



Republic of South Sudan
Ministry of Finance and
Economic Planning

Roadmap: Implementing the Public Financial Management priorities in the *Revitalized Agreement of the Resolution of the Conflict in South Sudan*

PFM-Oversight Committee

Concept Note for Council of Ministers

January 2021

Acronyms

ACC	Anti-Corruption Commission
AFE	East African Regional Technical Assistance Center (also, East AFRITAC)
BoSS	Bank of South Sudan
CD	Capacity Development
CMC	Cash Management Committee
CMU	Cash Management Unit
CoA	Chart of Accounts
CPI	Consumer Price Index
CSOs	Civil Society Organizations
DPs	Development Partners
FAD	Fiscal Affairs Department of the International Monetary Fund
GDP	Gross Domestic Product
GoSS	Government of South Sudan
IFMIS	Integrated Financial Management Information System
KPIs	Key Performance Indicators
M&E	Monitoring and Evaluation
MAPS	Methodology for Assessing Procurement Systems
MDAs	Ministries, Departments and Agencies
MFF	Macro-Fiscal Framework
MoFP	Ministry of Finance and Planning
MoP	Ministry of Petroleum
MoU	Memorandum of Understanding
MPD	Macroeconomic Planning Department of the MoFP
MSWG	Macroeconomic Statistics Working Group
NAC	National Audit Chamber
NBS	National Bureau of Statistics
NDS	National Development Strategy
NRA	National Revenue Authority
OC	Oversight Committee
PAC	Public Accounts Committee
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PFMRS	Public Financial Management Reform Strategy
PPADA	Public Procurement and Asset Disposal Authority
R-ARCSS	Revitalized Agreement on the Resolution of the Conflict in South Sudan
SLA	Service Level Agreement
SSP	South Sudanese Pound
SSTF	South Sudan Trust Fund
STX	Short-term Expert
ToR	Terms of Reference
TSA	Treasury Single Account

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1. Executive Summary

The importance of good Public Financial Management (PFM) for the effectiveness of the state has become increasingly clear over the years. Strong PFM systems support not only good governance and transparency but are also crucial for efficiently and effectively delivering the essential goods and services on which citizens and economic development rely.

South Sudan has until recently demonstrated a patchy track record of completion of PFM reforms. A range of issues has contributed to this outcome, including the absence of vital leadership to provide continued and visible support to the reforms; overly ambitious and poorly coordinated donor recommendations have not helped; and we must acknowledge a limited capacity to fully comprehend and implement reforms by our agencies. This situation was confirmed recently in reviews by the IMF and the World Bank, which informed many of the planned responses we have outlined in this note.

The experience of many years of PFM in the world tells us that reforms are most effective when:

- there is a strong commitment from the political leadership.
- when the reform plan is framed within a multi-year horizon, and offers a comprehensive, properly sequenced, and prioritized set of activities that are well resourced and supported by Development Partners (DPs);
- if the reform activities are tailored to the institutional setting and absorptive capacity of the country; and
- where robust, timely management and coordination arrangements are in place and supported by regular monitoring and evaluation feedback to the leadership and the people.

A multi-year PFM reform plan is therefore an essential requisite for successful actions. It is often said that failing to plan is planning to fail. Any specification of reform actions required to improve the PFM system (what is needed) must be consistent both with what is possible over the life of the plan (implementable) and what is wanted (is politically supported).

This concept note recommends the Council of Minister's endorse the following PFM reform strategy:

- *an Immediate Action Plan (PFM-IAP) for 2021 to guide delivering the R-ARCSS priorities.*

The IAP includes a conservative number of achievable actions over the course of 2021, each supported by identified technical assistance. Providing detailed guidance to implementations of R-ARCSS priorities will be key to maintaining reform momentum while a medium-term PFMRS is being prepared.

During 2021 we will open a dialogue with DPs with a view to gaining support for preparation of a medium-term PFM Reform Strategy (PFMRS). We outline below a possible approach to take in preparing a PFMRS, noting that we will require full engagement and support from line ministries and DPs.

This concept note also underscores governance considerations, risks and challenges, and monitoring and evaluation issues to be considered when preparing the PFMRS.

2. Introduction

Delivery of essential services to the citizens of South Sudan will benefit from the recent and welcome momentum for improvement in how public finances are managed. With the formation of the revitalized Transitional Government of National Unity on March 12, 2020, the Government of South Sudan (GoSS) has made commitments to move forward with a suite of PFM reforms identified in the *Revitalized Agreement of the Resolution of the Conflict in South Sudan* (R-ARCSS) of September 2018. This reform momentum, supported by the leadership of the President and managed by this Oversight Committee (OC) with DP participation, creates a new opportunity to develop a set of prioritized and sequenced Public Financial Management (PFM) reforms in an action plan that is jointly owned and adequately resourced by both the government and the international community. Our objective is to transform GoSS's PFM systems to better manage resources efficiently and to deliver the transparency and accountability that civil society organizations (CSOs) demand (and are entitled to), and regional good practice indicates.

The importance of good PFM for the effectiveness of the state has become increasingly clear over the years. Strong PFM systems support not only good governance and transparency but are also crucial for efficiently and effectively delivering the essential goods and services on which citizens and economic development rely. Creating state systems and processes that deliver good PFM outcomes requires a plan. The R-ARCSS has identified key priority areas for PFM improvement and has generated significant momentum for PFM reform in South Sudan in 2020. For us to maintain this momentum requires articulation of detailed implementation plans for 2021 to advance the R-ARCSS priority reforms. Additionally, the current appetite for improved PFM in South Sudan presents an opportunity to leverage this momentum to build a carefully targeted, comprehensive, and realistic PFM reform strategy for the medium term.

The purpose of this document is to advise the Council of Ministers of decisions taken by the PFM-OC to execute its mandate in respect of PFM systems:

- 1 We have prepared an **Immediate Action Plan** to end-December 2021 for further implementing the R-ARCSS PFM priorities, including a demanding yet achievable list of related PFM reforms to support the R-ARCSS priorities during this period;
- 2 This Concept Note offers clarity on how the PFM priority elements of the R-ARCSS are planned for implementing, and articulates the **guiding principles and rationale** behind the government's efforts to improve PFM practices in South Sudan; and
- 3 We offer a roadmap of actions that can be taken to leverage off the R-ARCSS initiative and harness support across government, the civil society and with DPs for preparation of a comprehensive and **medium-term PFMRs**.

The importance of putting in place an effective PFM reform strategy is underlined by the challenges experienced in preparing a credible budget. Our budget credibility has been severely damaged in recent years by approval of unsustainable budgets that have not been executed to plan; and with unrealistic expenditure projections based on overly optimistic revenue forecasts; evidenced by the generation of large and rising expenditure arrears. GoSS has committed to turning this situation around, against the realistic understanding that change will take many years of planned, and consistent effort.

A multi-year PFM reform plan is therefore an essential requisite for successful actions. It is often said that failing to plan is planning to fail. The government understands that plans are essential for setting direction and priorities; to bring all stakeholders together and have them work in the same

direction to deliver the overall goals; to set priorities which make it easier to say no to distracting initiatives; and the drive alignment of resources. A plan is also an important communication tool, facilitating marketing to gain community support for improved PFM, and aiding with development partner coordination as well as monitoring and evaluation. Proper planning and coordination of effort aids in completing priority tasks in the proper sequence, without any gaps. For example, a first-rate cash forecasting capacity will not benefit expenditure management if outputs are not linked to the allotments system.

Our nation has until recently demonstrated a patchy track record of completion of PFM reforms. A range of issues has contributed to this outcome, including gaps in perceived leadership support to the reforms and as crisis management has led to short-term actions being taken; overly ambitious and poorly coordinated donor recommendations have not helped; and we do acknowledge a limited capacity to comprehend and implement reforms by our implementing agencies. International experience informs us that having high-level support for actions is vital for successful reform. The GoSS experience with PFM reform in recent years must guide the form, content, and ambition of the plans for completing the R-ARCSS priority actions and in formulating a PFMRs.

This concept note has multiple aims. The note is designed to leverage from the early signs of reform momentum and offer a coherent framework to stakeholders for the next steps required to keep the reforms moving in the right direction. In so doing, the note explains the instrumental role of PFM in achieving public policy objectives and the country's development goals; indicates the objectives of a PFMRs; offers guidance on the scope and sequencing of proposed measures to include in a PFMRs; and indicates the set of achievable reforms for 2021 consistent with R-ARCSS priorities that are implementable now. These immediate actions are designed to sustain the reform momentum while resources are demand is secured for a PFMRs. We anticipate preparation of the PFMRs will be a necessarily lengthy exercise requiring the mobilization of support from stakeholders (MDAs and DPs in the main) and to ensure consistency and harmony with the national development plan. In Annex 4 we offer a roadmap of actions to prepare a PFMRs.

3. Rational for PFM

A well-founded PFM system is an essential condition for a country to achieve public policy objectives and attain sound development outcomes. PFM institutions and arrangements help build trust, promote financial sustainability, and transparency and accountability in service delivery. A strategic approach to PFM reform focuses on four core principles:

- Fiscal discipline – (*manage governments' resources*) - the effective control of the budget by setting ceilings on expenditure that are binding at the aggregate level and at the level of the spending entity;
- Efficient resource allocation – (*directing funds where they are most needed*) - the ability to establish priorities within the budget and allocate resources across and within sectors that reflects the priorities of leadership;
- Operational efficiency – (*delivering value for money*) - ensuring that public services are delivered in an inclusive and sustainable way that produces the maximum volume and/or quality of services for the inputs used, and minimizes leakages; and
- Accountability – (*transparently saying what we will do and doing what we have said*) - delivering accountability for the use of resources, making fiscal and budget information available to the public, and facilitating external scrutiny by independent agencies.

PFM is a critical mechanism for all governments, including ours, to enable delivery on priorities and to fulfil promises made to citizens. Public financial reforms are essential in building trust in government amongst its citizens and in ensuring maximum potential aid effectiveness by gaining the confidence of the international community to channel financial resources through country budget systems. Any specification of reform actions required to improve the PFM system (what is needed) must be consistent both with what is possible over the life of the plan (implementable) and what is wanted (is politically supported).

4. Pre-requisites for effective PFM improvement

4.1 PFM reform experiences

The experience of many years of PFM in the world tells us that reforms are most effective when:

- there is a strong commitment from the political leadership and buy-in from all sectors and stakeholders;
- when the reform plan is framed within a multi-year horizon, and offers a comprehensive, properly sequenced, and prioritized set of activities that are well resourced and supported by DPs;
- if the reform activities are tailored to the institutional setting and absorptive capacity of the country; and
- where robust, timely management and coordination arrangements are in place and supported by regular monitoring and evaluation feedback to the leadership and the people.

A “big bang” approach to PFM reform is considered less likely to succeed; the timeframe for PFM reform is not a short run activity. A 10 to 15-year horizon is the more likely observed timeframe. This has implications for sustained leadership support and underlines the need for planning and the dangers of “over promising and under delivering” which will quickly de-motivate many stakeholders.

There are also lessons for how we manage our DPs. The PFM-OC will resist the temptation agree to reform actions where the context or absorptive capacity is not right, or where needed technical assistance is not identified. Supply side reform does not have a good track record of success. In that context we understand donor coordination and alignment is a critical feature of successful PFM reform - inputs which are not integrated into our government programmes are likely most often to fail. So, a multi-year framework supported by robust governance systems offers the best chance for coordinated action. A multi-year framework will also support the planning timelines of DPs which typically, given approval and contracting needs, can take time to deliver boots on-the-ground. Finally, but critically, where the capacity of an implementing agency is limited, we will be requiring that reforms be phased in gradually.

Our PFMRS should align all needed reforms and elements in a sequenced and coordinated manner.

The PFMRS must present a sequenced set of actions to be undertaken in the immediate term to address some of the critical issues identified during recent multilateral review missions, and as well the medium to longer-term actions that will build PFM capacity and strengthen institutions. Experience suggests the extent of PFM reform indicated for South Sudan will take ten to fifteen years to achieve, and many key reforms will probably take several years to implement, e.g., improvement in expenditure chain management has many parts – cash and allotment controls; commitment systems; purchasing reform; and payment modalities. This requires patience and perseverance before the results become apparent and underscores the importance of a multi-year PFMRS. A PFMRS will

facilitate GoSS in taking the logical next step after R-ARCSS, and should be prepared in close consultation with stakeholders, including DPs during 2021-2022.

Whilst the medium-term PFMRS is developed, the R-ARCSS provides a challenging agenda of agreed reform priorities that must continue to be worked on in the period to end-2021. Therefore, in the sections below, the R-ARCSS IAP for 2021 is detailed. The 2021 IAP remit of actions extends a little wider than R-ARCSS to include a limited number of critical building-block PFM activities which are considered implementable within our assessed capacities. This R-ARCSS IAP covers the period to December 2021 and will provide a foundation for and momentum to the PFMRS.

4.2 Aligning PFM to government priorities

We note that PFM reforms are more likely to deliver intended results when PFM priorities are closely aligned with our national priorities. As noted above, the South Sudan's R-ARCSS is supported by political leadership, and sets the immediate priorities for reform, including for PFM. A PFMRS that completes the priority actions in R-ARCSS and is anchored in the NDS,¹ should aim at re-building PFM systems and institutions to support achieving peacebuilding, economic and social objectives. The consultations with MDAs on the priorities for the next cycle of the NDS are underway now and will inform updates of sector strategies, including in PFM.

The R-ARCSS comprises nine priority reforms to be addressed. These nine priority areas for reforming PFM are also endorsed by the IMF, the World Bank (WB), and other DPs. These elements of R-ARCSS that are not fully implemented and operationalized by December 2021 will need to be included as priority deliverables within the scope of a medium-term PFMRS (Box 1). Two additional items recommended to be addressed in the immediate future (i.e., to end-2021) were proposed by a recent IMF Mission² and we have considered these in framing the 2021 R-ARCSS IAP. Additionally, there are some cross-cutting priorities in R-ARCSS which need to be included in the IAP for 2021 and the PFMRS for completeness (e.g., institutional, and legal reviews).

Box 1. Current PFM Reform Priorities

1. Implement a TSA
2. Strengthen cash management
3. Relocate Loans Committee to MoFP
4. Review, verify and clear all arrears
5. Review and verify loans and contracts collateralized or guaranteed against crude oil
6. Strengthen the Anti-Corruption Commission (ACC) and the Audit Chamber (external auditor)
7. Establish a Public Procurement and Asset Disposal Authority (PPADA)
8. Rollout electronic payroll using biometric system
9. Strengthen Fiscal and Financial Allocation Monitoring Commission (FFAMC)
10. Strengthen macro-fiscal framework (*Not in R-ARCSS*)
11. Strengthen the budget process and budget credibility (*Not in the R-ARCSS*)

Source: R-ARCSS, IMF.

4.3 Scope and sequencing of reforms in the PFMRS

The underlying focus for a PFM system is the annual budget. A well-functioning budget process that matches the need for essential services with resource availability will have the following features: credibility (plans are executed close to 100 percent in the absence of natural disasters and

¹ Republic of South Sudan National Development Strategy 2018-2021 – “Consolidate Peace and Stabilize the Economy”.

² South Sudan, Public Financial Management Reform Priorities, IMF August 2020.

international externalities); accountability and reporting (to monitor and measure performance); and transparency and credible auditing. These features are foundation elements that should be put in place first, to ensure that policy decisions are made based on credible data and executed in reliable PFM systems. Improving shortcomings in current PFM practice should be the foundation for further reform measures over the medium and long run to bring GoSS PFM performance into line with good practice in the region.

The sequencing of measures should be carefully thought through, considering priorities, capacities, and resource availability. Our coordination with DPs will be critical in addressing capacity constraints. Reform priorities will usually need to be supported by technical assistance, so for each reform measure a lead-DP should be identified. Moreover, discipline in the monitoring and evaluation of reform implementation will be important to ensure that focus remains on priority areas until change is achieved – critical building block actions cannot be bypassed, and in this context, the PFMRS planning must be informed by a comprehensive diagnostic study to identify the gaps in PFM practice in GoSS. Each subsequent year of a multi-year plan will be required to be updated to accommodate changes in priorities, to address issues and problems of implementation, and to keep up to date with the legislative framework. We and the functional units within MoFP will take the lead with the planning and oversight of the strategy, and each reform measure will have a responsible government entity identified.

International experience³ suggests that PFM reform actions should focus on three main management deliverables in the following order:

1. Putting in place controls to ensure some minimal level of financial compliance to ensure control over the use of public resources.

Generally, such PFM systems focused on adherence to the all the legislation, regulations, and procedures governing public sector finances to keep spending consistent with budget approvals; and detailed line-item budgeting with the emphasis on ensuring the most economical use of inputs. For this basic control to be effective requires the budget to be as comprehensive as possible to include all government spending, with centralized controls in a strong finance ministry, the operation of centralized cash management (a treasury single account), a regular budget calendar, timely (usually cash) accounting, regular reports, strong internal controls, and an active external audit function reporting to the legislature.

2. Establishing mechanisms to deliver aggregate fiscal discipline to ensure macroeconomic stability and sustainability.

In terms of PFM processes this is associated with the development of improved macroeconomic and fiscal forecasting, timely reports on fiscal aggregates, medium term fiscal and budget frameworks, and debt sustainability analysis. For developing countries, it has also encouraged better investment planning, taking account of future recurrent cost implications of present capital spending, and in better programming and managing of aid flows.

3. Introducing systems to ensure better policy delivery, with an emphasis on outputs and outcomes of publicly provided services to promote efficiency and effectiveness in service delivery.

To improve the efficiency and effectiveness in service delivery, some countries, especially in more advanced stages of development, have focused their PFM reforms on strategic planning, program

³ Jack Diamond (2013) Good Practice Note on Sequencing PFM Reforms, on PEFA.org website

budgeting, use of performance indicators to monitor and evaluate, and more decentralized management systems, typically associated with a move from cash to accrual basis accounting.

It is our considered view that the 2021 IAP and PFMRS should focus on improvements in control over the use of public resources – to “get the basics right”. The priority therefore is for improved budget credibility (so the budget is executed close to 100 percent); centralised control over cash (consolidated fund management); better in-year revenue and expenditure controls (avoiding arrears); timely accounting and reporting (to improve management); adequate internal and external auditing (avoid irregularities and promote transparency); and a supportive legislative framework (PFM becomes the system). Once these elements are delivered, attention can progressively turn to addressing items 2 and 3 above i.e., introducing mechanisms to promote transparency and accountability to permit more flexibility in resource management.

4.4 Governance arrangements

Our governance structure to manage R-ARCSS and subsequent PFM reform is operational⁴. The role of the oversight bodies is crucial in driving the PFM reform efforts to the right direction and setting priorities. A Ministerial Order established the PFM-OC which held its inaugural meeting on June 3, 2020. That meeting considered draft terms of reference which recommended that consistent with good international practice, oversight of the government’s PFMRS would comprise three groups: (i) an Oversight Committee (PFM-OC); a Technical Committee (PFM-TC); and a Reform Secretariat (PFM-Secretariat).

Our role, as PFM-OC is to ensure transparency and accountability in the management of resources. The mandate we have been given requires us to prepare a comprehensive PFMRS. We are responsible for coordination and strategic policy direction of PFMRS; monitoring the implementation and effectiveness of the reform outcomes; deciding on the content of PFMRS, consistent with priority, capacity, and financing; ensuring consistency between PFMRS and R-ARCSS, the budget, and the NDS; providing oversight and accountability to public finance; and to ensure inclusive participation of DPs and citizens with PFMRS. As acceptance of PFM reform matures, and the list of mission-critical decisions eases, we will reduce the frequency of our current twice-monthly meetings to bi-monthly.

We are assisted by the PFM-TC, who provide technical support. This role includes providing technical level coordination, monitoring and supervision of the PFMRS. The PFM-TC is also charged with providing consistent policy and technical advice, liaising with government technical counterparts and DPs to assess progress of reforms, and to recommend corrective action where required. The membership is drawn from a wide range of MDAs, chaired by the First Undersecretary, Finance and Planning; and includes civil society members. Once the PFM reform agenda settles down, we expect a monthly meeting frequency will be sufficient for the PFM-TC’s guidance on technical matters.

Finally, we have formed a PFM-Secretariat as a permanent unit in the Ministry of Finance and Planning (MoFP). The secretariat is led by an Undersecretary, with permanent, part-time secondments at senior level from the key work divisions within MoFP. The secretariat is tasked to support the PFM-OC and PFM-TC in management of the PFMRS implementation. One task of the secretariat is to implement an appropriate communication plan to keep stakeholders, including the South Sudanese public, informed and to promote greater ownership of PFM reforms by the government and DPs. The World Bank (WB) is providing capacity support to the PFM-Secretariat.

⁴ Minister of Finance Order No. 3 of April 17, 2020

4.5 Coordinating with DPs

DPs involvement in PFM reforms is essential to provide the financial and technical support that is required to deliver effective results. The participation of DPs representatives with us in the PFM-OC and in the PFM-TC is welcome. Funding for the reform interventions, either from government's own resources or from external sources, must be identified and sequenced accordingly and flexibility of DPs support will be critical to provide hands-on assistance to the emerging needs of the government. Equally, it is important to have DPs support the priorities of the GoSS, and not deviate from the plan by offering lower priority, but preferred reform activities that might be better sequenced for a later implementation.

In many countries urgent PFM reform priorities lack adequate resourcing. We will have regular and open dialogue with DPs with the objective of raising additional funds to help bridge any gaps in support. Our disciplined approach to resourcing includes:

- Setting strict criteria in the selection of the highest priority areas to be included in the annual IAP.
- Giving greater emphasis to the funding of support systems implemented with process reengineering reform rather than “softer” areas such as training workshops on which a disproportionate amount of TA is often provided.
- Inviting a DP to take a leadership role in the coordination of activities in each thematic item in Box 1.
- Discouraging DPs from engaging in reform actions outside of the annual IAP.
- Encouraging DPs to fully deliver on their capacity and technical support pledges.
- Eliminating any duplication that exists in the funding of TA in certain areas.
- Enabling donors to earmark the support they provide through Multi-partner Trust Fund arrangements.

To support our governance, the DPs are seeking to formalize their inter-agency coordination arrangements. DPs have until now operated an informal working group arrangement to coordinate their capacity building investments with GoSS. Recently DPs have sought to formalize into a PFM DPs working group (PFM DP-WG) arrangement with the development of a terms of reference, the election of a chair and co-chair, and more formal operating and reporting modalities, to help maximize its coordinating function. We are hopeful that DPs will accept the logic of having each reform theme ‘lead’ by a DP. This leadership role is designed to enhance coordination of effort and communication amongst DPs.

4.6 Institutional and capacity building

We understand a key to the success of a PFM reform strategy is that it must be tailored to the institutional setting and capacity context of the country. An absorptive capacity limit is the point at which too much help becomes bad help. There are limits to the amount of financial and technical assistance that a state can spend or absorb efficiently. Consequently, allocating more financial or technical assistance could result in worse government performance than would otherwise have been the case.

To deal with capacity constraints we seek to ensure each annual IAP is limited to a modest set of actions that are considered achievable in the timeframe and resourcing available. Equally, in framing the PFMRS, due consideration will be given to the assessment of DP plans and commitments, noting the world is experiencing considerable economic challenges with management of the COVID pandemic, *inter alia*, which is likely to impact the overall quantum of development assistance.

Therefore, as part of the 2021 IAP we will be asking lead DPs in each thematic area in Box 1 to include in their forward plans the commission of a capacity assessment to better identify institutional obstacles and human capacity gaps for reform and offer solutions to address them.

South Sudan's reform implementation capacity problem is partly attributable to DP "reform supply". In 207 the IMF offered solutions to critical PFM weaknesses, in cash and arrears management. These suggestions were not implemented on our side and the capacity assessments mentioned above will assist us to better understand why. We know that reforms to PFM systems are unlikely to be successful where they are being driven exclusively from the supply side. Contrastingly, where reform is being demanded, as is the case with the R-ARCSS priorities, there is an enhanced likelihood of success. A principal task of our governance oversight therefore is to manage the demand and supply of capacity building. Our ultimate objective is to develop PFM systems and processes that encourage and demand performance in the utilization of public resources, since these are assessed as having the better change for long-lasting impact and support.

The reform journey requires support from all stakeholders. There is a critical need for our implementing partners - the MDAs - to be included at the start in the reform planning dialogue and be motivated to join in and support the reform elements. This is important since MDAs will be impacted by PFM policy and process change. So, responsibility for planning and implementing the various reforms must be shared by stakeholders; central agencies and MDAs alike. The initial reform agenda has been established by R-ARCSS, and the proposed 2021 PFM-IAP is consistent with R-ARCSS. We anticipate that a centralized reform agenda will initially dominate the PFMRS, since many of the building block priority reforms will need to be driven from the center (e.g., TAS, cash management, expenditure management). However, over-time, we expect a more decentralized approach which will better share the burden of reform and lead to better outcomes.

5. Implementation considerations

5.1 Risk management

Implementation of a PFM reform plan is not likely to be easy and will require sustained leadership and commitment at all levels. That the reform actions are founded in the movement for national unity and are captured in a Presidential endorsed agreement to change bode well for their success. That said, we will need to carefully manage the reform process, paying particular attention to risks and obstacles as they emerge. A constant, quality dialogue with stakeholders, the public, and DPs, founded off the back of a detailed monitoring and evaluation strategy, is required to keep the strategy on track. A table of potential risks with assessed likelihood and impact and including possible policy responses is included in Annex 1. We have tasked the PFM-Secretariat to prepare and maintain a register of risks and undertake regular assessments to inform fine tuning of the implementation plans.

5.2 Sustainability

Ultimately, the PFM system needs to be able to be sustained by reliance on our local resources only. That is, we need a PFMRS that incorporates plans and strategies for building adequate local capacity to support the new work processes for the long-term maintenance of good practice PFM in South Sudan. Such local capacity needs to be sufficiently robust to permit the eventual replacement of technical support from DPs, international advisors, and consultants, since external assistance should not be assumed to be open-ended and limitless.

We are mindful that special care will be required to limit any tendency of DPs to build and operate duplicate/parallel government systems. Using our strong partnership with DPs in the PFM-OC and

PFM-TC we will encourage DPs use of country systems and to work within and in support of existing government rules and procedures rather than create duplicate systems (such as PIU's). Where necessary, we will ask that existing systems and procedures that are considered deficient in accountability and/or effectiveness terms to be prioritized for reform and upgraded, rather than worked around.

5.4 Monitoring and evaluation

Our medium-term plans are considered as “live” documents, subject to change and fine-tuning in response to changes in the operating environment. There will be instances where elements in the PFMRS are delayed or require amendment. These actions will be informed by comprehensive monitoring and evaluation (M&E) framework that collects and provides us with feedback on implementation issues.

We have tasked the PFM-Secretariat with development of a M&E framework to manage feedback on implementation of the PFMRS. The M&E framework, to be developed during 2021, will set key performance indicators in each PFM reform theme to facilitate monitoring of the performance against defined targets. The PEFA framework (see below) offers specific guidance in this regard. The M&E framework will need to clearly specify the timelines and format of annual action plans and implementation progress reports, which we are currently requiring quarterly. Monitoring the capacity for and commitment to reforms is our role as the PFM-OC. Regular monitoring and evaluation on implementation of the PFMRS elements will be assessed by us to identify real or potential blockages or issues and to direct appropriate steps for correction.

5.5 Change management

The challenge for a successful PFM reform in South Sudan is to match up what change is needed, with what change is possible, and to what change is politically supported. There has been a perception amongst DPs that South Sudan does not exhibit a strong appetite for PFM reform, although recent attention being paid to R-ARCSS priorities has demonstrated some reform momentum. To counter resistance to change we will need to pay particular attention to prosecuting the case for change in each reform theme. So, whilst R-ARCSS has garnered strong leadership commitment to PFM improvements, each reform theme lead DP will be asked to include in forward planning the completion of a change management action plan for the reform theme that are leading.

Change management strategies help impacted institutions, and individuals to understand the need for change and motivate them to participate in the efforts to build capacity. Each reform element change management action plan will need to assess the readiness for change, the views of all relevant stakeholders, potential resistance and risks, and ways of addressing these challenges. Each plan must identify the goal of the reform; present a business case to gain “buy-in” from all stakeholders; include a detailed roadmap of steps with measurable targets and incentives; identify the resources needed, including for retraining and process reengineering; communication and outreach; monitoring progress, adjusting plans, and managing resistance; celebrating eventual success; and once completed, look to M&E to offer opportunity to fine-tune and continuously improve the activity. The PFM-Secretariat will manage this activity.

Individuals will react differently to change and at a different pace. For some the change will be welcome and for others it can be a concern; it is important that their reactions (be they positive or negative) are recognized and addressed appropriately. Ongoing communication and consultation are therefore an important aspect of implementing any change process.

5.6 Communication and outreach

We note the importance of effective communication in successful implementation of change initiatives. At every stage throughout the reform process there needs to be transparent opportunity for all stakeholders to engage in dialogue to offer suggestions and feedback to assist M&E and fine-tuning the reform elements. Stakeholders must include the citizens who will be directly affected by PFM reform and who have recently demonstrated increasing awareness of the impact of PFM on their lives.

Outreach to the development community will be critical to locate and deploy resources to close the gap where local capacity is not able to implement needed PFM reforms. An effective outreach strategy will assist us with marketing the PFMRS, especially in terms of priority, sequenced actions. All technical supports gaps need to be closed in a timely manner, since in many reform themes the sequence is a critical aspect, and if elements are left untouched, further reforms may well be less successful.

We have tasked the PFM-Secretariat to develop a plan for communication and outreach support to the PFMRS. Regular, quality communication with stakeholders should be an ongoing activity. Preparation of a communication plan will facilitate targeted messaging that is efficient, effective, and lasting. The communication plan will indicate purpose, identify the audience(s) and communication modalities/channels to reach the audience, design the messages, consider resources available, strategize how to connect to media and others to deliver the message, result in an action plan, and include a M&E feedback loop.

6. R-ARCSS implementation planning

Implementing the R-ARCSS agreement⁵ priority actions was delayed until a full Council of Ministers was appointed in March 2020. Subsequently, implementation has commenced on several of the reform themes. We note with pleasure that the current appetite for implementing the R-ARCSS priorities contrasts with DPs perceptions of a poor track record with implementing recommended reforms in recent years. The imperative is to continue with the R-ARCSS reforms now and undertake the required diagnostics and process assessments to develop a medium term, and comprehensive PFMRS during 2021.

In Annex 2 we indicate the progress made to date with completing the R-ARCSS priority reforms and related activities. Under each theme is also indicated where DP assistance has been committed to progress that reform in the immediate future while the multi-year PFMRS is prepared.

The IMF recommended⁶ two additional priority themes. The additional reform themes are to strengthen the macro-fiscal framework and to strengthen the budget process and budget credibility. Additionally, support is being provided to improve revenue administration and collections, and whilst not usually considered to be within the PFM framework, reforms in this area impact directly on many PFM issues and will have capacity implications for the overall reform program, and therefore we have included actions in this area in the 2021 IAP.

The R-ARCSS included several crosscutting themes which are included in the table below. Where TA resources are currently deployed, or planned to be deployed in 2021, these items are included in the appropriate 12-themes of the R-ARCSS in the IAP or shown as crosscutting items.

⁵ The R-ARCSS was agreed in September 2018

⁶ August, 2020

Figure 1. Crosscutting R-ARCSS items

Theme	Element	Progress
Institutional reforms (Article 4.2)		
	Ministry of Finance and Planning	MoFP have asked IMF to assist with an organizational review
	Bank of South Sudan	Amendments of the Act still in MoJ
New institutions (Article 4.6)		
	Salaries and Remuneration Commission	not yet formed
	Economic and Financial Management Authority	not yet formed
	Environment Management Authority	not yet formed
	Research and Development Centers for Natural Disasters, Strategic Studies, and Scientific Research	not yet formed
	Health Care Support Fund	discussions have been held with Ministry of Health in the budget context
	Students Support Fund	not yet formed
Review of legislation (Article 4.7)		
	Investment Promotion Act, 2009	Review completed
	Banking Act, 2010	Still with Min of Justice
	Telecommunications and Postal Services Act, 2010	
	The Transport Act, 2008	
	The National Audit Chamber Act 2011	At the draft level
	Anti-Corruption Commission Act 2009	Under const. review commission.
	Public Finance Management and Accountability Act 2011	Regulations in MoJ
	Petroleum Revenue Act 2012	Reviewed - awaiting implementation
	The Mining Act 2012	Amendment still in MoJ
	Petroleum Revenue Management Act 2012	Reviewed - awaiting implementation
	National Pensions Fund Act, 2012	
	National Revenue Authority Act 2017	Review needed but not yet done
Issues of resource management (Article 4.8)		
	Oil and petroleum	Not yet
	Land	Not yet
	The Nile and other water resources	Not yet
	Agriculture, livestock, fisheries, wildlife, and tourism	Not yet
Matters relating to public finance and economic management		
	The National Revenue Authority (Article 4.10)	supported by AfDB
	Wealth sharing and revenue allocation (Article 4.11)	supported by UN and AfDB
	Public expenditure (Article 4.12)	
	Borrowing (Article 4.13)	
	PFM (Article 4.14)	supported by WB
Establishing cost centers (4.15)		
	Enterprise Development Funds - for Youth and Women	Not yet
	Social Security Fund	Not yet
	Special Reconstruction Fund	

6.1 2021 R-ARCSS Immediate Action Plan (IAP)

The DPs have proposed, in several documents, planned activities for PFM reform in 2021. The key documents include:

- IMF Technical Report “*South Sudan: Public Financial Management Reform Priorities*”, August 2020;
- World Bank Aide-Memoire “*South Sudan: Public Financial Management Virtual Mission*”, August 2020;
- World Bank “*Proposed PFM Reform Roadmap for South Sudan*”, September 2020;

- PFM-Secretariat draft document “*The PFM Quick Wins for Immediate Implementation*”, October 2020; and
- PFM DP Working Group “*Summary Matrix of PFM Partner Activities in South Sudan*”; 2020.

These documents present a challenging number of reforms to be implemented in the timeframes mentioned and we caution to be mindful of what is realistically achievable. We note that successful reform is less likely in an environment when actions are over-promised and under-delivered. In addition, consideration and capacity space must be given in 2021 to start to plan to undertake a PFM diagnostic and prepare a detailed, comprehensive, and sequenced PFMRS plan for the medium term. Also, support is being requested for capacity assessments and to dedicate some resources for a change management plan in each reform theme.

As a principle, we plan to concentrate PFM reform actions in 2021 where a DP has committed to assist us. What we seek from managing reform planning is to maximize the likelihood of successful results. Therefore, reform plans must have a realistic likelihood of building lasting capacity in the functional area; where technical support is not available our considered opinion it is best to not attempt reforms. Where DPs are seeking to implement workplans that are outside the priority reform themes, we will try and re-direct the DP to fill priority gaps.

The table at Annex 3 identifies, for each theme, the deliverables recommended by DPs for implementation in 2021 in further detail (i.e., it is a combined list of items drawn from the WB Roadmap and the Quick Wins table). We have deliberately kept all the DP reform elements in this table and include our assessment for each item. Our color coding indicates the priority and sequencing attached to each item and the likely implementation timeframe. For some items, our assessment is that a positive implementation outcome in 2021 is unlikely.

The PFM 2021 priority reforms are summarized in the table below. The items below therefore form the high-level IAP for R-ARCSS in 2021, with the lead DP identified. The table below has been adopted as the PFM-related R-ARCSS 2021-Immediate Action Plan (**2021 PFM-IAP**). Where indicated in the table, the color bars indicate actions that are:

- Completed; or
- Where we are seeking more detailed understanding of progress to data and immediate reform plans; or
- Where we do not have a DP to assist, which therefore indicates the possibility of limited improvement in that theme in 2021.

7. Plan for preparing a medium-term PFM reform strategy

During 2021 we are planning for detailed engagement with DPs on the way forward to prepare a medium-term PFMRS. In Annex 3 we offer a preliminary roadmap for how such a strategy document might be prepared. Once discussions with DPs have reached a suitable point of agreement with commitment, we will prepare a detailed plan on the steps for the PFMRS for Council of Ministers consideration.

Figure 2. The R-ARCSS 2021 Immediate Action Plan

No.	Theme/ Sub-theme	Activities in brief for 2021	Lead Development Partner
1	Implement a TSA	Initiate reform actions. Inventory bank accounts; open dialogue with BoSS; and make a plan to move MDA accounts into TSA. Provide support to develop a multi-year plan. Commence preparation of a change management plan.	IMF
2	Strengthen cash management	Initiate reform actions. Formally establish CMU and commence capacity building on use of templates and consolidated cash flow forecasts. Commence preparation of a multi-year plan.	IMF
3	Relocate Loan Committee to MoFP	This item is implemented. Capacity improvement is required in the medium-term	
4	Review, verify and clear all arrears	Approve the Arrears Management Strategy and commence implementation. Commence preparation of a multi-year plan.	WB
5	Review and verify loans and contracts collateralized or guaranteed against crude oil	Implementation managed by Ministry of Petroleum.	
6	Strengthen the Anti-Corruption Commission (ACC) and the Audit Chamber (external auditor)	Focus TA to build capacity in key process areas for the Anti-Corruption Commission. Build capacity in National Audit Chamber to improve its effectiveness in executing its mandate. Develop multi-year plan.	WB
7	Establish a Public Procurement and Asset Disposal Authority (PPADA)	Assist with establishing the authority and commence capacity building	WB
8	Rollout electronic payroll using biometric system	Prepare data cleansing action plan; commence implementation. Commence preparation of a multi-year improvement plan.	WB
9	Strengthen Fiscal and Financial Allocation Monitoring Commission (FFAMC)	Include reform plan in PFMRS	
10	Strengthen macro-fiscal framework	Simplify workplans and address institutional blockages. Assist to develop linkages to the annual budget process. Commence preparation of a multi-year improvement plan.	IMF
11	Strengthen the budget process and budget credibility	Provide capacity building and technical assistance to budget planning and preparation; budget execution; and accounting and reporting. Commence preparation of a medium-term plan	WB
12	Revenue management	Complete establishment of NRA and commence capacity building.	AfDB
13	Crosscutting	Institutional reforms and legislative reviews	WB
	PFMRS planning assessment	Engage with DPs on a roadmap for preparing a multi-year PFMRS.	PFM-OC
	PFMRS leadership and governance arrangements	Manage PFM reform. Make plans for M&E and communication strategies	WB

No Development Partner identified for 2021	
R-ARCSS recommended action is complete	

8. Actions to be taken by the PFM-OC

Figure 3. PFM-OC Agreed actions to implement the R-ARCSS PFM priorities

Next Steps	Responsibility	Timeline (by end)
Immediate Action Plan (PFM IAP) for 2021		
Complete preparation of a PFM-IAP for 2021 to guide delivering R-ARCSS PFM priorities	This Concept Note	Completed
The 2021 PFM-IAP is endorsed by the Council of Ministers	PFM-OC	Q1 2021
The 2021 PFM IAP seeks resources to deliver:		
<i>An M&E framework to guide implementation of the PFMRS.</i>	PFM-Secretariat and PFM-TC	Q2 2021
<i>A communication strategy</i>	PFM-Secretariat and PFM-TC	Q2 2021
<i>Progressively, capacity assessments in each reform theme in Box 1</i>	PFM-Secretariat and PFM-TC	Q4 2021
PFMRS		
A PFMRS planning roadmap will be prepared	PFM-Secretariat and PFM-TC	Q3 2021
Engagement of a DP in 2021 to assist in preparing the PFMRS roadmap	PFM-Secretariat and PFM-TC	Q1 2021
A PFMRS planning approach to be endorsed by Council of Ministers	PFM-OC	Q4 2021
An <i>Agile</i> PEFA assessment and diagnostic will be conducted to inform the PFMRS	PFM-OC	TBD
Governance and DP relations		
An outreach workshop with DPs to discuss PFM implementation is planned	PFM-TC	Q1 2021
The PFM-Secretariat will maintain a register of risks and undertake regular assessments to inform fine tuning of the implementation plans.	PFM-TC	Q1 2021
The lead DP for each reform theme will be asked to preparation a change management action plan	PFM-OC	TBD

Priority action completed	
1st Quarter 2021	
By 3rd Quarter 2021	
December 31, 2021	

Identified risk:	Likelihood:	Impact on reform progress:	Policy response:
Senior leadership to support reforms lacking Implementing	Low	Reform stalls	OC to reach out to its citizens and private sector leadership with a public relations campaign to promote greater ownership of PFM reforms by the political leadership
Appetite for reform is patchy	Medium	Reforms slowed	OC to place more attention to communication and outreach activities
Effectiveness of OC and TC diminished	Low	Reforms stall	Intensify outreach efforts to underscore the risks to international support from this scenario.
Call for medium term PFMRS fails to gain support	Low	Reform slowed	Request to IFI's and DP's to redouble efforts to increase support to the PFMRS
Public support for reforms wanes; scrutiny falls away	Low	Reforms slowed	Redouble communication and outreach efforts
Plans are overloaded with elements – over promise and under delivery	Medium	Reforms slowed	OC/TC to manage DP expectations and be prepared to say “no”. Proper sequencing is key.
Capacity limitations	Medium	Reforms slowed	OC to assess capacity when discussing implementation with stakeholders and DPs. Seek support for on-the-job training and support.
Slow pace of legislative change	Medium	Reforms slowed	OC seeks leadership intervention to correct
Key secretariat staff turnover	Low	Reforms slowed	TC to consider succession options
Staff unable to take over from consultants	Medium	Reforms stall	M&E strategy to address and test capacity building
Data to support functioning M&E insufficient	Medium	Reforms slowed	Secretariat to redouble efforts to collect and analyse sufficient data
M&E feedback diminished	Low	Reforms slowed	OC and TC to redouble efforts; place more resources in the Secretariat
DPs resourcing support is lacking in quantum or timeliness	Medium	Reforms slowed	Narrow the focus for immediate actions and pursue only the most critical
DPs cherry-pick the list of reform priorities, ignoring sequencing requirements	Medium	Reforms slowed	OC to increase outreach efforts; seek support from IFI's to convince DPs
DPs promote parallel governance structures (e.g. PIU's)	Medium	Reforms slowed	OC and TC need to adopt strict guiding principles for implementation modalities
Delays in contracting TA	Medium	Reforms slowed	OC to adjust plan timelines and priorities to match
Effectiveness of TA	Low	Reforms slowed	OC look to capacity improvement strategies – twinning; OJT training; etc
Reforms are driven by consultants	Medium	Reforms stall	OC to engage ex anti with DPs in TA design

Likelihood key:	Impact key:
Low chance of happening	Minimal adverse impact to reform momentum
Medium likelihood	Reform momentum would be slowed
Quite probable occurrence	Reforms would almost stop

10. Annex 2: PFM-related implementation actions to-date

10.1 Implement the TSA⁷

The R-ARCSS recommendation implementation has commenced, however at present GoSS does not manage its cash holding in a Treasury Single Account⁸. A TSA facilitates a comprehensive picture of all cash resources, and thereby aids effective cash management by identifying what cash is available to support budget execution. A TSA can also promote more efficient use of cash resources, by reducing unnecessary borrowing and associated interest costs, and ultimately by facilitating the investment of cash surpluses. Whilst TSA implementation can take several years there are immediate actions that can continue in 2021 which will be to lay the foundations towards building a TSA. Donor assistance from IMF AFRITAC EAST is identified to further support this task and work commenced late in 2020.

10.2 Strengthen cash management⁹

GoSS budget execution has been locked in a cycle of cash rationing and failure to meet commitments, resulting in expenditure arrears, indicating the critical importance of this R-ARCSS priority. The IMF h deployed TA is currently working through some immediate actions to deliver improved functionality. The inefficient management of cash is a significant contributor to PFM weakness. By building the capacity to better forecast cash off the back of a realistic revenue assessment will deliver better informed cash rationing in the short run, and assist in reducing reliance on cash rationing as a budget execution tool in the medium term. Medium-term benefits from a more robust and reliable cash forecasting would also deliver lower (or no) new expenditure arrears and improved budget credibility. The IMF has provided TA in recent years to build capacity in the Cash Management Unit (CMU), however further assistance with template design and operation supported by institutional reform is required. The IMF has deployed TA to this reform activity, with a further TA mission planned in December 2020.

10.3 Relocate the Loan Committee to MoFP

This action has been completed and the committee is now operating from MoFP. Decisions on borrowings are still subject to external pressures under less formal rules. The WB has indicated a need for a review of the current mandate, institutional arrangements, and practices of the Loan Committee.

10.4 Review, verify and clear all arrears¹⁰

The R-ARCSS priority action called for arrears to be audited, fully accounted for, responsibly managed, and controlled. The recent IMF FAD review found that expenditure arrears continued to be a persistent and chronic problem, with stock levels exceeding 100 percent of GDP and over 5-times the size of the annual budget. Like items (1 - TSA) and (2-cash management) above, a reform plan to eradicate arrears and clear the stock will take several years to implement. That said, some immediate and sequenced actions are possible to start the reform journey to address the accumulation of arrears. In this regard TA for arrears management has been provided in past capacity development reviews however no DP is committing resources to this task in 2021. The MoFP is seeking DP assistance to engage an international accounting firm to work with the Audit Chamber on the validation of arrears.

⁷ R-ARCSS Article 4.10

⁸ IMF, August 2020

⁹ Ibid, Article 4.12, 4.14

¹⁰ Article 4.14

10.5 Review and verify loans and contracts collateralized or guaranteed against crude oil¹¹

This activity is the responsibility of the Ministry of Petroleum. The Ministry is putting in place procedures to share monthly oil production numbers with the MoFP and the National Audit Chamber.

10.6 Strengthen the Anti-Corruption Commission (ACC) and the Audit Chamber (external auditor)¹²

A recent WB review¹³ concluded the ACC struggles to fulfill its mandate. The list of actions called for by the R-ARCSS to reform the ACC included a legal review to enable it to perform effectively; harmonising the institutions tasked with fighting corruption; building demand for public support for anti-corruption; and improve its independence. The WB report noted ACC had identified an extensive list of priorities but concluded that it was not clear that increasing resources to the current ACC would guarantee it becoming operational. A set of priority recommended actions are indicated, and the WB have indicated they would lead support to this priority. **United Nations Office on Drugs and Crime (UNODC)** is also providing TA to ACC on (a) whistle-blower protection; (b) updating an investigations manual; and (c) draft guidelines on international cooperation (UK Global Anticorruption Program).

The National Audit Chamber (NAC) has not conducted annual audit of government accounts since 2011¹⁴. This is because no annual government financial statements have since been submitted to the audit chamber for audit, making it impossible for the Auditor General to express an opinion on government financial statements. The WB has made recommendations for actions to deliver the reforms to NAC and the Auditor-General identified in R-ARCSS. Implementation will be supported by the WB. The **Norwegian** government is providing technical and financial support to the NAC Strategic Plan for the years 2020-2024 in the form of peer-based support to all main areas of the strategic plan, including execution of high-priority audits, audit systems and processes, independence and resource mobilization, internal governance and ICT, human resource management and professional development of staff, communication and stakeholder engagement. This Norwegian project is being executed in partnership with AFROSAI-E and the Office of the Auditor General of Kenya, with other audit offices providing resources.

10.7 Establish a Public Procurement and Asset Disposal Authority (PPADA)¹⁵

The Public Procurement and Disposal of Assets Act 2018 has been enacted. However, the PPADA has not been formed, with policy direction continuing to be provided by the Procurement Directorate at MoFP, albeit in the absence of legal authority. Once new laws are enacted their operationalization is facilitated by adoption of regulations and updating of documents and manuals to reinforce the new framework. Currently, many MDAs continue to operate under the provisions of the (repealed) former interim law. Actions to establish and operationalize the PPADA during 2021 have been studied and plans are detailed below. The WB are leading the TA support for this activity, supporting policy development, procedures, and capacity development across government.

¹¹ Article 4.8; 4.12; 4.14

¹² Article 4.4, 4.5

¹³ PFM Mission Aide Memoire, July 15 – August 14, 2020

¹⁴ Ibid

¹⁵ Article 4.12

10.8 Rollout electronic payroll using biometric system¹⁶

The Ministry of Defence has commenced the use of unique personal numbers to pay salaries and use of biometrics at the headquarters and will continue the implementation to all its military services. The GoSS has sought WB assistance and support to extend biometric technology to their civilian employees to enhance payroll management. However, a large body of work will be required to complete this reform since HR management is only partly automated at this time. The WB are leading support for this activity in 2021. The WB have indicated a modest set of immediate actions to progress this initiative, starting with the development of a detailed action plan directed at cleaning the HR data.

10.9 Strengthen Fiscal and Financial Allocation Monitoring Commission (FFAMC)¹⁷

There has been no action taken to implement the recommended reforms to this commission. The functions are being addressed in the annual budget process by MoFP, albeit in an unstructured way. The R-ARCSS called for the adoption of regulations and procedures; conversations leading to agreement to wealth sharing arrangements with sub-national governments; establishment of a public concessions, borrowing, and debt systems; and the agreement to a set of borrowing rules. No DP has been identified to assist the GoSS with this reform.

10.10 Additional priority themes

The IMF recently recommended¹⁸ two additional priority themes to add to the R-ARCSS priorities and made recommendations on the governance structure that might best ensure a successful reform outcome. The additional reform themes are (10) to strengthen the macro-fiscal framework and (11) to strengthen the budget process and budget credibility. Additionally, support is being provided to improve revenue administration and collections, and whilst not usually considered to be within the PFM framework, reforms in this area impact directly on many PFM issues and will have capacity implications for the overall reform program.

10.10.1 Macro-fiscal framework

The IMF has deployed resources to provide TA to develop the macro-fiscal framework to assist with improving budget credibility. This activity is supported by the PFM-OC and should be added to the list of immediate actions in support of the R-ARCSS priorities. The lack of budget credibility critically impacts three of the R-ARCSS reform themes; the TSA; and cash and arrears management. Actions therefore to enhance budget credibility in the short-term will assist the related R-ARCSS reforms.

10.10.2 Budget process and credibility

The **WB** are the lead DP on improvement to the budget process and budget credibility. The WB have deployed TA resources to support budgetary reforms aimed to enhance credibility and transparency of the national budget. The current WB TA includes helping the government conduct a comprehensive review of the GoSS budget and develop a database to support expenditure analysis.

UNICEF have provided MoFP with budget management training since 2018. A focus of UNICEF support is to re-establish the capacity of State Ministries of Finance and State Transfer Monitoring Committees.

¹⁶ Article 2.2, 4.12

¹⁷ Article 4.11, 4.12

¹⁸ August, 2020

AfDB has an ongoing program of assistance aimed at enhancing financial control, accountability and oversight through targeted support to various departments in the Ministry of Finance -Budget, Treasury-(IFMIS, Macroeconomic Policy, Debt, Aid Coordination and Internal Audit aid coordination unit and National Audit Chamber. AfDB also provides support to the use of FreeBalance (IFMIS) at the national and sub-national level.

10.10.3 Revenue management

The **European Union** (EU) are providing support to the newly established Ministry of East African Community Affairs. This project is delivering assistance to the ministry in terms of general capacity building and on the implementation of the Custom Union that South Sudan should have implemented by October 2019 as provided by the accession treaty.

AfDB has a current program of assistance to the National Revenue Authority. The operation aims at enhancing the sustainable and improved economic growth through increased domestic resource mobilization and improved accountability in the use of public resources. Key activities include support towards (i) the establishment and operationalization NRA, including TA for the NRA Commissioner General; and (ii) strengthening domestic tax administration capacity and Customs administration.

The NRA component of the project at the state level to support enhanced non-oil revenue collection at state level is being implemented by **UNDP**. This UNDP project is supporting the establishment of legal frameworks for tax collection; trainings of state tax officers; construction of State Revenue Authority offices; strengthening SLAs oversight function; supporting NBS to collect data on taxpayers; strengthening revenue reporting systems; and strengthening coordination between NRA and SRAs.

10.10.4 R-ARCSS Crosscutting themes

The R-ARCSS enshrines several general principles to guide implementation. It requires the government to be transparent and accountable; committed to fight against corruption; develop a code of ethics and integrity for public officials; establish a high-level, competent and effective oversight mechanism that shall control revenues collection, budgeting, revenue allocation and expenditure; ensure that the wealth of South Sudan shall be shared equitably; and devolve revenue sharing and decision making. Crosscutting themes include institutional reviews; legislative reviews; and the governance arrangements over implementing R-ARCSS.

Where TA resources are currently deployed, or planned to be in 2021, these items are included in the appropriate 9-themes of the R-ARCSS in the IAP or shown as crosscutting items.

The **Canadian** government provided TA to the National Constitutional Amendment Committee (NCAC) in its review of the *Petroleum Act (2012)* and the *Petroleum Revenue Management Act (2013)*. Marked up versions of each Act were developed as well as general recommendations for improving the management of petroleum and petroleum revenues in South Sudan. A key recommendation was the need for an independent regulator with authority and capacity to enforce regulations in the petroleum sector.

The **Norwegian** government is providing support for the implementation of R-ARCSS across the country; a total of 38-line ministries will receive TA support; some relevant support to PFM will be provided by UNDP. UNDP, with funding from Norway is providing TA to MoFP-Aid co-ordination Sectoral Planning Department; support PFM reforms by providing technical and logistic support to the PFM-Secretariat; and supporting reviews of PFM related laws by the NCAC.

The United Nations Mission in South Sudan (UNMISS) is aiding with reviews of legislation listed in Chapter IV of the R-ARCSS.

11. Annex 3: 2021 R-ARCSS Immediate Action Plan – DP Recommendations and Commitments

No.	Theme/sub-theme	Deliverable	Lead Development Partner	Timeline (2021)
1	Implement a TSA			
		Initiate implementation of the TSA	IMF	
		Assign full-time responsibility within the Treasury for managing banking arrangements.	IMF	
		Compile a full inventory of bank accounts. Use an approved template to collect quarterly data from MDAs and implement regular reporting by MDAs for completing the template	IMF	
		Prepare a short-term action plan for incorporating MDA bank accounts in the TSA (starting with the largest accounts).	IMF	
		Initiate discussions with BoSS to agree on aggregation and pooling arrangements for the largest Treasury bank accounts.	IMF	
2	Strengthen cash management			
		Formally establish a CMU and appoint full-time staff.	IMF	
		Reinstate the cash-flow forecasting templates and prepare consolidated cash-flow forecasts.	IMF	
		Current cash management staff to engage with MPD every week to obtain frequent updates of revenue inflow projections based on the most recent collections.	IMF	
		Develop (and publish) a transparent cash allocation plan.	WB	
3	Relocate Loan Committee to MoFP			
		Review current mandate, institutional arrangement and practices of the Loan Committee, targeting its relocation under the MoFP	WB	
4	Review, verify and clear all arrears			
		Develop and approve an Arrears Management Strategy and adopt a review of progress with implementing this Strategy as a standing agenda item of the PFM OC.	WB	
		Issue a template of all unpaid invoices both within and outside the IFMIS, for completion by MDAs every quarter.		
		Prepare consolidated quarterly reports of arrears.		
		Regularly update the IFMIS allotments to record cash limits as approved by the CMC.		
		Upgrade the IFMIS to capture all invoices, including the original incurrence date and due for payment dates to allow the compilation of reports on the age profile of arrears. Issue a circular requiring all MDAs/Commissions to comply with this requirement.		
		Notify the MDAs of reduced spending limits for FY2021		

No.	Theme/sub-theme	Deliverable	Lead Development Partner	Timeline (2021)	
5		Review and verify loans and contracts collateralized or guaranteed against crude oil			
		Ministry of Petroleum to provide monthly oil production data to MoFP			
		Complete review of loans and contracts			
6		Strengthen the Anti-Corruption Commission (ACC) and the National Audit Chamber (NAC)			
		ACC	Focus the immediate reforms on key priority areas based on a study of corruption risks	WB	
			Provide TA on (a) whistle-blower protection; (b) updating an investigations manual; and (c) draft guidelines on international cooperation (UK Global Anticorruption Program).	UNDOC	
		Internal control	Develop an action plan to strengthen the internal control function in MoFP	WB	
		NAC	Finalize the ongoing amendment of the NAC Act to provide financial and human capital independence to the NAC and make it effective in executing its mandate.	WB	
			Enhance the capacity of the NAC through deployment of qualified staff and regular training and capacity development in modern trends in auditing and appropriate tools and equipment.	WB	
			Conduct an assessment of MDAs responses to NAC findings	WB	
		Public Accounts Comm	Provide technical support to the PAC to ensure effective follow-up and implementation of audit recommendations.	WB	
7		Establish a Public Procurement and Asset Disposal Authority (PPADA)			
			Establish the Procurement Authority by appointing the board members and the Secretariat and provide suitable office space for their effective working.		
			Recruit a procurement advisor to provide technical assistance to the Secretariat in day-to-day functioning of the authority and in implementation of the overall procurement reform/action plan.		
			Inform all MDAs and sub-national governments to enforce use of PPDA Act 2018 and that the IPPDR 2006 is repealed.	WB	
			Conduct dissemination workshops for all MDAs, subgovernment levels, and business community for the PPDA Act 2018. This includes printing and distribution of the act.	WB	
			Update, validate, and issue Public Procurement Regulations and prepare standard procurement tender documents in line with the Procurement Act 2018.		
			Conduct procurement training workshops on the Procurement Act 2018, tender documents, and Public Procurement Regulations for the bidding community.	WB	
			Reactivate the procurement website and internet to facilitate publication of procurement opportunities and contract awards.	WB	
			Establish procurement units at MDAs	WB	
			Each MDA should establish procurement Committee	WB	

No.	Theme/sub-theme	Deliverable	Lead Development Partner	Timeline (2021)
8	Rollout electronic payroll using biometric system			
		Rollout electronic payroll using biometric system		
		Develop an action plan for cleaning the HR data.	WB	
		Identify all wage bills of staff paid through the purchase of goods and services and develop an action plan to vet them into the mainstream.	WB	
		Review the wage bill management interface with IFMIS	WB, AfDB	
		Institute procedures to control for payroll breaches early on before they take place.	WB	
9	Strengthen Fiscal and Financial Allocation Monitoring Commission (FFAMC)			
		Improve fiscal transparency and accountability of local governments	WB	
		Introduce MTBP at local level; increase funding	WB	
		Ensure clear delimitation of powers between state and municipalities	WB	
10	Strengthen macro-fiscal framework			
	Simplify workplans	The scope of the MFF should include real and nominal GDP, oil production, prices and revenue, non-oil revenue, the CPI, and exchange rates.	IMF	
		The HEAT model for oil forecasts should be simplified.	IMF	
		Historical data could be collected and analyzed at a more detailed level, with efforts also made to improve the quality of these data, and forecasts for critical parameters prepared at a higher level of aggregation.	IMF	
		Non-essential elements of the framework should be hibernated until capacity is developed and data are available.	IMF	
	Address institutional block	Assign oversight responsibility for implementing the MOU to the OC as a standing agenda item.	IMF	
		Assign responsibilities for collecting and disseminating data across the parties to the MoU.	IMF	
		Establish timelines for the regular production and reporting of data to the MoFP, consistent with the forecasting and budget timetable.	IMF	
		Develop protocols for data requests, including authorization procedures, request and transmission templates, compliance timelines, dispute resolution procedures, etc., under the MoU.	IMF	
11	Strengthen the budget process and budget credibility			
	Budget planning and preparation	Resolve the issue of peace expenditure crowding out allocations for service delivery	WB	
		Review that all procedures governing payment processing, including approval ceilings, are included in the financial regulations and procedures manual. Plan a closing-the-gap strategy where procedures are not included.	WB	
		Develop an approach to have the NDS act as the informed reference for budgetary allocations to meet the updated NDS of FY'21	WB	

No.	Theme/sub-theme	Deliverable	Lead Development Partner	Timeline (2021)
	Budget execution	Revise allotments based on cash availability and build capacity in MDAs to commit against cash available to them	WB	
		Prepare a plan to take stock of all projects currently being conducted by MDAs.	WB	
		Develop instructions to activate the budget gate function and protect the ongoing projects.	WB	
		Have Cabinet endorse rules and procedures for ending the practice of ad hoc and extra budgetary expenditures, including that emergency expenditures should be approved by the CoM and regularized through a supplementary budget.	WB	
		Review the commitment controls	WB	
	Accounting and reporting	Assess the use of the existing IFMIS functionalities; plan to deploy the remaining modules, including the cash flow module, as soon as possible.	WB	
		Develop an action plan to complete the backlog of government financial statements and submit these to be audited as soon as possible (in collaboration with the Auditor General to assess the work required to do so).	WB	
		Establish a system for regular financial reporting with specified timelines and persons responsible for revenue, expenditure, debt, and oil production data	WB	
		Conduct a review on the CoA to assess its consistency with GFS2001	WB	
		Conduct an assessment of the comprehensiveness of financial reporting	WB	
		Finalize the ongoing amendment of the PFMA Act and approval of the draft PFM regulations	WB	
12	Revenue management			
		Appoint the Commissioner General of Revenue	WB	
		Complete the establishment of the NRA and set up the remaining functional departments to ensure that they are operational as soon as possible.	AfDB	
		Develop a tax integrated management system based on the established structure.	WB	
		Reduce the time taken by commercial banks to remit collected revenues to the Central Bank and systematically carry out bank reconciliations to enhance the collection of and accounting for revenue.	WB	
		Develop an electronic system linking commercial banks to the consolidated account at the Central Bank to enhance the timeliness of accounting for tax collection.	WB	
		Implement the full tax self-assessment.	WB	
		Clearly set the governance framework between MoFP and NRA including roles and responsibilities	WB	

No.	Theme/sub-theme	Deliverable	Lead Development Partner	Timeline (2021)
13	Crosscutting			
	Institutional reviews	MoFP seek DP assistance for an organizational review of the Ministry		
	Legislative reviews	Undertake review of all legal legislation and regulations related to the PFM cycle	WB	
		PFM-Secretariat to maintain register of all required legislative reviews and present as a standing agenda item to PFM-OC meetings	WB	
	PFMRS leadership and governance arrangements			
		Carry out an AgilePEFA to inform PFM priority reforms required in the short, medium, and long-term.	WB	
		Engage a DP to support the PFM-TC and Secretariat in preparation of a PFMRS	WB	
		PFM Secretariat to prepare a Monitoring and Evaluation framework to support the PFMRS with KPI's to monitor performance	WB	
		PFM Secretariat to prepare a communication and outreach strategy to support PFM reform	WB	

Priority task - implement in 1st Quarter 2021	
2nd Order task - implement by June 2021	
Implement 2nd half of 2021	
Not likely to be implemented in 2021	

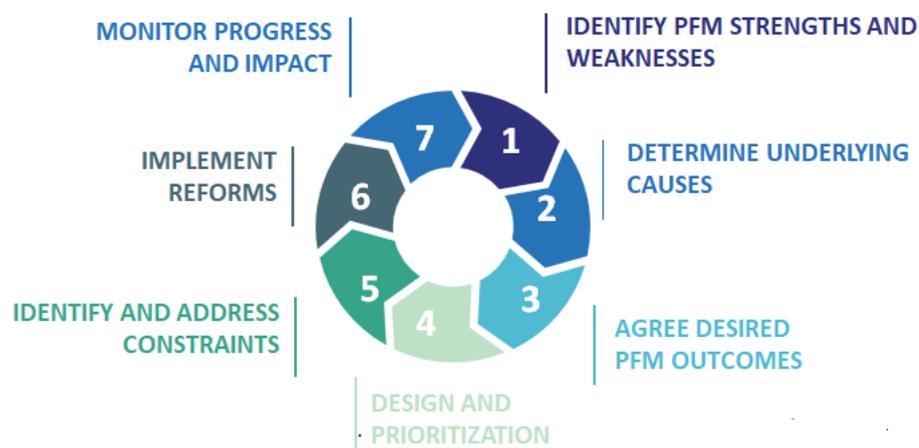
12. Annex 4: Roadmap for preparing a medium-term PFMRS

Once this Concept Note has been considered by the Council of Ministers, we will turn our attention to preparing a comprehensive PFMRS. The PFMRS will lay out the priorities for a 3-5-year period in a logical sequence and with a timetable of implementation, identify all responsible parties, include a results and monitoring framework, and show a resource envelope for each of the planned reforms. Consequently, such a comprehensive PFM plan will need to address the full-range of PFM activities, going well beyond the critical priorities identified under R-ARCSS for immediate attention. Reforming PFM systems in a comprehensive manner by paying attention to all service-wide systems, processes and structures of government is likely to produce the best outcome. An important aspect of comprehensive analysis will be an assessment of the informal rules that stand in the way of effective reform of the formal rules (e.g., how ad hoc, and extra budgetary expenditures continue to be approved).

We understand the PEFA Secretariat has recently developed and pilot tested a new approach¹⁹ to preparing a country's PFM reform strategy. The approach aims at assisting countries to identify, prioritize and sequence reform initiatives, and to take charge of their own reform agenda. The guidance sets out a simple seven-stage approach to developing and implementing PFM reform initiatives from the initial identification of the problems (including weaknesses identified in PEFA and other diagnostic assessments), to designing, sequencing, and implementing the reforms, and monitoring progress achieved. The chart below summarizes the approach, which we recommend for use as our template for the PFMRS:

The Seven Stages for PFM reform

Seven stages of preparing and implementing PFM reform



¹⁹ https://blog-pfm.imf.org/pfmblog/2020/05/-how-pefa-can-help-countries-develop-their-pfm-reform-strategy-.html#_ftn1

12.1 The PFM framework

The term “Public Financial Management” is defined in various ways by the DPs who have been active in supporting PFM. Some donors, for example, include within the broad umbrella of PFM issues such as tax policy analysis, revenue administration, the reform of government statistics offices, and the development of civil service laws and administration. The recommended template for the PFMRS takes the traditional PFM definition used to describe PFM by the IMF (a functional approach), with the addition of revenue management for the reasons outlined before. This PFM framework therefore (refer Box 2) facilitates a broader, comprehensive coverage for the PFMRS, which we consider will stand the test of time, especially when noting PFM improvement in South Sudan may well take more than ten years to implement. All elements of the Box 1 R-ARCSS priorities are readily mapped to the proposed framework.

Box 2. PFMRS Priorities Framework	
<p>1. Macro-fiscal forecasting and policy making</p> <ul style="list-style-type: none"> 1.1 Macro forecasting 1.2 Fiscal forecasting 1.3 Fiscal transparency <p>2. Budget preparation</p> <ul style="list-style-type: none"> 2.1 Medium term budgeting 2.2 Annual budget 2.3 Expenditure reviews <p>3. Budget execution</p> <ul style="list-style-type: none"> 3.1 Commitment control 3.2 Internal audit 3.3 Arrears management 3.4 Procurement 3.5 Budget execution management <p>4. Treasury management</p> <ul style="list-style-type: none"> 4.1 Banking arrangements 4.2 Treasury Single Account 4.3 Cash management 4.4 Payroll 4.5 Debt management 	<p>5. Accounting and reporting</p> <ul style="list-style-type: none"> 5.1 Chart of Accounts 5.2 Accounting standards 5.3 Reporting <p>6. Oversight institutions</p> <ul style="list-style-type: none"> 6.1 Legislature 6.2 External audit <p>7. Cross-cutting issues</p> <ul style="list-style-type: none"> 7.1 Legal framework 7.2 Monitoring & Evaluation 7.3 IFMIS 7.4 Institutional issues 7.5 Donor engagement 7.6 Public Investment <p>8. Revenue</p> <ul style="list-style-type: none"> 8.1 Revenue policy 8.2 Revenue forecasting 8.3 Revenue administration

The assistance of an experienced DP to assist us lead preparation of the PFMRS will be invaluable. DPs are well experienced with undertaking PEFA assessments and in assisting in preparing PFM reform action plans, as these are common activities supported in many countries. We will have as a first order priority in 2021 engaging a suitable DP to assist us in planning for the PFMRS.

12.2 Diagnostics to identify PFM issues

The first major step in preparing a medium-term PFMRS is to conduct a detailed, and in-depth assessment of our PFM system, identifying institutional and capacity gaps, to inform the required PFM reform priorities in the medium and long run. There are a range of suitable diagnostic tools available to assess the state-of-play, including: for a PFM assessment (PEFA); for procurement (MAPS); for revenue management (TADAT); for budget (PER); and for institutional operational assessment, a functional review. Each of these tools is outlined below. We will discuss the preparation of a medium-

term PFMRS with DPs to identify and secure the resources required to produce the plan. Not all the tools may be necessary to gain sufficient insight into PFM issues to be addressed, however the PEFA assessment is considered as an essential and required analysis. We note the PEFA Secretariat recently developed an *Agile* PEFA²⁰ which presents an approach for streamlining PEFA assessments. A test pilot of the approach in Tonga in 2019 took about 4-months to finalize, although PEFA indicates a 5-month period is the normal timeframe for the exercise. Included in the timeframe is training, preparation of a concept note, data collection, 2-weeks of fieldwork, and preparation of a draft and final report.

The **Public Expenditure and Financial Accountability²¹ (PEFA)** program provides a framework for assessing and reporting on the strengths and weaknesses of public financial management (PFM) using quantitative indicators to measure performance. PEFA is designed to provide a snapshot of PFM performance at specific points in time using a methodology that can be replicated in successive assessments, giving a summary of changes over time. PEFA identifies 94 characteristics (dimensions) across 31 key components of public financial management (indicators) in 7 broad areas of activity (pillars). The outcome of the performance assessment, the PEFA report, provides the basis for dialogue on PFM reform strategies and priorities. The methodology can be replicated in successive assessments, giving a summary of changes over time as well as providing a pool of information that contributes more broadly to research and analysis of PFM.

The **Methodology for Assessing Procurement Systems²² (MAPS)** is a tool that assesses public procurement systems in their entirety. It is universal and can be used by all countries regardless of income level or development status. By showing what works and what does not, MAPS can support more efficient reforms for better public procurement systems. MAPS is the tool to strengthen public procurement systems, it improves the effectiveness and efficiency of public procurement, and ensures integrity and transparency in the use of public funds by identifying strengths and weaknesses of the public procurement system, providing an analytical basis for concrete, targeted reforms, and ensuring effective implementation of the reforms by identifying priorities and developing action plans.

The **Tax Administration Diagnostic Assessment Tool²³ (TADAT)** is designed to provide an objective assessment of the health of key components of a country's system of tax administration. This framework is focused on the nine key performance outcome areas that cover most tax administration functions, processes and institutions. The assessment of these performance outcome areas is based on 32 high-level indicators that are each built on 1 to 5 dimensions that together add up to 55 measurement dimensions, making TADAT a comprehensive but administrable diagnostic tool. The TADAT assessments are particularly helpful in:

- Identifying the relative strengths and weaknesses in tax administration systems, processes, and institutions.
- Facilitating a shared view on the condition of the system of tax administration among all stakeholders (e.g., country authorities, international organizations, and technical assistance providers).
- Setting the reform agenda, including reform objectives, priorities, initiatives, and implementation sequencing.

²⁰ Consultation draft, August 2020

²¹ <https://www.pefa.org/about>

²² <http://www.mapsinitiative.org/>

²³ <https://www.tadat.org/overview#overview>

- Facilitating management and coordination of external support for reforms and achieving faster and more efficient implementation.
- Monitoring and evaluating reform progress by way of subsequent repeat assessments.

A **Public Expenditure Review (PER)** are one of the World Bank's core diagnostic tools for informing various stakeholders about the state of financing in a country. Such reviews assess the efficiency, effectiveness, and equity of expenditures and their adequacy and sustainability relative to the country's goals. The World Bank notes²⁴ a PER can profile the current budget status and serve as a baseline to set future targets for the PFMRS in respect of:

- The budget structure and composition of expenditures
- Expenditure patterns, and
- Assessments of high-risk areas such as payroll (compositional issues and pay scales).

A **Functional Review** of the MoFP and other key institutions will assist to identify the functions being performed and their legislative basis, provide a gap assessment to identify missing functionality, and make detailed assessment of the capacity of MoFP to conduct its functions in terms of institutional structure, capacity of human resources, adequacy of financial and other resources, and ICT support. One output from this review would be preparation of a capacity building plan designed to address the gaps in technical capacity.

12.3 Design and prioritize

Sufficient time needs to be set aside to workshop the outcomes from the PEFA assessment with all stakeholders. The approach we take might start with small groups drawn from the functional areas in Box 2, allowing a detailed examination of the issues. Involvement of key players in the development of the PFMRS will be essential for building commitment to its implementation and addressing resistance to change. A 2-3-day workshop for all stakeholders is planned to consider the PEFA results, and the results of any other diagnostics we consider essential, as well as identify other issues that might not have been identified in the PEFA process. This timeframe should be sufficient since the workshop will bring together all stakeholders and be able to draw upon extensive experience of officials, supplemented by the results of the PEFA. The PFM-Secretariat will be responsible for the workshop, assisted by DPs where required. Additionally, DPs will be invited to participate in the planning workshop, since they also have useful insights to the priority needs for reform in South Sudan and are going to be asked to assist with implementation of many components of the final plan.

We are concerned to avoid a situation where drafting the action plan becomes “an end to itself”. We are advised that some countries have undertaken large investments in developing a PFM action plan. Unfortunately, such processes often become the “end itself” with numerous iterations, and consultations, with limited real improvements to the quality of the plan being worked on. The danger is the result can be a superbly presented plan that is lacking in widespread support as key stakeholders are turned-off by the onerous preparation process. Recent IMF Regional Technical Assistance Centers experiences with assisting countries with PFM reform strategy preparation indicate a 6 to 8-week timeframe is required to fully-assess the PEFA and other diagnostic inputs, draft a plan, and consult with DPs.

The process for finalizing the PFMRS will require outreach to and endorsement from all stakeholders. It may be warranted to take the components of the PFMRS back to each of the functional groups for fine-tuning, and to identify immediate actions in more detail for the first year of

²⁴ Proposed PFM Reform Roadmap for South Sudan, September 2020

the strategy. Once functional areas agree with the content and prioritization, the draft will be tested with more senior officials for specific issues and to assess indicative resource requirements. A final draft of the plan will need to be endorsed by the PFM-TC and subsequently endorsed by us and sent to the Council of Ministers. Once endorsed, the plan will be formally presented to DPs to seek commitments to the elements of the plan.