improve governance and delivery of services to the citizens and to foster a sense of legitimacy and credibility of the state in the eyes of the population. Although there is no dispute as to the role the ongoing crisis in South Sudan has had on the country's economy, it is fair to also note that the shocks and stresses being currently experienced go far back. South Sudan's economic sector seems to have and continues to suffer from cumulative effects of weak institutions that could be traced back to the Comprehensive Peace Agreement (CPA) era.

Immediately following the signing of the CPA in 2005, which allowed the formation of the now defunct Government of Southern Sudan (GOSS), the government started to generate a very bad public image due to its perceived opaque nature of operations. This is because the country's resources were seen as being managed and used in a manner that was unscrupulous. As a matter of fact, government's image has and constantly suffers as a result of some serious scandals such as the "dura saga", an example of a procurement debacle that claimed millions of dollars for undelivered food items in 2009. Preceding the dura saga were some unaddressed serious allegations that figures of some key items the government procured were overly inflated.

Besides the noted scandals, the government came far too short in meeting its liberation obligations and promises. Roads were not delivered, no investment in agriculture, no schools were built, the economy was not planned and developed, no strategy to develop national and regional markets. In short, the funds from oil simply dissipated with nothing to show for. The infamous letter of the President to 75 public officials, asking them to return four billion dollars, allegedly pocketed, was an eye opener for the public and so conclusions have been drawn that the government officials simply arrogated the funds to themselves. Information has been making rounds in public squares that even the oil cargo is divided and sold on the streets in the international markets by individuals and not through statutory mandated channels and by relevant government institutions. Even worst is the fact that proceeds from oil, if by any luck they get into public accounts, are divided and disbursed outside the rules and regulations managing public funds, much less the appropriation acts. In simple terms, public financial management in South Sudan is a disaster and so reforms are urgently needed.

In its chapter IV, R-ARCSS identifies a number of key institutions subject to reforms. These, among others, include the Bank of South Sudan, Ministry of Finance and Planning, Anti-Corruption, and National Audit Chamber. Moreover, the deal calls for the establishment of new institutions, namely the recently formed National Revenue Authority, Public Procurement and Assets Disposal Authority, Salary Remuneration Commission, Environmental Management Authority, and Research and Development Centers comprising Natural Disasters, Strategic Studies and Scientific Research. It is to be noted that R-ARCSS focuses on these institutions due to their critical role in driving the economy as it relates to accountability through management and regulation.

In addition to the aforementioned institutions, R-ARCSS also calls for the reform of laws as a way of strengthening the institutions to deliver what is expected of them. The laws targeted as having influence and relevance for the economy include Investment Act (2009), Banking Act (2010), Telecommunication Act (2010), Transport Act (2008), National Audit Chamber Act (2011), Anti-Corruption Commission Act (2009), Public Finance Management and Accountability Act (2011), Petroleum Act (2012), Petroleum Revenue Management Act (2012) Mining Act (2012), and National Content Bill (2013). Although the timelines during which these measures could be carried out are clearly spelt out, it has to be noted that their successful implementation would require serious demonstration of political will by the country's leadership and sustained focus and pressure by the citizenry on the government and support of donors and partners.

Despite failure to fully realize successful implementation of the 2015 peace deal, some work, albeit awfully inadequate, has and continues to be done with respect to the management of public funds. Since the aim of this policy brief is to explore the extent to which the Transitional Government of National Unity is implementing the reform agenda set out under the peace deal, it is appropriate to highlight any progress made, if any, towards this end thus far and recommend some practical, necessary reforms measures yet to be undertaken in order to better inform the implementation of the R-ARCSS.

Since the signing of the ARCSS in August 2015, the Ministry of Finance and Planning embarked on some basic but necessary measures in an attempt to realize some reform objectives. Following recommendations of the International Monetary Fund (IMF), which urges the Government of South Sudan to increase the generation of non-oil revenue collections and control public spending as a means of strengthening the economy, the Ministry of Finance and Planning cancelled unfunded checks worth over 12 billion South Sudan Pounds (SSP). Moreover, the institution formed Cash Management Committee, which comprises a number of director generals heading different directorates of the Ministry to manage cash and vet the priorities to be funded. The Ministry also directed all government institutions to close their commercial bank accounts and relocate them to the Bank of South Sudan for easy control and management.

On matters concerning institutional development and strengthening, the Ministry of Finance and Planning pushed for the establishment and full operationalization of the National Revenue Authority (NRA). As one of the key requirements for successful integration of South Sudan into the East African Community (EAC), as well as calls for by the 2015 peace deal, full operationalization of the NRA, which is currently a work in progress, stands to strengthen South Sudan's capacity to increase its non-oil revenues, hence a critical institution for the reform agenda. As mentioned earlier, lack of an elaborate system of procurement is one of the main reasons responsible for corruption and bad image the public associates with government institutions. In an attempt to create a procurement regime, the Ministry prioritized the passage of a piece of legislation to that effect, resulting in the recent passage by the Transitional National Legislative Assembly (TNLA) of the procurement bill, which now awaits the ascent of the President.

3. Challenges Hindering the PFM Reforms

It is obvious that the recurring state of conflict in South Sudan is a major setback for any meaningful reforms concerning the management of public finances. Of equal importance is the lack of strategic vision and sense of direction to control indiscipline in public expenditures and promote good stewardship of resources. Given the prevailing security situation in the country, it is understandable that the reforms agenda has not necessarily taken the center stage it surely deserves. This being the case however, there is no excuse for the government for not streamlining and strengthening key institutions such as Anti-Corruption Commission, National Audit Chamber, and National Revenue Authority so that they can deliver on their mandates. Since 2011, two of the most important accountability institutions in the country, namely the Anti-Corruption Commission and National Audit Chamber, have not gotten the support they expect and need in order for them to fully carry out their mandates and functions. Broadly speaking, the needs of these important institutions can be grouped into three, namely regulatory, financial, and technical resources.

Long before the outbreak of the conflict in December 2013, amendments to laws governing the operations of the aforementioned institutions were produced but for unjustifiable reasons, these amendments have not been acted upon until today. Although the war has nearly bankrupted the country, no financial argument could be made with respect to this inaction to pass the said amendments. This is because the lawmaking body has never closed its doors at any point since it was established pursuant to the CPA in late 2005 during which time its members were nominated and subsequently elected in 2010.

While the failure to amend the laws cannot completely stop these institutions from operating, it can stifle any meaningful performance expected of them. For example, the Anti-Corruption Commission was first given investigative powers, in line with the then

Southern Sudan Interim Constitution, but the Transitional Constitution of the Republic of South Sudan, 2011, gave it prosecutorial powers. Without amending its Act of 2009, it cannot effectively fight against corruption as it lacks any legal and operational grounds to do this.

In addition to lack of legal instruments for effective operations, funding is another serious problem that undermines the work of the accountability institutions. Like other government institutions, the accountability bodies do not get more from the government than salaries, which are often delayed. Worst still, the salary scale is that of the general civil servants, and this has a direct impact on the institutions' ability to attract and retain competent professionals they need to operate at optimal level.

Another matter that needs highlighting here is the willful disregard for existing laws governing revenue management. For example, the Petroleum Revenue Management Act, 2012 and the Public Finance Management and Accountability Act, 2011 prescribe the manner in which these revenues should be handled. These laws are often ignored. For example, the Ministry of Petroleum is only mandated to market the crude while the Ministry of Finance and Planning is mandated to directly receive the money once the sale of oil is completed. The Ministry of Finance and Planning is required to directly transfer proceeds from oil into the treasury at the Bank of South Sudan. Although very clear, it is not uncommon to find that these procedures are being sidestepped, creating a very bad public image of the government for lack of adherence to law, transparency, and openness. These challenges and others previously mentioned validate the call for reforms in the whole economic sector and public financial management in particular.

4. The Way Forward: Reforming Public Financial Management

A major policy challenge in South Sudan is the pervasive lack of transparency, accountability and concomitant reforms in the system of public financial governance. Without good, public financial governance or meaningful reform interventions, the country will find it difficult to return to the correct path as it tries to recover from the conflict and charts a new course forward. What is more is the fact that the international financial system is quite closely integrated and South Sudan is likely to suffer international sanctions and constraints in the financial market if it is seen as a corrupt state.

In this section, we propose, for any public financial management reform to take off, it must involve policy, institutional, and technical measures that cover a broad range of stakeholders. As the government aims to establish an efficient, effective and accountable use of public resources, as a basis for a stable macroeconomic conditions and public service delivery for the benefit of the population, it is now all the more urgent to strengthen the capacities in key public institutions engaged in public financial management and governance. Furthermore, if South Sudan desires to win back international development support and foreign direct investment, its weaknesses in the financial management have become public knowledge and so such support is unlikely to come forth unless some corrective measures are instituted and marketed.

The Government of the Republic of South Sudan will need to support the implementation of the Public Financial Management (PFM) Reform Action Plan by strengthening policy, institutional and technical capacity at the Ministry of Finance and Planning, National Revenue Authority, National Auditor Chamber, Anti-Corruption Commission, and Public Accounts Committee at the Transitional National Legislative Assembly (TNLA) among others. The government should provide expertise towards strengthening existing systems and processes, and procuring required services, goods and technology towards ensuring that the outcomes of the PFM Reform Action Plan are achieved. Such actions would even be more credible when done in collaboration with the international financial institutions and with full participation of the civil society.

The PFM Reform Action Plan should aim to deliver efficient and transparent public procurement systems and enhance accountability in the use of public funds, among others. The various activities will contribute to ensuring greater value for money in procurements and establishing a system of checks and balances to ensure that public resources are spent effectively and efficiently in line with strategic priorities outlined in the South Sudan National Development Strategy. To ensure sustainability and effectiveness of capacity building and knowledge development, emphasis should be given to strengthening national training centers, institutes, and ensuring national ownership of the project.

In order to address the public financial management gaps identified for reforms in the R-ARCSS, the Government should adopt a system similar to the following set of objectives to ensure a sustainable monitoring and results framework in comport with the reform requirements called for in the R-ARCSS.

a. *Strategic reform framework*

Public financial management reform can be a major activity with potential to change the manner in which a country is run. Public financial resources are scarce and define the very existence and function of the government. For this and other reasons, public financial management reform cannot be undertaken without change of structures, systems, processes and culture of governance. The reform agenda must be anchored on a set of guiding principles, as outlined below.

Overall National Strategy. The PFM reform should be implemented as part of an overall national strategy. In the case of the Republic of South Sudan, the PFM reform efforts should be coordinated along the current National Development Strategy to effect the desired change in outcomes and operations in the public sector and the country at large. The PFM reform, with a detailed action plan, should be led by the government of South Sudan. Donors can contribute financial resources, ideas and technical support toward the reform program, but the reform initiative must be owned by South Sudanese, led by their government in order for the reforms to take into account local dynamics, of which the outsiders may be unaware or may not fully understand how to handle them more effectively.

Leadership commitment and political will. As the PFM is ultimately a political process, it must be supported by the political leadership and accorded the needed political will. The reform program must begin at the highest political level to gain support in order to implement credible policies, enforce government laws and policies, and empower key institutions to act autonomously. These institutions include the Central Bank, Ministry of Finance and Planning, the National Audit Chamber, the Anti-Corruption Commission, concerned parliamentary committees, the Judiciary and Public Prosecution, and relevant public procurement agency.

Establish and empower key institutions of governance. As called for in the R-ARCSS, independent and capable institutions are a prerequisite for good public financial management and reform. These institutions of governance must be given clear, non-contradictory legal mandates to operate effectively, as well as sufficient funding to secure the human capital required to operate. This means that clear rules of revenue division between different spheres of government (national, regional, local) and its institutions must be established. Special attention needs to be focused on the funding and functioning of the planning department or budget office, treasury or other expenditure-controlling authority, revenue authority, the auditing agency, and parliament.

Managing the PFM reform. In an environment of limited public financial resources, as is the case currently in South Sudan, the PFM reform process may be constrained. But at the very minimum, requisite human resources to lead, manage and implement the PFM reforms must be found and supported. Scarce and very competitive talents and skills in economic and financial management must be employed to undertake the reform. As well, donor-funded technical skills are often available and should therefore be leveraged and utilized at no cost.

There is also a need to invest in accurate, timely information and data collection because accurate information is key to effective management. The PFM relies on sound data not only from government's finances, but also from the international economy, domestic macro-economy, demography, standard of living and social conditions more generally. Thus, investment in an independent statistical capacity, manned by relevant experts, is imperative to enhancing the PFM. The National Bureau of Statistics should be adequately resourced to lead and manage such data.

In addition, strategic and proactive communication with citizens, public sector employees, and other actors is important as a key element of successful reform. Lastly, there is a need to build collaborative relationships with donors to stay apprised of the reform initiatives to be able to support them.

b. The fiscal framework

In addition to the strategic framework, which sets out how to implement the PFM reforms, the fiscal framework briefly describes the best practice for successful results.

Taxation and Revenue collection. Government's authority and attendant legitimacy, are more often expressed in its ability to raise taxes and the willingness of the citizens to comply. However, domestic revenue collection efforts must be seen as fair and effective for the government to continue to justifiably seek additional funds through taxation from the citizens or donors. Consolidating and extending the revenue base and improving the efficiency of collection are essential to the PFM in general and effective PFM reform in particular.

Improve public budgeting. There are a number of principles that should be respected in the public budgeting process. First, the budget should reflect overall economic policy and must be accurate, informative, and comprehensive and include all government revenues and expenditures. Second, aggregate expenditure out-turn and its composition should not consistently diverge from budget, and sanctions should be in place for budget overruns. Third, the budget should include a discussion of public liabilities, assets, employee pension obligations, tax and non-tax revenues, as well as details on public expenditure categories. Fourth, the annual and/or multi-year budget should be based on a medium- to long-term framework and the budget cycle should provide sufficient time for informed discussion by parliament. This greatly enhances predictability in departmental allocations and has a positive impact on planning and execution within government.

Fifth, the budget should be transparent and participatory—allowing participation of all stakeholders, including civil society, private sector, and conduct of parliamentary public hearings, as well as full and open media coverage, is key to instituting successful reforms. Sixth, there should be comprehensive information on the budget and its out-turn should be widely available within a reasonable timeframe to inform debate. Seventh, expenditure management processes should assign clear responsibility from the political head of a department responsible for policy matters and outcomes to the head official responsible for outputs and implementation and ensuring that funds are not wasted or misappropriated; and finally, there must be a monitoring of progress. Budgeting should be focused on ensuring better outcomes, not inputs.

Transparent and accountable debt management. The national government plays a key role in determining the fiscal envelope, including financing the deficit. This comes with effects that have far reaching consequences for the economy as a whole and thus debt must be properly structured and controlled. For this reason, sound principles for deficit funding should be established and are crucial to effective PFM reform and macro-economic policy. A transparent and accountable debt management ensures that public debt burden should remain sustainable, not only for the present, but also for the future generations. It should have a clear and established sustainable deficit target for the short, medium and long terms. Debt management should also set prudential guidelines to manage contingent liabilities with respect to government guarantees, the government employee pension fund, debt consolidation, and parastatal borrowing. This may mean that departments cannot incur financial or contingent liabilities that attempt to leverage a departmental budget above that which was intended in the approved budget.

Such management system should build a sound framework for managing contractual relationships at a departmental level and within state owned enterprises. Arrears should be discouraged and when they happen, they should attract the same penalties as overspending. It is recommended, as a best practice, that transparency and predictability in funding should be optimized – there should be tight record keeping and controls to manage obligations, as well as full disclosure of arrears and contingent liabilities. Related to this is cash management, which should be managed wisely across the public sector. Moreover, borrowing should seek to enhance liquidity through benchmark bond issues, maintain a full yield curve, and achieve an appropriate balance between domestic and foreign currency borrowings. Finally, the government should ensure that capital expenditure could be supported over the long term through recurrent budget allocations.

Strong budget implementation, accounting and reporting. Managing the implementation of the budget and expenditure processes is essential to the credibility of the PFM reform agenda. A number of principles must be respected in implementing the budget. As a start, the budget must be approved by the legislature prior to implementation. This budget implementation must comply with accounting and financial management laws. Implementation should also ensure good performance and value for money in government operations and should cut government cost and wastage. Successful implementation obviously requires capacity and capacity development, especially training in modern public financial management techniques.

For budget to achieve government objectives, the Office of the Auditor-General must be properly resourced and funded to fulfil its function. This role includes: providing clear definition of reporting responsibilities; day-to-day cash management; co-ordination with committees responsible for overall cash and debt management; preparation of the annual reports and accounts of government in a timely manner; and compliance with accounting norms and standards. Moreover, all government expenditures should be accounted for in a timely manner and significant deviations from budget estimates should be investigated. Lastly, clear rules regarding the format, frequency and timing of financial and operational reporting and clear reporting standards should be established.

Public procurement. There should be clear rules and procedures on how to conduct and manage open and accountable public procurement processes in South Sudan. Among the most important principles is that a centralized procurement authority, which is called for in the recently passed procurement bill, should be set up to bring about an efficient and effective procurement system in the government. The said authority should bring into force procurement rules and procedures as the basis upon which procurement decisions are made, and these rules should be decentralized across institutions. Such guidelines must be consistent with the principles of transparency, fairness, openness and value for money. Of course, strong procurement laws that meet the standard best practices should precede the making of rules and regulations. To ensure strict adherence to procurement procedures, sanctions must be adopted and strictly enforced to ensure compliance with regard to tendering processes.

Strong internal and external oversight. Well-established and effective oversight is crucial for sound PFM governance and reform. A well-functioning PFM system must have clear rules on transparency and reporting, as well as enforceable sanctions for failure. Oversight should have both internal and external components. Internal oversight should come from the Ministry of Finance and Planning—the Ministry should be given oversight responsibility over all line ministries, departments and agencies in the budget and implementation process, which, in turn, should have adequate, current and timely information and data to manage their own finances and to provide the Ministry of Finance and Planning with records. Internal oversight includes the internal audit function, which must be effective and comply with generally accepted auditing standards with regards to staffing, planning, and reporting.

Internal audit mechanisms should aim at ensuring that spending is within budgetary provisions. It should also ensure that disbursements comply with specified procedures by deploying dual control in processing transactions. Another objective for internal control is the need for a timely reconciliation of accounts and so sanctions for non-compliance with demands are defined and applied. Internal audit should also develop effective systems for managing physical and financial assets. This ensures that adequate management reporting systems are in place. Fundamentally, random operational performance audits should be carried out from time to time.

Responsible, specialized parliamentary committees, as well as the media, civil society organizations, in addition to the general public, should lead external oversight. A number of approaches could be used to achieve this. For instance, oversight could be achieved through the tabling of documents; debates and questions; raising and explaining the PFM issues; and through the operations of parliamentary finance and public accounts committees, which are empowered to oversee budget formulation and appropriation and implementation of policies and outcomes of budget allocations. All forums should be open to the media and public. The Parliament itself should be independent, adequately resourced, and should have knowledgeable members with sufficient resources at their disposal to be able to interrogate the PFM issues. Particularly, the Parliamentary Committee on Public Accounts should be empowered to take up the role of ensuring that the PFM reform agenda is implemented. This committee should be able to independently interrogate the reports of the Auditor-General and the affected public departments and agencies.

Oversight can also come from international bodies like the IMF, Transparency International, PEFA, and others, all of which reinforce effective oversight and best international practices. Being members of such bodies and participating in their various working groups and technical committees enhance skill development and accountability. The media and civil society should be regarded as PFM stakeholder institutions and should be encouraged to play a role in bringing to light failures and successes of the PFM reforms. The media should be allowed to engage in open dialogue with officials and have access to the sittings of parliament and meetings of the committees on Public Accounts and Finance, Economy and Development.

The Auditor-General is normally the external auditor of all government affairs. To fulfill this function, the Auditor-General should be independent and subject only to the rule of law so that relevant functions can be exercised without fear or prejudice. No political office-holder should be allowed to interfere with the functioning of the Auditor-General. To protect its independence, the Auditor-General should be nominated by the political leadership, approved by the parliament, and report to the Audit Commission (consisting of members and non-members of parliament). To effectively discharge it duties, the Office of Auditor-General should be well funded and well-staffed. More importantly, procedures should be in place whereby judicial enforcement may be exercised or required by the courts to ensure that the provisions of the public finance administration act and regulations are fully respected.

In our review, we find that all these procedures and controls are either absent or lacking in South Sudan putting the implementation of public budget and public financial management in disarray.

c. *Monitoring and evaluation*

Based on experiences from similar contexts and international best practices, public financial management reform requires onerous monitoring and evaluation system. The monitoring, reporting, and evaluation framework forms the basis of assessing and monitoring progress of the reform and covers the implementation of reform measures, including the institutional and systemic changes that have been implemented. Monitoring and evaluation should cover sustainable review exercises, with carefully established targets and outcomes over a specified period of time. This exercise would provide the requisite checkpoints for assessing progress of the PFM reforms and require the following general principle guidelines:

a) Setting performance benchmarks and indicators against agreed reform objectives
b) Empirical measurement and tracking of these benchmarks
c) Measuring progress by assessing outcomes of the reform using the benchmarks and targets
d) The preparation and publication of a Public Financial Management (PFM) performance report following a defined and enforced reporting cycle.

From time to time, further systematic evaluations will be carried out in order to determine if the PFM reform continues to be relevant or if more substantial changes are required. The interim evaluation will be done with the participation of the PFM Reform Steering Committee or an equivalent coordinating group. These assessments and evaluation should be expanded to cover independent reports by external bilateral and multilateral institutions such as PEFA, IMF, civil society, and media, among others.

Annex 1 below shows a simplified implementation matrix for a select number of PFM indicators and expected results of the Reform Strategy in South Sudan. Planned targets would be reviewed periodically based on the frequency of reporting and policy needs. Data on the indicators on each of the areas of the reform strategy (policy, institutional, and technical) will be collected and the results reported to ensure transparency and accountability, with effective tracking forming a major component of the success of the PFM reform. This process will also form the basis for government's commitment to the PFM reform strategy and framework.

5. Conclusion

As discussed, the public financial management in South Sudan has been in a state of instability for a long time and lacks in credible reforms. The R-ARCSS provides a window of opportunity to implement much needed reforms with respect to the management and allocation of public finances. By signing the R-ARCSS, which, among others, contains provisions regarding the urgent need to undertake a series of sound public financial management reforms, the Transitional Government of National Unity and other South Sudanese stakeholders seem to recognize the value attached to reducing wastage and mismanagement of scarce public financial resources. In essence, these reforms endeavor to ensure transparency and accountability of public resources, stimulate economic growth and development, win trust of the citizens, donors, and investors, and to improve service delivery to the citizens.

As a cautionary note, public financial management reforms can be frightening to some key stakeholders, including reformers and their constituents. Consequently, some powerful and influential elements in the society would often try everything in their might to resist the needed and intended change. This often poses a major threat to reforms that, if not managed with requisite flexibility and credible sets of reform measures can stifle and bring the public financial management reform program to a complete halt.

To be effective, the government of the republic of South Sudan, should endeavor to involve all stakeholders in all political and social spheres, as well as seek support from donors, bilateral and multilateral partners to support the PFM reform program.

Integration of standard public financial management systems and processes is an important component of modern public sector reforms and should be incorporated into and made part of the PFM reform framework in the Republic of South Sudan envisioned in the R-ARCISS. The PFM would require constant review and renewal to keep the reform current, and productive to achieve the ultimate objective of credible, transparent and accountable public financial management systems in the country.

Reforming public financial management systems would therefore require greater government involvement in the review of current status and more coordinated assessments, and sequenced action plans. Based on the provisions contained in the Chapter IV of the R-ARCSS, this paper recommends the following:

- To achieve public financial management reforms, political will and support at the highest level of government is desperately needed, the lack of which may derail the whole exercise.
- Toward this end, the soon to be established Revitalized Transitional Government of National Unity (RTGoNU) should provide the needed political will and support towards the reform efforts.
- The Transitional National Legislative Assembly (TNLA) should seize the opportunity to provide robust oversight for the reforms by conducting hearings regularly to review progress. This progress could be tracked to ensure that relevant legal frameworks are reviewed or developed, enacted, assented to, and implemented in order to establish legitimacy for the execution of laws.
- Each of the institutions identified, as part of this reform exercise should have its regulating mechanisms reviewed, personnel screened, systems upgraded, and priority given to institutional and human resource development for each.
- For reforms to succeed, institutional coordination and inter-agency relations should significantly be improved.
- Finally, the PFM should be continuously tracked and evaluated using a standard M & E framework for improvements.

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About Sudd Institute

The Sudd Institute is an independent research organization that conducts and facilitates policy relevant research and training to inform public policy and practice, to create opportunities for discussion and debate, and to improve analytical capacity in South Sudan. The Sudd Institute's intention is to significantly improve the quality, impact, and accountability of local, national, and international policy- and decision-making in South Sudan in order to promote a more just, peace and prosperous society.

Authors' biography

Ariic David Aguto Reng holds a bachelor of Management (Financial Economics) from the University of Toronto and a Master of Arts in Economics. He has a wealth of professional experience working in the public and the private sectors. He has worked for the Canadian Revenue agency (CRA), The Ontario Ministry of Agriculture & Rural Affairs, Directorate of Economic Innovation. More recently with Deloitte Consulting LLP, he was an Analyst for a USAID-funded project aimed at creating macroeconomic stability and promoting core economic governance within Ministry of Finance and Economic Planning (MOFEP), Bank of South Sudan (BOSS), and the Ministry of Petroleum and Mining (MPMI). He is currently the Business Manager of the Eye Radio where he is managing and implementing a USAID-funded media development grant in South Sudan. Mr. Ariic is also an Associate Lecturer at the University of Juba where he teaches Fiscal Management in the Public Sector at the School of Public Service (SPS).

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Annex 1: PFM REFORM RESULTS FRAMEWORK – SELECT PFM INDICATORS

Key Performance Objective	Indicator	Frequency	Baseline 2018	Target 2019
1. POLICY, LAWS, AND LEGISLATIONS				
Review, revise, develop, enact and implement sound PFM policies, legislations, regulations, procedures, and processes (PFMAA, PRMA, FA, AA, PP Law etc.) in a transparent and an accountable manner.	Number of PFM legal instruments reviewed, revised, developed, enacted, implemented.	Annual	TBC	TBC
Review, upgrade, and implement PFM IT management systems and platforms with control and reporting functionalities (IFMIS, Free Balance, TSA, TAX MIS, Debt MIS, Public Procurement System, Public Payroll System and HR MIS etc.)	Number and types of PFM management systems reviewed, upgraded, and implemented.	Annual		
2. INSTITUTIONS				
Strengthen or establish core institutions of economic governance (CBOSS, MOFP, MP, NAC, NAC, NRA, FFAMC, EFMA etc.)	Number of core institutions of economic governance strengthened or established	Annual		
	Share of PFM institutions reporting compliance with the Government methodology for	Annual		

	monitoring performance.			
3. PUBLIC FINANCIAL MANAGEMENT				
REVENUE COLLECTION				
Strengthen the administrative capacity and procedures of the NRA to increase oil and non-oil revenue collection to maximize government's/public fiscal revenues through effective, transparent, and accountable system.	Share of net oil revenue compared to planned sales and production targets remitted to the TSA	Quarterly		
	Share of non-oil revenue compared to the planned non-oil revenue remitted to the TSA	Quarterly		
	Number of training workshops/seminars delivered and number of trainees, trainers and experts trained in relation to public revenue administration standards.	Annual		
PUBLIC PROCUREMENT				
Review and align the public procurement system with best practices of efficient, transparent, accountable and competitive public procurement system in South Sudan	Number of PP Law and implementing legislations (including the forms, standard tender documents, contract templates, and procurement handbook etc.) revised, developed and enacted.	Annual		
	Number and types of Internal Audit Procedures and implemented	Annual		
	Number of standard tender documents and forms by category (Goods, Works and Consulting Services) implemented.	Quarterly		
	Average number of public competitive bids/tenders received	Annual		
PUBLIC DEBT MANAGEMENT				

Strengthening public debt monitoring and reporting; definition and adoption of clear debt management procedures and debt analysis, debt repayment etc.	Number of Public Debt Management laws and legislation reviewed, revised, and enacted	Annual		
	Public debt servicing costs as a share of Public expenditure Outturn or GDP	Annual		
	Percentage variance between planned and actual level of public debt	Annual		
	Percentage variance between planned and actual level of public debt	Annual		
OVERSIGHT AND SCRUTINY				
PFM Process is based on transparent legal provision established in the Constitution, an organic PFM law and/or related laws and compliance monitored and enforced by parliament and other oversight public agencies.	Percentage of planned audits completed	Quarterly		
	Average number of internal auditors per unit	Quarterly		
	Number of implemented planned audits per year	Quarterly		
	Percentage of implemented recommendations given by internal auditors in the previous year	Quarterly		
	Number of legislative reviews and scrutiny of audits and other compliance reports conducted	Annual		