I. Introduction and Context

Country Context

The newly independent Republic of South Sudan (RSS) embarks on the challenging task of peace and nation building while facing some of the worst development indicators in the world: more than half the population is poor; maternal mortality is the highest in the world (2,054 deaths for 100,000 live births), 33 percent of under-fives are underweight; 27 percent of adults are literate; and less than half of primary school age children are in school. Addressing these problems is complicated by a highly dispersed, low density population (13 inhabitants per sq. km) across a sizable land area, weak institutional capacity and governance, sparse infrastructure, extreme dependence on potentially volatile oil revenues (providing more than half of the 2010 per capita income of about US$1,000 and 98 percent of public revenues), persistent insecurity, and uncertainties associated with the transition to nationhood. In particular, South Sudan’s internal conflict dynamics—arising from competition over resources manifesting in border disputes, violent cattle rustling and conflicts among pastoralists and between these and agriculturists—pose a significant challenge to stabilization and development. These locally-originating conflicts have been transformed by the effects of civil war and the diffusion of modern arms into communities. As a consequence around 200,000 people have been displaced annually in 2008, 2009, and 2010, and 150,000 in the first half of 2011.

The government is under significant pressure to meet citizen expectations of an ‘independence dividend’ by achieving tangible and early results that can build citizen confidence and strengthen state legitimacy. Results need to be achieved in areas that reflect citizen priorities, including enhanced security, improved governance, expanded access to services, and improved market and livelihood opportunities. The success of nation-building measures will depend on delivering results that extend to all citizens, regardless of their location, political affiliations or ethnic identities and which include minority groups, returnees, demobilized soldiers, youth, and women. In pursuing an early independence dividend, care must be taken not to undermine longer-term institution building efforts. The 2011 Word Development Report (WDR) on Conflict, Security and Development cautions that efforts to build citizen confidence in the state and deliver early results must be linked to the development of legitimate, accountable and capable institutions.

Government has articulated three imperatives for a national local governance and service delivery program that would support its broader nation-building and peace-building goals, namely: (1) delivering improvements in local services that meet community needs and reduce poverty; (2) developing effective government institutions, based on more sustainable models of service delivery and partnerships, by transitioning from what has been a largely humanitarian approach to service delivery during the CPA period; and (3) addressing drivers and manifestations of local level conflicts. The proposed program will pursue these imperatives by focusing on strengthening participation and expanding local service delivery in the context of a simultaneous and sustained focus on strengthening the systems and structures of local government, emphasizing the key role of local government in community-level planning and service delivery. To build the confidence of citizens in the responsiveness and accountability of government, the program will use a CDD approach where communities are involved in the planning, execution and oversight of local development activities. In order to enable a quick start-up of program activities and delivery of results, the CDD approach will be piloted during program preparation by development partners and will build on the field presence and available capacity of non-governmental actors (including NGOs and UN agencies).

Sectoral and Institutional Context

Forty years of conflict in South Sudan have devastated any historical remnants of the local government system and undermined
any reliable local service delivery mechanisms. Yet, South Sudan has already made significant progress in establishing the legal and policy framework for decentralization and basic local government structures and planning systems. The Transitional Constitution (2011) sets out the basic principles of decentralization and the Local Government Act (2009) provides for the devolution of functions to the ten states, 79 counties and their sub-structures at payam (sub-county) and boma (village/village cluster) levels. Counties are given wide ranging responsibilities for local planning and primary service delivery, however their capacity is highly variable and generally weak. Moreover, fiscal assignments to counties are not aligned with service delivery mandates. The existing County Development Grant (CDG) is not yet equitable or predictable, provides few incentives for effective and accountable service delivery, and reporting and oversight systems are only beginning to emerge.

The effectiveness of the existing model of decentralization is unclear, with the Transitional Constitution providing for a complex three-tiered structure, inherited from the North. There is a lack of clarity around the detailed functional and fiscal assignments of each level of government and in particular, differing perspectives on the role of the state with respect to local government. The system appears to be fiscally unsustainable with large, costly political structures at state level (around 1,000 ministers and MPs) that have entrenched interests in the status quo. Therefore, it is anticipated that the final constitution will retain the three tiered system of decentralization. However there is scope for rationalizing functional assignments between states and counties, with some indication that MoFEP is keen to effect direct transfers from the center to counties for assigned functions.

In this context, RSS is developing a Local Services Support Aid Instrument (LSSAI) to support the delivery of local services and community-driven development (CDD) through the transfer system. The intention is to address “a long-lasting problem by moving away from the costly and unsustainable systems used today, in which aid is managed by donors directly or transferred to NGOs which manage funds and deliver services; towards putting the mandated government structures and systems at the centre of service delivery, gradually building stronger GoSS institutions and service delivery systems” (MOFEP, 2011). In addition to windows for health and education, LSSAI includes a window for community-driven infrastructure and livelihood activities at the county, payam and boma levels, which would build on the existing CDG (US$22.6 million in 2011). The proposed program will support this third window of LSSAI. Precise modalities of this support and specifically whether it encompasses the existing CDG or is provided as a new earmarked grant with specific modalities will be decided during detailed design, based on an assessment of fiduciary and revenue risks.

Relationship to CAS
A two year Interim Strategy Note (ISN) is currently being prepared based on the identification of key ‘stress factors’ and institutional weaknesses that account for South Sudan’s fragility. It is anticipated that priority will be given to addressing those internal ‘stress factors’ that pose the greatest risk to physical security and socio-economic stability, including: (a) insecurity; (b) exclusion; (c) ineffective governance; and (d) the lack of adequate livelihood and market opportunities, particularly for at-risk youth, ex-combatants and returnees. The proposed program is being prepared alongside the ISN, and is anticipated to be a Bank ‘flagship’ in the forthcoming ISN period and beyond, given its focus on service delivery, governance and security at the local level.

II. Proposed Development Objective(s)

Proposed Development Objective(s)

To expand access by communities to local services in Southern Sudan through strengthening of systems of local governance and service-delivery at county and sub-county levels.

Key Results

The program will contribute towards three interrelated development imperatives at the local level: delivering an early and tangible improvement in services for communities; strengthening sustainable systems of local governance and service delivery that are inclusive and accountable; and facilitating local conflict resolution and social cohesion. Key PDO results indicators will include: (a) more inclusive and participatory local-level planning and accountability processes that also address local drivers of conflict; (b) improved county government functionality and capabilities; (b) a more predictable and transparent system of transfers to county governments. In addition, service delivery expansion and other results will be measured at the intermediate indicator level.

III. Preliminary Description

Concept Description

The program will support the expansion of discretionary fiscal resources flowing through the government transfer system to county governments, and to their sub-units at payam and boma levels. This is essential to enable the delivery of local services aligned with local needs, create incentives for improved institutional performance, and support enhanced local government capacities.

The program will be based on a simple and flexible CDD approach to engage citizens at the county, payam, and boma levels, which will include: (a) an information campaign to disseminate the key features of the program and the processes to ensure citizen voice and oversight as well as government accountability; (b) a facilitated inclusive local planning process involving citizens and government representatives in the prioritization of needs at boma, payam and county levels along with a mapping of conflict drivers and possible mitigation measures; (c) technical assistance (engineering, FM, procurement, implementation monitoring) to design and implement projects; (d) accountability mechanisms that establish citizens oversight over the use of public resources to ensure that funds are used in accordance with agreed plans, that infrastructure and service delivery meet established standards, and that access to benefits corresponds to the agreed development plan; and (e) a complaints mechanism that provides an independent...
avenue to address grievances. The county-wide development plans resulting from this process will provide a framework for co-financing and activities by non-governmental actors. A number of additional instruments are critical to ensure the effective use of resources including: (i) strengthening the policy and regulatory environment to support local governance and service delivery; and (ii) building administrative capacity in state and county governments to support participatory local planning, resource allocation, appropriate conflict mediation and service delivery.

A carefully sequenced and phased approach to program implementation is needed, given the challenging operational environment, initial financing constraints, and significant risks to government revenues over the medium term. Initial financing of block grants by the project will be restricted to a subset of counties (based on committed funding: 40 by year 4), determined on the basis of past performance, regional spread, and development impact, in order to ensure allocations are adequate to support project objectives. A phased entry of eligible counties into the full scope of program activities will be necessary to allow for national and state level implementation support capabilities to be developed or enhanced. The initial period of program implementation will focus on a subset of strategic, core governance and service delivery activities, which can be incrementally expanded over the longer term as state, local government and community capabilities are developed. Basic training and supply-side capacity support activities will, however, be provided to all counties. The program will include the following components:

Component 1: Block grants to counties and communities (US$20 million). This component would support the LSSAI’s CDD window, by providing a discretionary block grant to county governments, with a portion of the grant earmarked for allocation at the discretion of payam and/or boma level planning committees. The latter would potentially provide flexibility for outsourcing of fiduciary functions or alternative funds flow arrangements, with the intention of eventually transitioning these to local government as their capacity increases. These arrangements will integrate CDD modalities within the broader context of working through and strengthening the government system, thereby empowering citizens while ensuring support to communities is embedded in permanent institutional structures.

Two options for the grant design will be considered during preparation: (i) a consolidated grant encompassing the existing CDG; or (ii) an earmarked and scalable grant in addition to the CDG. Financing would be disbursed on a simple, transparent and fair allocation formula. Initial projections indicate that, assuming US$40 million of project financing and targeting 40 counties by year four, the grant would support incremental discretionary financing to eligible counties of roughly US$200,000 per annum, equivalent to approximately US$1.9 per capita and a 70-80 percent increase on the existing CDG. These amounts are considered adequate to support basic incentives for capacity development and citizen accountability at the local level. Additional financing from IDA and bilaterals would provide scope for scaling up projected project activities.

Counties would be eligible to receive the grant provided that they meet a set of minimum access criteria that would include basic fiduciary and community accountability (local planning process that complies with defined criteria regarding inclusion, and citizen participation and oversight) requirements on an annual basis. These criteria will, in turn, provide incentives for performance and the absorption of capacity support provided in other project components. County governments and citizens will have significant discretion over the use of this funding whether at the county, payam or boma level, with a focus on the production and delivery of public goods, services, and livelihoods. Detailed design issues, such as the exact size and nature of the grant, discretion on use of the grant (e.g. open or closed menu), funding allocation basis and principles, performance criteria and so on will be addressed on the basis of detailed technical work to be undertaken for project preparation.

Component 2: Strengthening intergovernmental systems and county capacity (US$15 million). The objective of this component would be to: (a) support central and state governments to create an enabling policy, regulatory and oversight environment for local governance; (b) provide targeted capacity support to county governments and their sub-units to assist them to achieve minimum access criteria; and (c) facilitate the strengthening of citizen participation and oversight mechanisms and the rapid delivery of infrastructure, services and other support at the sub-county level. The considerable opportunities that exist to partner with existing development programs in providing capacity support and social accountability mechanisms will be explored during project preparation. It would comprise three subcomponents as follows:

a. Support to central and state governments. This would support: (i) policy and regulatory development focused on the articulation of a sustainable fiscal framework for local government; (ii) strengthening the management of fiscal transfer programs, and core national local government systems of planning and budgeting, revenue management, budget execution, procurement and contract management, environmental and social safeguards management, reporting and oversight; (iii) strengthening of in-year monitoring systems; (iv) strengthening of audit practice and the implementation of a partnership-based audit strategy; and (v) regular analysis and evaluation of public expenditures and systems at the local level. Support would be provided to both central and state governments based on a clarification of the respective roles of each tier of government. At the national level, support will be provided to MoFEP, the Local Government Board (LGB), the Audit Chamber and the Financial, Fiscal and Monitoring Commission. At the state level, support would be provided to the Ministries of Finance and Local Government.

b. Support to county governments. This would provide capacity support to counties (regardless of whether they meet the minimum conditions for the grant) in the areas of participatory planning and budgeting, PFM with citizen oversight, procurement and the responsibilities associated with the CDG including environmental and social safeguards. Various modalities of support are necessary to accommodate the diversity of contexts and needs across counties.

c. Support to sub-county levels. This will: (i) enable payams and bomas to engage in an inclusive and participatory planning
process; (ii) enable them to implement identified development projects with funds allocated to them; and (iii) enable citizens to exercise effective oversight of local development activities. Support to facilitate the participatory planning process and develop fundable local projects may initially be provided by contracting organizations with a demonstrated track record in this area. Subsequently, as capacity is developed in the county governments, they would be expected to manage the local planning process, possibly supplemented by part-time or full-time contracted engineering advisory services.

Component 3: Project management support (US$5 million). This would support: (a) the management of the project, including technical, financial, procurement, social and environment safeguards, monitoring and evaluation; and (b) county level spot checks and audits on individual subprojects, and program level evaluations at initiation, mid-term and program completion.

IV. Safeguard Policies that might apply

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