AFRICAN DEVELOPMENT BANK GROUP

REPUBLIC OF SOUTH SUDAN

INTERIM COUNTRY STRATEGY PAPER (I-CSP) 2022- 2024

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EAST AFRICA REGIONAL DEVELOPMENT AND BUSINESS DELIVERY OFFICE AND COUNTRY ECONOMICS DEPARTMENT

November 2021

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ACRONYMS AND ABBREVIATIONS

ADF	African Development Fund
AfDB	African Development Bank
COMESA	Common Market for Eastern and Southern Africa
CPIP	Country Portfolio Improvement Plan
CPPR	Country Portfolio Performance Review
CSP	Country Strategy Paper
ECCAS	Community of Central African States
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
HIPC	Heavily Indebted Poor Countries
IGAD	Intergovernmental Authority on Development
ILO	International Labour Organization
ILP	Indicative Lending Program
IMF	International Monetary Fund
JICA	Japan International Cooperation Agency
NORMA	Non-Oil Revenue Mobilization and Accountability Project
NRA	National Revenue Authority
NGO	Non-Governmental Organisation
PFM	Public Financial Management
PIU	Project Implementation Unit
RDGE	East Africa Regional Development and Business Delivery Office
SDG	Sustainable Development Goal
SME	Small and Medium Enterprises
SPLM	Sudanese People's Liberation Movement
TGoSS	Transitional Government of South Sudan
TSF	Transition Support Facility
TYS	Ten Year Strategy
UA	Unit of Account
UNDP	United Nations Development Programme
USD	United States Dollars
WB	World Bank

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CURRENCY EQUIVALENTS

November 2021

Currency = South Sudan Pound (SSP)

UA 1	USD 1.42
UA 1	EUR 1.22
UA 1	SSP 579.31
USD 1	SSP 409.30

FISCAL YEAR

1 July – 30 June

WEIGHTS AND MEASURES

1 metric tonne	=	2.204 pounds
1 kilogram (kg)	=	2.204 pounds
1 metre (m)	=	3.28 feet
1 millimetre (mm)	=	0.03937 inch
1 kilometre (km)	=	0.62 mile
1 hectare (ha)	=	2.471 acres

MAP OF SOUTH SUDAN

Source: South Sudan National Bureau of Statistics

The above map is provided solely for the convenience of the reader of the report to which it is attached. The dimensions used and the boundaries shown on the map do not imply any judgment on the part of the Bank Group concerning the legal status of any territory or any endorsement or acceptance of such boundaries.

EXECUTIVE SUMMARY

1. **This report presents the Bank's Interim Country Strategy Paper (I-CSP) for South Sudan for the period 2022-2024**. An interim instead of a full CSP has been prepared because South Sudan's National Development Strategy (NDS) 2018-2021 expired in July 2021 and the preparation of an extension to 2023 is expected to be finalized by end of November 2021[i]. The I-CSP examines recent developments and prospects in South Sudan, drawing from the Country Diagnostic Note (CDN), discusses the performance of the portfolio and lessons learned; and articulates the Bank's strategic support over the next 3 years. On 6th July 2021, the Bank's Committee on Operations and Development Effectiveness (CODE) endorsed the strategic thrust of this I-CSP during the review of the I-CSP 2012-2021 completion report and updated 2020 Country Portfolio Performance Review. CODE welcomed the proposed priority area but reiterated the need to sustain support to economic governance and institutional capacity strengthening, and the private sector. The I-CSP is aligned with the NDS priorities, Sustainable Development Goals (SDGs), and the Africa's Agenda 2063. The strategy is also aligned with the Bank Group's Ten-Year Strategy (TYS, 2013-2022), the High 5s, and the Strategy for Addressing Fragility and Building Resilience in Africa (2014-2019) extended to 2021.

2. **South Sudan has since 2012 been classified in the least developed country (LDC) category, with a GNI per capita of 351 USD (2021). It has also been considered by the Bank as a country in transition since ADF-12, with deep-rooted and multi-faceted fragility continuing to hinder the achievement of the country's development aspirations**. Main drivers of fragility are manifested through conflict; insecurity and tensions at community level, geographic location, weak institutions, weak governance, and limited market-oriented agricultural production. However, the Government has made strides to ensure stability with the signing of the Revitalised Peace Agreement (RPA) in 2018 and formation of the Transitional Government of National Unity in 2020, and establishment of a Revitalized Transitional Legislative Assembly in August 2021. Although, large scale fighting has dramatically reduced following the signature of the RPA, the security situation remains fragile and volatile, as inter-communal violence persists across several states.

3. **South Sudan's growing economic optimism was shattered by the COVID-19 pandemic induced shocks.** Prior to the pandemic, the country was expected to grow by 7.4% in 2020, driven mainly by oil resources and the peace dividends. But lower oil prices due to weak global demand, reduced financial flows notably foreign direct investment into the oil sector and containment measures and transport restrictions impeded growth. Consequently, real GDP contracted by 4.2% in 2020, compared to the pre-pandemic growth projection of 7.4%. The combined effects of the COVID-19 pandemic and limited budget discipline widened the fiscal deficit to 3.2% of GDP in 2020 from 2.5% in 2019. The debt restructuring agreement with the Qatar National Bank in July 2020 improved South Sudan's risk of debt distress rating to high risk in 2021 from debt distress. Disruptions in food supply chains and low domestic agricultural production due to locust invasions and drought, increased inflation to 45.0% in 2020 from 24.5% in 2019. Inflation is expected to improve to 22.6% in 2021 partly due to a tighter monetary policy. Lower demand from trading partners and the collapse of global oil prices have widened the current account deficit to 6.6% of GDP in 2020 from 4.9% in 2019. Reflecting the prolonged years of conflict, which have affected the living conditions of the population, the poverty headcount jumped from 82% in 2016 to 88% in 2019, with higher poverty rates recorded in urban areas (70%) compared to rural ones (36%). Also, the overall unemployment rate increased from 16% in 2012 to 29% in 2019 with youth unemployment particularly high at 50%. Real GDP growth is projected to recover to 2.2% and 2.6% in 2021 and 2022, respectively, due to the expected increase in oil prices. Downside risks to the economic outlook relate to the uncertainty around international oil prices and disruptions to the implementation of the 2018 RPA.

4. **South Sudan's portfolio performance is rated satisfactory with an overall score of 3.1 as of end August 2021, up from 2.5 in 2018, on a scale of 1 to 4**. The positive performance is mainly due to closer/in country field presence of the Bank team to the client, and regular follow-up on Bank operations by the Bank's country office including allied communications with the Government/ executing agencies. The use of

third-party implementation arrangements for projects implemented outside Juba has also enhanced portfolio performance. With eleven (11) active projects and a total commitment of UA 76.8 million (USD 109.38 million), the portfolio is largely funded by the Transitional Support Facility (64.8%) followed by the African Development Fund (32.9%), the Rural Water and Sanitation Initiative (2.2%), and the Special Relief Fund (0.1%). The portfolio covers several sectors notably, water and sanitation (30%), agriculture (13%), power (14%), finance (6%), social (22%) and multi-sector (governance-15%). Four projects are flagged due to low disbursement (lower than 60%).

5. **Notwithstanding the progress made in implementing the RPA, South Sudan's socio-economic development is seriously constrained by fragility, which holds back progress towards inclusive growth and compromises its resilience to shocks**. South Sudan's overarching development challenge is to reduce its multi-faceted fragility, build a stronger state, and to embark on a path of sustained socio-economic development. Underlying development challenges comprise weak institutions, which contribute to an unfavourable business regulatory environment, limit the capacity to create jobs and develop the skills necessary for private sector growth, and economic diversification. These challenges have been exacerbated by the COVID-19 crisis, notably through the contraction in economic activities and the associated reduction in public revenues to finance poverty reducing and growth enhancing expenditures.

6. **In responding to South Sudan's development challenges, the main objective of the Bank Group's I-CSP 2022-2024 is to support the country to create an enabling environment for diversified and resilient socio-economic development, thereby reducing fragility, building on the achievements from the previous I-CSP 2012-2021**. To achieve this objective, the I-CSP 2022-2024 proposes a single Priority Area that was endorsed by CODE during the discussion of the I-CSP 2012-2021 completion report on July 6, 2021: *Agriculture value chains development for economic diversification and resilience.* Under the single priority area, investments in agricultural value chains are aimed at boosting agricultural productivity, enhancing food and nutrition security, diversifying the economy, and creating jobs. The Bank will support the government to (i) improve the seed eco-system, including seed multiplication and laboratory testing, among others, using new and improved agricultural technologies; (ii) improve linkages between production and markets by investing in feeder roads; (iii) facilitate local procurement of farm produce by World Food Program; and (iv) develop agribusiness enterprises with support to Seed Enterprise Groups, among others. In the water and sanitation sector, the Bank will adopt an integrated approach to address different aspects of the sanitation value chain, notably containment, treatment, and reuse, with emphasis on transforming the sludge waste into fertilizer for agricultural production. To consolidate the enabling environment for transformative economic activities, the Bank will continue to support complementary interventions, notably to strengthen institutional and human capacities in public financial management, and to build resilience and expand the fiscal space for poverty reducing and growth enhancing investments including in agriculture. Consequently, this I-CSP differs from I-CSP 2012-2021 as it places greater emphasis on addressing the root causes of fragility, notably natural resource management, skills development, and job creation by scaling up support for economic governance, agro-value chain development, and developing employable skills.

7. **The Indicative Operations Program (IOP) for the new I-CSP will be financed by ADF, TSF and Trust Funds.** South Sudan's indicative resources for the I-CSP 2022-2024 are projected at UA 39.5 million (USD 56.26 million), comprising UA 7 million (USD 9.97 million) resources from the last year of ADF 15 (2022) and UA 16.5 million (USD 23.5 million) from the first two years of ADF 16 (2023 and 2024), as well as UA 16 million (USD 22.76 million) from the Transition Support Facility Pillar I. Trust funds and co-financing will be harnessed to complement South Sudan's performance-based allocation.

8. **Management hereby invites the Boards of Directors to review and approve the Bank Group's I-CSP 2022-2024 for South Sudan**.

1. INTRODUCTION

1. **This report proposes the Bank's Interim Country Strategy Paper (I-CSP) for South Sudan for the period 2022-2024[ii].** An interim instead of a full CSP has been prepared because South Sudan's National Development Strategy 2018-2021 expired in July 2021 and preparation of an extension to 2023 is expected to be finalized by end of November 2021. The I-CSP examines recent developments and prospects in South Sudan, drawing from the Country Diagnostic Note (South Sudan CDN) completed in July 2021; discusses the performance of the portfolio and lessons learned; and articulates the strategy that will guide the Bank Group's support over the next 3 years. The I-CSP 2022-2024 aims to build upon the Bank's achievements under the I-CSP 2012-2021[iii]. The I-CSP 2012-2021 completion report, which was endorsed by the Bank's Committee on Operations and Development Effectiveness (CODE) on 6 July 2021, noted that despite progress in implementing the RPA, South Sudan's socio-economic development is constrained by fragility, which compromises resilience to shocks and holds back progress towards inclusive growth. In this context, in endorsing the strategic thrust of this strategy, CODE urged Management to work jointly with the other development partners to support the country to address the drivers of fragility manifested through insecurity and instability, weak institutions, poor infrastructure, and an unfavorable business regulatory environment. These challenges are consistent with the findings of the CDN, fragility assessment, and the 2021 Fiduciary Risk Assessment.

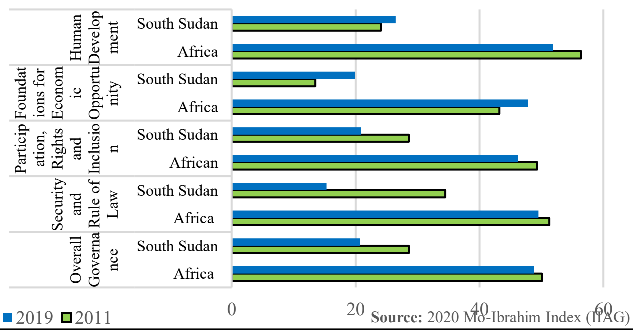
2. **Consequently, the main objective of the Bank Group's new I-CSP 2022-2024 is to support the country to create an enabling environment for diversified and resilient socio-economic development, thereby reducing fragility, building on the achievements from the previous I-CSP**. To achieve this objective, the new I-CSP 2022-2024 proposes to focus on a single priority area- *Agriculture value chains development for economic diversification and resilience*. This I-CSP differs from I-CSP 2012-2021 as it places emphasis on addressing the root causes of fragility, notably natural resource management, skills development, and job creation by scaling up support for economic governance, agro-value chain development, and developing employable skills. This strategic priority is aligned with the NDS 2018-2021 and its extension to 2023; South Sudan's Comprehensive Agriculture Comprehensive Master Plan; Sustainable Development Goals (SDGs), and the Africa's Agenda 2063. The I-CSP is also aligned with the Bank Group's Ten-Year Strategy (TYS) 2013-2022; High 5 priorities; the East Africa Regional Integration Strategy Paper (RISP) 2018– 2022; and the Strategy for Addressing Fragility and Building Resilience in Africa 2014-2019 extended to 2021.

3. **The rest of the report is organized as follows**. Chapter 2 reviews the country context and prospects and Chapter 3 summarizes the main findings of the updated 2020 Country Portfolio Performance Review. In Chapter 4, the lessons learned from I-CSP 2012-2021 are discussed, whereas Chapter 5 presents the Bank Group's new I-CSP 2022-2024 for South Sudan, and Chapter 6 concludes and formulates recommendations.

2. COUNTRY CONTEXT AND PROSPECTS

2.1 Political Context and Prospects

Figure 1. Mo Ibrahim Governance Indicators (score out of 100)



Source: 2020 Mo-Ibrahim Index (IIAG)

4. **South Sudan's political context is characterized by continued instability, but progress was made to ensure stability**. A Revitalised Peace Agreement (RPA) was signed in September 2018 ending years of conflict, and of intermittent civil war, and culminating in the subsequent formation of a 3-year transitional government of national unity on 22 February 2020 and Revitalized Transitional Legislative Assembly in August 2021. The 2019

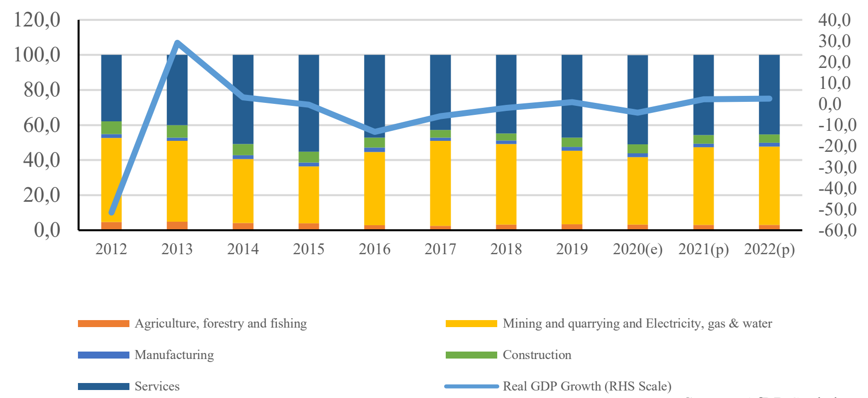
United Nations High Commission for Refugees report revealed that large scale fighting has dramatically reduced after the signature of the RPA. However, the country's security situation remains fragile and volatile, as inter-communal violence persists across several states, which fuels political uncertainty[iv] amidst ethnic divisions and disputes over oil resources. The Bank's 2021 Fragility Note (Annex A12) revealed that South Sudan's fragile situation is deeply rooted in historical legacies of tensions, marginalisation and conflicts that started in 1955 (Section 2.4).

5. **South Sudan should accelerate measures to improve good governance.** According to the 2020 Mo-Ibrahim Governance Index, South Sudan registered significant deterioration since 2011. The country was ranked at the bottom (53rd out of 54 countries) with an overall score of 20.7 points out of 100 (**Figure 1**). Slight improvement was registered on human development ranking which increased from 24.1 points (0 is lowest and 100 is highest score) in 2011 to 26.5 points in 2019, while weaknesses persist in the other indicators. South Sudan scored very low (ranking 179 out of 180 countries) on the 2019 Transparency International's Corruption Perceptions Index, with an overall score of 12 on a scale of 0-100 (0-highly corrupt and 100-very clean). Similarly, the Bank's Country Policy and Institutional Assessment (CPIA) ratings for South Sudan dropped from 2.2 in 2013 to 1.9 in 2020, driven by poor performance in the economic management cluster.

2.2 Economic Context and Prospects

6. **South Sudan's economic structure has evolved from industry to services.** As a post-conflict state and low-income country whose per capita income fell from USD 1,105 in 2011 to USD 351 in 2021, real GDP growth averaged -4.8% during the period 2012-2020. The weak performance of the industry sector was driven by oil price shocks and internal conflicts that affected oil production. During this same period, services (46.3%) followed by the mining and quarrying (42.2%) accounted for the largest shares of GDP **(Figure 2)**. Oil accounted for 80% of the industry sector's value added during 2012-2020, and over 95% of total government revenue and exports earnings. Agriculture, once the mainstay of the economy and providing livelihood to 80% of the population, accounted for only 3.7% of GDP during the same period. Oil resources, if used well, have the potential to support broad-based economic growth and economic diversification. Transition to non-oil sectors such as agriculture, services, forestry, and manufacturing would provide substantial opportunities for a rapidly growing labour force and for private businesses, thereby boosting economic diversification and transformation. But this will be challenged by political instability, weak institutions, and high costs of doing business.

Figure 2. Sectoral GDP Shares (%), 2011-2020

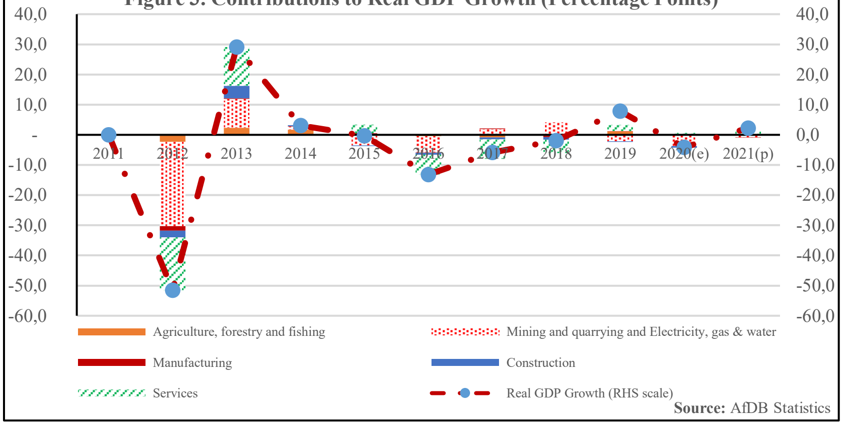


Source: AfDB Statistics

7. **South Sudan's growth recovery has been derailed by the negative effects of the COVID-19 pandemic.** Real GDP growth averaged -4.8% during 2012-2020[v] but had increased to 7.4% in 2019 driven by the oil sector, but growth was not inclusive as it did not create sufficient jobs, with poverty (88% in 2019) and inequality (Gini coefficient of 46% in 2019) remaining high. Prior to the pandemic, the country was expected to grow by 7.4% in 2020, driven mainly by oil production. But low oil prices due to weak global demand, reduced financial flows, notably foreign direct

investment, and COVID-19 containment measures, had a severe socio-economic impact on the economy (Annex A13). As a result, real GDP contracted by 4.2% in 2020, compared to a pre-pandemic growth projection of 7.4%. The agriculture, forestry, and fisheries sectors were the main drivers of GDP growth, contributing 0.1 percentage points to the average real GDP growth of -4.8% during 2012-2020 **(Figure 3)**. On the demand side, growth was driven by private consumption, averaging 1.3 percentage points**.**

Figure 3. Contributions to Real GDP Growth (Percentage Points)

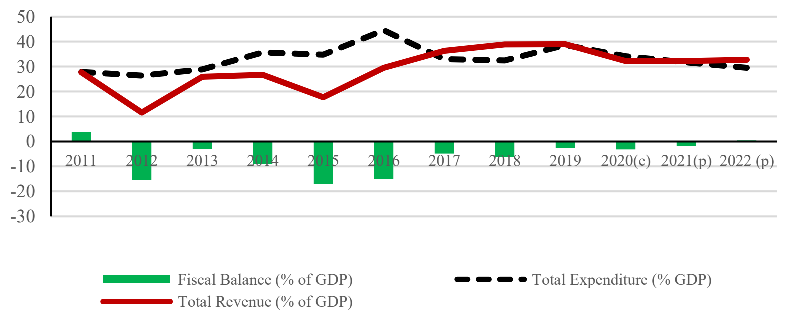


Source: AfDB Statistics

8. *Medium Term Outlook***. The rising oil prices and the global economic recovery are expected to support South Sudan's economic recovery in 2021 and 2022.** Oil revenues are expected to increase as oil prices rise, while continued progress in peacebuilding will help with stability and increase oil production and, thus, contribute to economic recovery. In addition, fiscal space for growth enhancing investments is expected to expand as annual oil related transfers to Sudan are phased out in 2021.[vi] Thus, real GDP growth is expected to recover to 2.2% and 2.6% in 2021 and 2022, respectively. Downside risks to the economic outlook relate to the uncertainty around international oil prices and disruptions to the implementation of the 2018 peace agreement.

9. **South Sudan pursued an expansionary fiscal policy stance during the I-CSP 2012-2020 period, focusing on security and infrastructure development.** The fiscal deficit averaged 8.6% of GDP during 2012-2020, as expenditure outweighed revenues, but improved in 2017[vii]. Total revenue averaged 29% of GDP, led primarily by oil resources, while non-oil revenue collection averaged 2.3% of GDP. Total expenditure averaged 34% of GDP during the same period, driven by spending on security and infrastructure. For instance, security and defence operations accounted for 23% of total budget between 2015-2019, with education averaging 8%, and health (2%), which was largely dependent on donor community support. Financing of fiscal deficits has been mainly through oil backed loans and advances from the Central Bank of South Sudan (CBoSS). Limited budget discipline in 2015 and 2016 contributed to the accumulation of debt arrears, thus aggravating the fiscal deficit. As a result, the fiscal deficit widened to 3.2% of GDP in 2020, from 2.5% of GDP in 2019. Rationalization of capital spending and recovery of global oil prices are expected to improve the fiscal outlook, with the fiscal deficit projected at 1.9% of GDP in 2021 and a surplus of 0.4% of GDP in 2022 **(Figure 4)**. The International Monetary Fund's (IMF) rapid credit facility amounting to USD 52.3 million (SDR 36.9 million) will support the government to build reserves, contain the fiscal impact of the COVID-19 shock, finance the budget deficit, and provide critical fiscal space to maintain poverty-reducing and growth-enhancing spending on transformative projects (Annex A19).

Figure 4. Fiscal Deficit, 2012-2022



Source: AfDB Statistics

10. **South Sudan's debt rating improved to 'high' risk in 2021, from 'debt distress' following a debt restructuring agreement with Qatar National Bank (QNB) in July 2020.** South Sudan's debt to GDP increased from 43% in 2019 to 49.3% in 2020 due to accrued arrears including a short-term trade facility provided by QNB. The present value of external debt to GDP ratio was estimated at 28.3% in 2020, which is below the 30% threshold under the baseline scenario (Annex A24). The debt outlook is contingent on the impact of COVID-19 on export earnings and implementation of prudent fiscal and monetary policies. Sustained implementation of PFM reforms, reduction of debt service linked to the upcoming phasing out of oil advances to Sudan and increased reliance on concessional financing are expected to improve debt sustainability.

11. **Monetary policy has primarily focused on achieving price stability.** The Central Bank of South Sudan (CBoSS) has applied a combination of accommodative and tight monetary policy options during 2012-2021 using a variety of policy instruments. including the reserve requirements and open market operations. Currently, CBoSS is implementing a tight monetary policy stance amidst high inflation and currency depreciation. Inflation has averaged 83% between 2012-2020 due to local currency depreciation, which increased the costs of imported goods. COVID-19 pandemic induced supply shocks following disruptions of regional food supply chains due to border closures, and weak domestic agricultural production because of locust invasions, increased inflation to 45.0% in 2020, from 24.5% in 2019. However, the high double-digit inflation reduces affordability of the minimum food basket as public wages have not been paid for over six months[viii]. In November 2020, the CBoSS tightened monetary policy amidst high inflation and currency depreciation. As a result, CBoSS raised the reference rate to 15% from 10% held since 2019; increased the reserve requirements ratio to 20% from 18%; and increased the cash reserve ratio to 20% from 10%. Inflation is expected to fall to 22.6% in 2021 and 16.0% in 2022. In March 2021, the CBoSS announced the operationalization of a monetary targeting policy framework, while preparing to transition to an interest-rate based monetary policy in the medium to long term.

12. **The premium between the official and parallel market exchange rates remains high.** There are currently three exchange rates – one from the CBoSS (the official rate), one applied by commercial banks, and the parallel market rate. The official exchange rate continues to depreciate despite reduced government borrowing from the CBoSS to finance budget deficits. The existence of multiple exchange rates suggests that the official rate is overvalued. Between 2012-2020, the official exchange rate averaged SSP90 per dollar, against SSP207 per dollar in the parallel market. The Special Account Scheme[ix] introduced in 2017 to build the needed foreign reserves, projected at 0.2 months of imports in 2020 and 2021, was discontinued in August 2020 to boost foreign exchange inflows and reduce the official/ parallel market premium[x]. In accordance with the Foreign Exchange Auction Rules and Procedures, on 13th September 2021, the CBoSS auctioned USD 3 million to 15 commercial banks to address the foreign currency shortages and is expected to auction USD 5 million every week to stabilize the market. The CBoSS also announced on 29th March 2021 that it will put in place measures to transition to a unified market exchange rate**.**

13. **The narrow trade basket and vulnerability to exogenous shocks largely explains the persistent trade imbalances and current account deficits.** Declining oil production and prices, and increased demand for imports of both basic consumer and capital goods have negatively affected the current account balance, with the deficit averaging 6.6% of GDP during 2012-2020. However, the current account deficit improved from 16% of GDP in 2012 to 4.9% in 2019 due to a recovery in oil prices and the reopening of some oil production fields including in Upper Nile state following the signing of the 2018 RPA. Nonetheless, lower demand from trading partners like China due to COVID-19 and the collapse of global oil prices reversed this achievement and widened the current account deficit to 6.6% of GDP in 2020 but is projected to improve to 1.4% in 2021. The current account deficit has been financed largely by remittances from Uganda and Kenya and Foreign Direct Investment. The trade balance deficit averaged 4.0% of GDP between 2012-2020, driven mainly by imports of goods averaging 45% of GDP against exports averaging

41% of GDP in the same period. China (95.0%) and India (4.6%) are the main export destinations, notably for oil exports. South Sudan's external position remains weak and fragile, with low foreign currency reserves of 0.2 months of imports in 2019, compared to 0.9 months of imports in 2012.

14. **The country's bank-dominated financial sector[xi] is small and underdeveloped with low levels of intermediation and high lending interest rates.** The banking sector assets accounted for about 10% of GDP as of end 2018, with financial intermediation being a marginal activity for banks and access to credit remaining limited. Many banks are currently noncompliant with the Central Bank's minimum reserve requirement of 20%. In addition, many domestic banks are heavily undercapitalized. In terms of asset quality, the ratio of non-performing loans (NPLs) to total loans increased by 12% in 2020 from SSP310 million in 2015 to SSP4,018 million in 2020. As of June 2021, the NPLs ratio stood at SSP4,059 million. In July 2021, credit to the private sector reached SSP26.3 million (17.5% of GDP) compared to 11% of GDP in 2020. During the 2015-2020 period, most credits were for domestic trade, restaurants, and hotels (44% of total loans), followed by real estate (15%). Credit to agriculture stood at 0.4%. Lending interest rates remain high, with the interest rate differential increasing from 12.8% in 2013 to 16.8% in 2020, reflecting limited development and competition in the banking sector[xii].

15. **Limited progress has been made in improving economic and financial governance.** South Sudan's average score was 2.0 (on a scale of 1 =very weak to 6=very strong) between 2012-2020 on the Bank's CPIA. South Sudan's score on the Bank's CPIA decreased from 2.2 in 2013 to 1.9 in 2020 owing to poor performance of the economic management cluster, which is well below the continent's average CPIA score of 3.5. The Bank's 2021 Country Fiduciary Risk Assessment (CFRA) concluded that the country's overall risk is high (Annex A14) characterized by poor accounting and financial reporting systems, weak capacity in PFM, chronic expenditure arrears and persistent deficiencies in compliance and enforcement of regulations. In addition, South Sudan is not yet part of the Extractive Industries Transparency Initiative (EITI) but expressed interest in joining the initiative[xiii]. The government is making strides to implement economic and financial governance reforms with the creation in April 2020 of the PFM oversight and technical committees and approval of the PFM strategy and road map in September 2020, which seek to fast-track the implementation of the required reforms. Other key measures include removal of ghost workers from the payroll, reducing the monetization of the fiscal deficit and starting verification of the current stock of arrears aimed at developing a credible clearance strategy.

16. **South Sudan's private sector is small[xiv].** There are an estimated 17,300 MSMEs focusing mainly on retail (265 firms) and manufacturing (89 firms) (Box 1**).**

Box 1: Private Sector in South Sudan

Companies in South Sudan face a range of supply-side constraints, including accessing finance, high cost of energy (the businesses rely on fossil diesel-powered generators), and political instability. It is notable that close to 50% of middle-sized companies in South Sudan cite political instability as the main obstacle to their business development (as opposed to half for smaller firms and 38% for large firms). This is most likely because such companies could have just entered an expansion phase and political stability is a must for them to grow their client base.

The challenges highlighted above have been exacerbated by difficulties on getting electricity and getting credit. Nonetheless, improvements were reported in two areas: paying taxes and enforcing contracts. Overall, the challenges reflect the urgent need to implement structural reforms that will create a better business environment in South Sudan. Nonetheless, the government adopted the principle of non-discrimination between nationals and foreigners; and a legal and institutional framework for competition, following the creation of the Anti-Monopoly and Competition Council in 2013. South Sudan has great potential in agriculture value chains, including agro-industry (gum Arabic, sesame) but private sector investments are hindered by high cost of electricity, insecurity, lack of skills, limited access to credit, and weaknesses in the regulatory and legal environment**.**

The Bank has provided meaningful support towards private sector development during the I-CSP 2012-2021 period. The Bank financed South Sudan's 1 year (2017-2018) membership of the Regional Development Finance Institutions (Trade and Development Bank and Africa Trade Insurance Agency), which provide trade finance and political risk guarantees to the private sector. In 2021, the Bank mobilised UA 1.5 million from TSF Pillar III to implement South Sudan Capacity Building and Access to Finance for Youth and Women project, which among other things, will help to strengthen the private sector, and USD 1.0 million from TSF Pillar III to partly finance the South Sudan Enterprise Development and Capacity Building project. These projects are being processed for Board approval in Q4 2021. Furthermore, under the East African Community Payment and Settlement Systems Integration Project, the Bank is supporting the CBoSS to develop payment system laws and regulations, in a bid to promote financial inclusion not only in South Sudan, but also in the sub-region.

2.3 Sector Context

17. **South Sudan has abundant mineral wealth of unknown commercial quantities.** These include gold, uranium, diamonds, tungsten, mica, limestone, aggregate materials such as granites, kaolin, copper, chromium, zinc, and iron ore. But these resources remain largely untapped. Mineral exploration activities are virtually non-existent due largely to the recurrent conflict. In addition to oil as a key driver, artisanal gold mining is a major economic activity especially in rural areas. According to the NDS 2018-2021, the country's abundant oil resources, if used well, could provide a basis for socio-economic development and progress. Oil accounted for 80% of the industry sector's value added during 2012-2020, and over 95% of total government revenue and exports earnings. Much more value could be extracted from the country's oil sector by boosting refining capacity and growing a petrochemical industry, including fertiliser production, and boosting energy production. Looking ahead, it is imperative for the government to focus on knowledge generation in the extractive sector, local content and value addition, economic diversification from oil, revenue management and licensing and contract negotiations. Regarding the latter, the Bank through the African Legal Support Facility (ALSF) has provided technical assistance to help strengthen oil contract negotiations. In addition, the Bank through the Non-oil Revenue Mobilization and Accountability (NORMA) project is promoting the government's efforts to increase non-oil domestic revenue mobilization. South Sudan suffers from a large infrastructure deficit hindering value chains development and growth.

18. **South Sudan has a largely unrealised potential for agricultural development, agro-led industrialization, and food self-sufficiency**[xv]. The country has one of the richest agricultural [xvi]areas in Africa, with fertile soils, favourable climate, and abundant rainfall (ranging from 500-600 mm/year to more than 1,500 mm/year) (Box 2).

Box 2. Agriculture and Food Insecurity in a Land of Plenty

Agriculture in South Sudan must evolve from the practices of subsistence to those of a modernizing economy. The process must start with policymaking. Many previous strategies and policies for developing agriculture in the country have not been translated into concrete actions on the ground. While the civil war and instability that followed independence are largely to blame, the lack of institutional coherence could persist in the absence of focused implementation strategies—accompanied by systematic monitoring and evaluation. Furthermore, agricultural transformation is held back by limited value chains development, which is compounded by missing markets, limited crop diversification, and inadequate linkages between farmers and national, regional, and international markets. Other key challenges include recurrent and extreme natural events (i.e., droughts, floods, and pest and disease outbreaks); insignificant public and private investments in the agriculture sector; absence of productive rural infrastructure, notably feeder roads; lack of skills, and inadequate access to improved agricultural technologies and inputs. The Comprehensive Agriculture Master Plan (CAMP) and the Irrigation Development Master Plan (IDMP) were developed in 2015 to guide agricultural development in South Sudan for 25 years. These strategic frameworks are consistent with the priorities of the Bank Group's Feed Africa Strategy for Agricultural Transformation in Africa (2016-2025). The CAMP and IDMP are investment plans under the framework of the Comprehensive African Agriculture Development Programme (CAADP) and its companion documents (livestock, fisheries, and forestry) to achieve continental and regional agricultural development objectives, including the Africa Vision 2063.

The Bank has and will continue to support the government to realize its ambitions of boosting agricultural productivity. The Bank financed the Short-Term Regional Emergency Response Project (STRERP- UA 31.5 million) in response to the 2017 drought; and the ongoing Agricultural Markets, Value Addition and Trade Development Project (AMVAT) (UA 10 million) to embark on an integrated value chain-based agribusiness development. Going forward, the Bank's interventions to address agricultural productivity through modernization are necessary to catalyse value chain development, notably Gum Arabic, sesame, and livestock; raise household incomes; alleviate poverty and reduce the cycle of food insecurity. Thus, the Bank will use the Agriculture Feed Africa Strategy enablers, notably the Technologies for African Agricultural Transformation (TAAT) to facilitate technology transfer to farmers, which will help enhance agricultural productivity. Support towards development of feeder roads and creation of storage facility are equally critical.

19. **South Sudan suffers from a large infrastructure deficit hindering value chains development and growth.** According to the 2020 Africa Infrastructure Development Index (AIDI), South Sudan ranked 53 out of 54 countries. Only 2% of the country's road network is paved[xvii]. Inland port infrastructure is basic, and operations are limited due to inadequate infrastructure, and lack of cargo-handling equipment. Compared to other African countries, South Sudan classified road density, measured in kilometer (km) per 1,000 km^2 of arable land, of 15 is low, compared to 88 for Low Income Countries (LICs), and 101 for East African countries. Education infrastructure destroyed during the civil war is also poor. ICT infrastructure is underdeveloped. The percentage of the population using the internet was 8% in 2017, compared to the sub-Saharan African average of 25%. Mobile cellular subscription per 100 people was 33 in South Sudan and 82 for sub-Saharan Africa in 2018. Fixed broadband subscriptions were 200 in South Sudan in 2018, compared to 3.98 million for sub-Saharan Africa in the same year. To address the infrastructure bottlenecks, the government allocated a significant share (23%) of the 2020/21 state budget to infrastructure development, representing a 31% increase, compared to 2018. The Bank's infrastructure related assistance will be focused on development of feeder roads to facilitate value chain development and off-take of products from production to aggregation centres, and water and sanitation hygiene initiatives.

20. **Access to electricity is extremely low in South Sudan[xviii], with a large financing gap limiting the development of affordable and clean energy for light industrialization.** South Sudan faces critical energy challenges[xix], notably institutional capacity weaknesses and inadequate institutional framework, which contribute to a deficit in power generation, distribution, and transmission infrastructure; and underinvestment, leading to low access to electricity services. For instance, in Juba, the current institutional framework involving an independent power producer company (EZRA[xx] Group) and an energy supplier company (JEDCO[xxi]) is not functioning efficiently, leading to frequent power rationing. As a result, inadequate and costly electricity supply is a major constraint to business development. About 70.0% of firms in the country use own

generators to provide power (as of 2016) and only 28.2% of the population had access to electricity as of 2018[xxii]. Reliance on fossil-fuelled generators causes air pollution and greenhouse emission in the country. To facilitate private sector participation, the Bank (through the Sustainable Environment Fund for Africa-SEFA) will provide technical assistance to the energy sector to catalyze private sector investments in renewable energy including solar systems and off-grid solutions.

21. **Access to water and sanitation remains low, cutting across the urban-rural divide.** According to the 2019 Joint Monitoring Program data, access to water supply was estimated at 41% (65% in urban areas and 35% in rural areas) in 2017. However, access to safely managed pipe-borne water is almost non-existent, estimated at 3% nationally and 8% in urban areas. Boreholes and water tanks, which in many cases do not provide safe and adequate access to drinking water, are predominantly in urban areas. Regarding sanitation, only 1 in 9 people have access to basic sanitation services nationally. This problem is more severe in rural areas, where only 1 in 20 residents have access to improved sanitation infrastructure, compared to 2 in 5 urban residents. As a result, the use of rudimentary sanitation facilities remains high in the countryside, causing persistent and major cholera outbreaks, as well as other health related diseases. These outbreaks become worse during periods of extreme climate events, notably intense rainfall. Over the last decade, the Bank has also supported several interventions in water, basic services, and transportation. Despite these interventions, South Sudan is not yet meeting the national development objectives, nor the Sustainable Development Goals commitments, especially on clean water and sanitation. Bank support to water and sanitation will emphasize the need of reuse and treated sludge as fertilizer for improved crop production.

22. **The country's regional integration score is lower than the regional average due to an infrastructure deficit.** The country's score on the Africa Regional Integration Index (ARII) of 0.29 in 2020, compared with East Africa's regional average of 0.53, was the lowest in the region. Furthermore, South Sudan has the second lowest regional integration score (0.26), among member states of the Intergovernmental Authority on Development (IGAD), slightly above Eritrea (0.21), compared to the bloc's average of 0.44. South Sudan's low scores are largely explained by the country's significant infrastructure gaps. Poor infrastructure, particularly, lack of roads and other forms of transport and communication network, hamper the country's effective regional integration efforts. The Bank, through the NORMA project is providing support to the customs and tax departments in the implementation of the East African Community (EAC) customs union protocols as a member of the bloc. Other memberships[xxiii] include the Common Market for Eastern and Southern Africa (COMESA). South Sudan is yet to sign the African Continental Free Trade Area (AfCFTA) Agreement, but consultations with private and public sectors and sensitization campaigns were held in August 2021. Uganda (48% of total import) and Kenya (30%) are the country's main import sources, primarily food related imports. Exports[xxiv], mainly oil, are to China, and India. To further improve trade and allow movement of people and goods, the government in September 2019 reached an agreement with Sudan to open borders with the official launching event expected to take place on October 1st, 2021. Diversification of export products and markets by promoting value addition through agro-industry (i.e., gum Arabic, sesame, sorghum), among others is key to building resilience to shocks. In this context, improving the institutional and regulatory framework for regional integration and trade[xxv] is critical.

2.4 Social Context and Cross-Cutting Themes

23. **South Sudan's fragility manifests through failed political settlements and repeated military, economic and social crises**. These manifestations span political, social, economic, justice and security, regional/spatial, and environmental and climate change contexts. The Bank's 2020 Country Resilience and Fragility Assessment findings have shown a range of fragility issues, including lingering political disagreements despite the independence, institutional disintegration

due to disagreements over management of oil resources, and widespread corruption, and lack of transparency that erodes the credibility of public institutions. In addition, low agricultural productivity, climate change and environmental hazards (especially droughts and floods), desert locusts' invasions, and infrastructure deficiencies have impacted on agricultural output and worsened food insecurity, in a land of plenty. Reduced water and forage resources due to droughts is a cause of conflicts as communities struggle over the limited resources. The assessments have identified potential sources of resilience such as the regional and international communities support in peace building, and involvement of civil society, private sector, media, youth, and women in nation building. Addressing the key fragility drivers and building resilience will require promoting good governance, creating an enabling environment for private sector development, and developing social and economic infrastructure.

24. **Legacy of civil war and ethnic conflict have contributed to the escalation of poverty and inequality**. Poverty headcount jumped from 82% in 2016 to 88% in 2019, with 70% in urban areas owing to the growing urbanization[xxvi] and 36% in rural ones. With a Gini coefficient of 46.0%, income inequality is relatively high and above sub-Saharan Africa's average of 43.0%. The socioeconomic repercussions of travel restrictions, loss of human capital, loss of employment opportunities and livelihoods due to the COVID-19 pandemic are expected to push larger numbers of people into poverty due to the anticipated reduction in the supply of food, water, and health care. This is escalated by the country's fragility, high population of internally displaced people, crowded living conditions in urban areas, high unemployment rate, and weak health system. The drivers of conflict in the country are complex and multiple, and understanding how men and women can cope and adapt to ongoing fragility will be important in designing interventions that support gender equality, which will contribute to increased sustainability.

25. **According to the Bank's first 2018 Gender Profile, women are still marginalized by harmful social and cultural practices.** South Sudan's Gender Development Index (GDI) increased from 0.828 in 2012 to 0.842 in 2019, suggesting that women in South Sudan have attained about 84.2% of the men's levels of human development. However, South Sudan is categorized under group 5 (furthest from gender equality) of the GDI, an indication that more needs to be done to improve gender equality. Due to lack of relevant data, the Bank's Africa Gender Index, the Social Institutions and Gender Index and the Gender Inequality Index could not be measured for South Sudan[xxvii]. There are several underlying drivers fuelling these inequalities, such as discriminatory social norms and practices, women's lack of access to and control over resources, greater levels of insecurity and violence, and higher levels of poverty and illiteracy among women and girls. The 2011 Transitional Constitution and Bill of Rights set out a 25% Affirmative Action quota for women in legislative and executive bodies to address gender imbalances[xxviii].

26. **Limited job opportunities, especially among youth, remains a great threat to peace and stability in South Sudan.** South Sudan has a very youthful population, with about 72% of its people under the age of 30. Data from the ILO showed that overall unemployment increased from 16% in 2012 to 29% in 2019, with youth unemployment at 50% in the same year. In 2020, most employed youths (60%) were in low-productivity work, mainly subsistence farming and livestock rearing because of extremely low skill levels for gainful employment. Among employed youths, only 9% were in salaried employment and 17% in the tertiary sector. This suggests that youth in South Sudan face difficulty in securing quality jobs due to lack of skills. The provision of remunerative job opportunities for young people, who also comprise most demobilised soldiers, is critical for peace building and reducing the number of youth engaged in criminal activities, rebellion, and community violence. Preliminary results from the United Nations Development Program's 2020 comprehensive labour-market study indicate a high potential for labour demand in hospitality, services, industry and artisanry, and construction. To this effect, the Bank's support will be to enhance access to market-relevant and formal skills training programmes critical for employability and required for entrepreneurship and value chain development in critical sectors

including in agriculture. In addition, creating an enabling environment for private sector growth is also critical for job creation.

27. **South Sudan has one of the lowest literacy levels worldwide, with only 32% of adults being able to read and write (14.5% for females and 35% for males)**. More than half of secondary-school aged children are not attending school and 2.2 million primary school-aged children are out of school (70% of school aged children). South Sudan was ranked 185th out of 189 countries on the 2020 Human Development Index (HDI), placing the country in the category of low human development with a score of 0.433, which falls below the average of 0.547 for sub-Saharan Africa. Secondary school enrolment rate (11% between 2010-2019) is low because the country has severe deficits in teaching and learning infrastructure, a huge shortage of qualified teachers and low primary school completion rate. These reflect the weaknesses in human capital, which could perpetuate a cycle of illiteracy and poverty, and impede inclusive socio-economic development. COVID-19 pandemic restrictions have further amplified the challenge, leading to decline in school drop-out rates, especially for females.

28. **Environmental degradation is high and rainfall trends are seasonal.** Climate change effects are manifested through periods of droughts and heavy rains (June to September), which cause up to 70% of variability in food production. In the context of the Paris Agreement on UNFCCC[xxix], South Sudan's Nationally Determined Contribution outlines its commitment and actions to reduce green-house emissions. During the I-CSP 2012-2021 implementation period, the country took measures to address climate change by developing the National Disaster Management Strategic Plan (2018-2020); adopting the national Environmental Policy 2015-2026; and drafting a Disaster Risk Management Policy in 2017. However, implementation of these policies has been undermined by lack of resources and capacity challenges. During 2012-2021, the Bank supported the development of a National REDD+ Strategy and Action Plan for South Sudan, providing entry points to enhance sustainable forest management for the betterment of the forest ecosystem, biodiversity conservation, and sustaining of community livelihoods.

29. **Health, nutrition, and social protection systems.** South Sudan faces significant challenges and has not being able to meet any of the MDGs. In 2019, global acute malnutrition and severe acute malnutrition rates were 21.0% and 7.63%, respectively. The challenges are compounded by an allocation to the sector which stood at only 2% of the 2020 total state budget. For example, the country experiences some of the highest rates of maternal mortality (789 per 100,000), and infant mortality (102 per 1,000) in the world. The COVID-19 pandemic has negatively affected the sector that lacks adequate health systems and capacity to respond to the pandemic. This has obliged the authorities to re-evaluate health sector policies and increase investment in health infrastructure and health systems, including monitoring and evaluation capacity. South Sudan ranked 180 out of 195 countries in the 2019 Global Health Security Index, in terms of preparedness. As of 26th August 2021, there were 11,365 confirmed cases of COVID-19, including 120 deaths and 297 active cases.

30. **Civil Society Organization (CSO) engagement in South Sudan is a peculiar situation because of the fragility context of the country.** CSOs in South Sudan, regulated under the Non-Governmental Organization Act 2016, are active and coordinated under an umbrella body which is the South Sudan NGO Forum with over 100 members. In the past, the potency of the civic space was hindered by the militarized nature of the country's politics and this gave CSOs a partisan character**.** The September 2018 peace agreement provided an opportunity for their participation in peace implementation monitoring and representation of citizens in the democratic process. Bank will continue to engage and consult CSO during project design and implementation in remote areas as part of the project implementation arrangements with third-party implementing agencies[xxx].

2.5 Country Strategic Framework

31. **South Sudan's National Development Strategy (NDS) 2018-2021 and its extension to 2023 is the medium term development framework to implement the country's Vision 2040 on justice, liberty, and prosperity**. The NDS expired in July 2021 and its extension to 2023 is expected to be completed by end November 2021[xxxi]. The main objective of the NDS is to consolidate peace and stabilize the economy. The NDS has achieved some positive results[xxxii]. The strategic thrust of the NDS is articulated around five clusters: (i) Governance; (ii) Services-social development; (iii) Gender and Youth and other cross-cutting themes; (iv) Economic Development including economic diversification; and (v) Infrastructure. The I-CSP 2022-2024 priority area is aligned with these NDS clusters.

2.6 Aid Coordination Mechanisms, Bank Positioning and Comparative Advantage

32. **Aid Coordination Mechanisms:** The aid coordination architecture[xxxiii] in South Sudan has been revived following the signing of the RPA in 2018, with the creation of different working groups focusing on Humanitarian, Economic, and Recovery and Resilience activities. The Bank has been active in the United Nations (UN) Country Team, the Heads of Development Cooperation Group, as well as thematic and sector working groups, including the Economist and PFM groups, and Agriculture Sector Working Group (ASWG). The core areas of donor intervention are presented in Annex A7.

33. **The Bank collaborated and will strengthen partnership with the other partners to ensure value for money and effective development impact on the ground.** The Bank, with approval from the Government, selected (i) the World Food Program (WFP) to implement an Emergency Humanitarian Assistance Project to the Conflict-Affected Vulnerable Population in 2014 and the Short-Term Regional Emergency Response Project in 2017; and (ii) the United Nations Development Program (UNDP) to implement some of the ongoing NORMA project activities at the state level since 2017. In addition, the Bank is currently partnering with the Food and Agriculture Organization (FAO) to implement an agriculture project approved in 2020 and with the United Nations International Children's Emergency Fund (UNICEF) to implement a Skills for Employability Project in Juba approved in 2019. The Bank also provided a grant of USD 4 million through the COVID-19 Response Project that contributed to the pool of funds by development partners to assist the government to respond to the pandemic (Annex A15). To better inform its interventions, the Bank will work closely with other partners during future project design and implementation to achieve the desired development impact[xxxiv].

34. **Bank's Positioning:** The opening of the Bank Group's country office in South Sudan in 2012 was an important commitment, which was short-lived due to the outbreak of the civil conflict in 2013 that led to the scaling back of its staff presence in Juba, although the office remained opened[xxxv]. Engagement with other development partners and participation in different working groups have enabled the Bank to maintain formalized mechanisms for coordination and information-sharing. Furthermore, regular participation in policy dialogue, aid coordination, thematic and sector working groups has helped to strengthen the position and relevance of the Bank in the country's development agenda. The United States of America, the United Kingdom, Canada, Sweden, and Norway are the leading bilateral financiers[xxxvi] in South Sudan, while the AfDB, WB and IMF are the leading multilateral institutions.

35. **Bank's Comparative Advantage:** Since the commencement of operations in South Sudan in 2012, the Bank has gained a unique position and vast experience in supporting the country to address its core drivers of fragility. In this context, the Bank has developed a comparative advantage in supporting capacity development and productive sectors, notably agriculture and infrastructure[xxxvii]. The Bank has financed an energy infrastructure project to increase access and support reforms in the sector, which has enabled 14,014 households to be connected to the national electricity grid in January 2021 compared to 7,840 in 2012. Support in agriculture enabled 301,529 people to benefit from unconditional food support. Furthermore, by financing the ongoing NORMA (Annex A17) project, the Bank has been instrumental in supporting non-oil revenue collection, and in doing so, contributed to expanding the fiscal space. The Bank mobilized co-

financing of UA 0.4 million from UNDP to implement the Skills for Youth Employability and Social Inclusion project, as well as UA 0.2 million from FAO to implement the Agriculture Markets Value Addition and Trade Development project. The Bank will build on these success stories to scale up co-financing during the I-CSP 2022-2024.

36. **I-CSP 2022-2024 Consultations**. The Bank had extensive virtual and physical consultations with the government and stakeholders including civil society, private sector, academia, and development partners in March and August 2021 (Annex A16). During the consultations, the Bank was commended for the selection of the single priority area, but also requested to create enablers for agriculture value chain development, notably feeder roads, local purchase of farm produce and skills to support value chain and entrepreneurship development. Continued support on capacity building including PFM was also stressed.

2.7 Strengths and Opportunities, Weaknesses and Challenges

37. **South Sudan's** overarching development challenge is to reduce its multi-faceted fragility, build a stronger state, and to embark on a path of sustained socio-economic development. Underlying challenges, which remained broadly unchanged since the I-CSP 2012-2021 (except for the COVID-19 pandemic that emerged in 2020), comprise weak institutions, which contribute to an unfavourable business regulatory environment, and limited capacity to create jobs and develop the skills necessary for private sector growth and economic diversification. The commitment to reforms under the 2018 RPA, peace and nation building and formation of the TGoNU in February 2020 remains the key strength. **Table 1** summarizes South Sudan's Strengths and Opportunities, Weaknesses and Challenges.

Table 1 – South Sudan's Strengths and Opportunities, Weaknesses and Challenges	
Strengths • Commitment to reforms under the 2018 RPA, peace, and nation building. • Formation of the TGoNU. **Opportunities** • Third-largest oil reserves in sub-Saharan Africa, if used well, could generate economic benefits for all • Richest agricultural areas in Africa, with fertile soils, good climate, and abundant water supplies. • High potential for investment in renewable energy, notably hydropower sites located on the White Nile River. • Young population, employable skills and entrepreneurship are necessary to harness this potential.	**Weaknesses** • Poor economic and social infrastructure (including water, energy, agriculture, roads, etc). • Weak institutional capacity. • Heavy reliance on oil and lack of economic diversification. • Poor Governance-corruption and rent-seeking behaviour. • Weak educational system and lack of skills. **Challenges** • Multi-dimensional political, social, and economic fragility. • Insecurity and violence. • Fractured politics- politicization of ethnicity, limited inter and intra-groups cohesion. • Limited economic transformation and diversification, constraining job creation. • Limited agricultural productivity and value chains development. • Vulnerability to natural disasters and climate shocks.

3. FINDINGS OF THE COUNTRY PORTFOLIO PERFORMANCE REVIEW

3.1 Overview of Bank Group Portfolio

38. **Size and Composition**: As of 31st August 2021, the Bank's active portfolio in South Sudan consisted of 11 operations, with a total commitment of UA 76.8 million (USD 109.38 million) (Annex A4). The portfolio is largely funded by the Transitional Support Facility (64.8%) followed

Figure 6 a. Sectoral Distribution

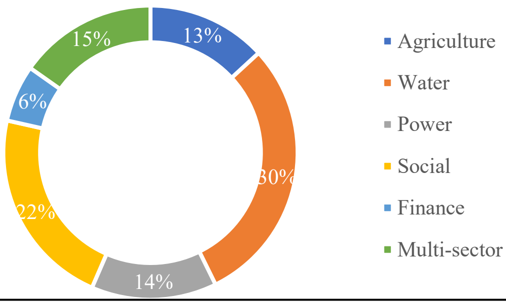
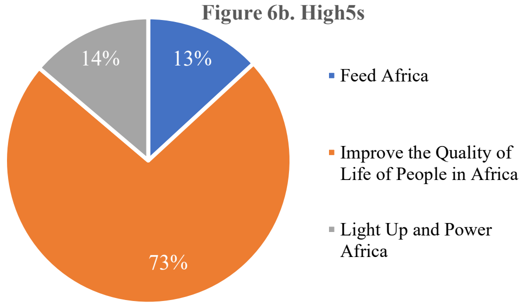


Figure 6b. High5s



by the African Development Fund (32.9%) grants, the Rural Water and Sanitation Initiative (2.2%) and the Special Relief Fund (0.1%). The water and sanitation sector has the largest allocation (30%), followed by social sector (22%) **(Figure 6a).** The portfolio is aligned to the High 5s as follows: Improve the Quality of Life of People in Africa (73%) and Light Up and Power Africa (14%) and Feed Africa (13%) **(Figure 6b).**

3.2 Portfolio Monitoring and Evaluation

39. **Portfolio performance was deemed satisfactory, with an overall score of 3.1 as at end August 2021, up from 2.5 in 2018, on a scale of 1 to 4**. The positive performance is mainly due to in-country presence of the Bank, and regular follow-up on Bank operations by the Bank's country office, including allied communications with the Government/ Executing Agencies, and the use of third-party implementation arrangements for projects implemented outside Juba. The portfolio has 4 flagged projects[xxxviii] due to disbursement being less than 60% and closing in 12 months, and less than 50% of contract has been signed after 2 years of effectiveness. The average age of the portfolio is 4.3 years, with one ageing project[xxxix], and the cumulative disbursement rate as of 31st August 2021 is 36.9%, resulting from a young portfolio. The average time from approval to effectiveness fell to 4.3 months by end August 2021, compared to 7 months in 2018 (Annex A22).

40. **Despite the positive developments, challenges remain**. These include: (i) inadequate understanding of Bank procurement policies and procedures; (ii) low project quality at entry; and (iii) weaknesses in financial management and incomplete disbursement applications. **Remedial actions include**: (i) conducting fiduciary clinics on Bank's rules and procedures; (ii) ensuring adequate staff skills mix during supervision missions, as well as at the executing agencies; (iii) ensuring that disbursement applications are consistent with the relevant provisions of contracts; and (iv) ensuring that project designs are informed by feasibility studies. Capacity building will remain an integral part in all Bank funded projects in South Sudan.

3.3 Country Portfolio Improvement Plan

41. The Country Portfolio Improvement Plan (CPIP) prepared jointly with the government, aims at addressing binding constraints affecting smooth implementation of the projects. Based on lessons learned, the CPIP articulates 6 recommendations, carried from the previous plan, and not previously implemented, focusing on procurement, financial management, disbursement, and project management issues, which implementation will be jointly monitored with the government (Annex A5).

4. LESSONS LEARNED

42. **Several lessons were learned during the implementation of the I-CSP 2012-2021. At the strategic level,** the focus of I-CSP 2012-2021 adequately responded to South Sudan's most pressing development challenges as a fragile country, although political instability partly hindered the achievement of programmed outcomes and outputs**.** The choice of the I-CSP 2012-2021 pillar was consistent with national development priorities of consolidating peace and stabilizing the economy. This alignment increased the strategy's ownership by the government and ensured its effective implementation. However, supporting the country to transition into a more resilient economy will necessitate giving greater attention to the root causes of fragility, notably natural resource management, skills development, and job creation[xl].

43. **CODE provided complementary guidance during the discussion of the I-CSP 2012-2021 Completion Report in July 2021, which has enhanced the strategic orientation of this I-CSP.** CODE welcomed the proposed priority area but reiterated the need to sustain support for good economic governance (notably economic management, PFM, and domestic resource mobilization), building institutions, and supporting the enablers for private sector development. This strategy accommodates CODE's guidance by placing emphasis on agriculture value chains

development and capacity building to improve the quality of life of South Sudanese. Additional guidance from CODE was provided during the discussion of the I-CSP 2022-2024 in October 2021. Annex A6 presents CODE's guidance and shows how this feedback has been addressed in the new I-CSP 2022-2024. Detailed information on additional lessons learned including for the government and development partners is presented in Annex A8.

44. **At the operational level,** persistent institutional capacity gaps and fiduciary risks are holding back project implementation, which calls for sustained capacity development. The Bank has positively responded to government requests to strengthen its institutional capacity by providing and mainstreaming technical assistance and capacity building in all Bank-funded projects and such support would be sustained under the new I-CSP. The use of third-party implementing agencies also helped the Bank to reach out to beneficiaries who would otherwise be inaccessible due to remoteness and insecurity, and these agencies remain critical.

5. BANK GROUP STRATEGY 2022-2024

5.1 Strategy Rationale, Selectivity, Objectives and Priority Area for Bank Support

45. ***Rationale***: **South Sudan's main development priorities and challenges have largely remained unchanged since the approval of the I-CSP in 2012 (except for COVID-19 that emerged in 2020). South Sudan's overarching development challenge is to reduce its multi-faceted fragility, build a stronger state, and to embark on a path of sustained socio-economic development.** This is manifested through conflicts, insecurity and tensions at community level, weak economic governance, and limited market-oriented agricultural production. Underlying development challenges comprise weak institutions, which contribute to an unfavourable business regulatory environment, and limit the capacity to create jobs and develop the skills necessary for private sector growth and economic diversification. As discussed in chapter 2, the agriculture sector has significant potential to drive economic diversification in South Sudan, but harnessing this potential requires overcoming several impediments. In particular, the value chain from farmer to the market is central to agricultural transformation in South Sudan. Thus, investment in infrastructure connectivity notably feeder roads is critical to link farmers to national, regional, and international markets in an integrated and well-coordinated manner; and build resilience of agricultural systems to climate change impacts through use of new and improved technologies. The country's development challenges have been aggravated by the COVID-19 crisis, through its negative effects on oil revenues, following the collapse of global oil prices, and reductions in FDI, export earnings and remittances.

46. ***Selectivity.*** **South Sudan's development challenges are numerous and diverse in nature. In a context of scarce financial resources, selectivity is critical to ensure the effectiveness and sustainability of Bank support.** In this regard, a set of selectivity criteria is being proposed to guide the Bank's strategic thrust, sectoral and operational choices as illustrated in Box 3. These criteria will strengthen the alignment of the Bank Group support with the document "Sharpening the Bank's Strategic Focus – A Proposal to Increase the Bank's Selectivity", approved by the Board in May 2021. In applying the selectivity criteria, the Bank also draws on the findings of the CDN and other knowledge products. Annex A11 presents the detailed discussion of the selectivity criteria.

Box 3: Selectivity Criteria for Bank's I-CSP 2022-2024 for South Sudan

(i) **Alignment with the NDS 2021-2023 and outcome of country stakeholder consultations**– The strategic thrust, sectoral and operational choices are aligned with the NDS and were discussed and validated during in-country consultations held in March and August 2021. These discussions confirmed that the Bank should prioritize agricultural value chains development to catalyse economic diversification;
(ii) **Enhancing developmental impact by** building on past Bank assistance and achievements and scaling up assistance. To accompany government's efforts to address the drivers of fragility, sustained Bank support to bolster the enablers for agriculture value chains development (i.e., market infrastructure, feeder roads and water) and development of institutional and human capacities to spur economic diversification is critical**;**
(iii) **Harnessing the Bank's experience and comparative advantage**. The Bank has demonstrated its comparative advantage in South Sudan, which is well recognized by other DPs, to be in capacity development and productive

sectors notably agriculture and infrastructure. By focusing on these strategic areas, the Bank will enhance the division of labour among DPs while deepening its knowledge and experience in fragile contexts;

(iv) **Leveraging opportunities for collaboration with other DPs**. The Bank's proposed priority area of agriculture value chains development presents greater opportunities to further strengthen collaboration with other DPs who are supporting the country to diversify its economy and build resilience. This will leverage additional resources and maximize developmental impact; and,

(v) **Mainstreaming cross-cutting themes.** Gender, climate change, private sector development, and food security, among others are critical for resilient and inclusive growth, and sustainability of Bank support. Thus, the Bank will ensure that these themes are systematically embedded in every project to maximize synergies with other DPs for greater developmental impact.

47. ***I-CSP Main Objective and Priority Areas for Bank Support.*** Based on the selectivity criteria (Box 3) and findings from the CDN, the main objective of the Bank's I-CSP 2022-2024[xli] for South Sudan is to support the country to create an enabling environment for diversified and resilient socio-economic development, thereby reducing fragility, building on the achievements from the previous I-CSP. To realize this objective, the I-CSP proposes a single Priority Area for Bank support: ***''Priority Area–Agriculture value chains development for economic diversification and resilience''***. This strategic focus will help the Bank to capitalise on and consolidate the achievements made in South Sudan in recent years, given the fact that the country's development challenges remained largely unchanged (except for the emerging COVID-19 pandemic) since the I-CSP 2012-2021. At the same time, reflecting the lessons learned from the I-CSP completion report at the strategic level, Bank support under the new I-CSP will place greater attention to addressing the root causes of fragility by scaling up investments in the enablers for agricultural value chains development. Bank Support under the single Priority Area will be provided selectively in the following 3 sectors: agriculture, water and sanitation, and multisector (institutional capacity building).

48. ***Alignment***. The selectivity criteria in Box 3 aims to ensure that the Bank's interventions in tackling the country's development challenges are impactful, efficient, effective, sustainable, and consistent with the NDS priorities. The new I-CSP's priority area is also consistent with the country's Comprehensive Agriculture Master Plan 2015-2025. It is also aligned with the twin objectives of the Bank's Ten-Year Strategy (TYS-2013-2022), namely assisting Regional Member Countries (RMCs) to achieve more inclusive growth and gradually transition to green growth. The TYS' areas of special emphasis, namely, governance and food security are also accommodated in the new I-CSP, in line with the Seventh General Capital Increase and ADF15 commitments. Furthermore, the I-CSP is also consistent with the Bank's High 5 priorities, notably 'Feed Africa' and 'Improve the Quality of Life for the People of Africa', as well as the relevant sectors and strategies[xlii] (Annex A3.3). Lastly, the I-CSP is aligned with the Bank's document on selectivity approved by the Board in May 2021. Specifically, Bank support under this I-CSP will be provided in 7 strategic priority areas[xliii] within the High5s. The new I-CSP places emphasis on a conflict sensitive approach, including contribution to peace, empowerment, and reintegration of returnees, internally displaced persons, refugees, and host communities through direct interventions, and building resilient state institutions[xliv], in line with the Bank Group's Strategy for Addressing Fragility and Building Resilience in Africa 2014-2019 extended to 2021. The Bank's strategy under the single Priority Area is presented in the following section.

5.2 Strategy and Expected Results

Single Priority Area: Agriculture value chains development for economic diversification and resilience.

49. **The objective of the Bank's assistance strategy under this Priority Area is to support South Sudan to develop agricultural value chains to boost agricultural productivity, enhance food and nutrition security, diversify the economy, and create jobs.** To achieve this objective, Bank assistance will focus on the enablers for agricultural value chains development, notably increasing the use of new and improved agricultural technologies; improving connectivity between

production areas, and input and product markets; and developing agribusiness enterprises, notably for young men and women to create economic opportunities and reduce poverty. Consistent with the ADF 15 commitments, Bank support to the enablers for agricultural value chain development such as market infrastructure, water for productive use (for both crop and livestock), and rural feeder roads and market infrastructure will prioritize sustainability, that is implementing investments with due consideration to the associated economic, social, and environmental effects. Support to agricultural value chains will be delivered through investment projects, technical assistance, and knowledge work.

50. **The envisaged investments in agricultural value chains aim to lay the foundation for economic diversification and resilience.** Bank assistance will build on the Feed Africa Strategy for Agricultural Transformation (2016-2025), which embraces an integrated value chain approach to raising agricultural productivity in Africa[xlv]. The Bank will support the government to improve the seed eco-system (including multiplication, laboratory testing, among others) for improved and resilient seed varieties, thereby boosting agricultural productivity. Investments in feeder roads will improve connectivity between production areas and input and product markets[xlvi]. Interventions in water mobilization for agriculture production will focus on the construction of valley dams and boreholes to facilitate irrigation and reduce reliance on rainfall, thereby building resilience. Complementary investments in the sanitation sector will adopt an integrated approach to address different aspects of the sanitation value chain, notably containment, treatment, and reuse, with emphasis on transforming the sludge waste into fertilizer for agricultural production. Annex A23 presents the Theory of Change.

51. **To consolidate the enabling environment for transformative economic activities, the Bank will continue to support complementary interventions notably to strengthen institutional and human capacities, there by building a stronger state**. Emphasis will be placed on improving PFM, particularly revenue mobilization and expenditure management to build resilience and expand the fiscal space for poverty reducing and growth enhancing investments including in agriculture and improve debt sustainability. Assistance to improve human capacities will focus on building a cadre of competent civil servants through training and developing employable skills for the labor force to boost productivity, catalyze entrepreneurship, and value chain development in key sectors including agriculture, and jobs creation. Involvement of beneficiaries in the project cycle activities will be emphasized, and operations will be designed to ensure that the marginalized (women, youth, and other groups) draw maximum benefits from Bank assistance to capacity building.

52. **Strategic Outcome 1**. **Increased agricultural productivity, household income, and diversified tradable commodities.** Bank assistance will enhance the use of improved farm technologies notably improved seed varieties, water mobilization, and fertilizers, among others; improve market linkages; and catalyse agribusiness enterprises; thereby boosting agricultural productivity and enterprise development. Consequently, Bank support will contribute to (i) establishment of seed enterprise groups and aggregation business centres to provide improved and drought resistant seeds to domestic business producer associations; (ii) construction of valley dams and boreholes with solar pumps for crop production (irrigation) and livestock use; (iii) increasing agro-processing and value addition for agricultural commodities, thereby diversifying tradable commodities; and (iv) improvement of connectivity between production areas and input and product markets.

53. ***Specific outcomes.*** (i) increased agricultural productivity for key cash crops notably maize, sesame and sorghum by an average of 30% by 2024 compared to their 2020 baselines; (ii) up to 500,000 cubic metres of water for agricultural production mobilized by 2024; (iii) increase in average annual household income in the project area from USD 422 in 2020 to USD 600 by 2024; (iv) 5,000 farmer's trained on knowledge for better production, aggregation, and marketing by 2024; (v) 200 youth and women enterprises established and receiving agribusiness and trade

related training by 2024; (vi) 10 seed enterprise groups established by 2024; and (v) over 500km of rural feeder roads constructed to link production areas with markets (Annex A2).

54. **Strategic Outcome 2**. **Increased access to sustainable water supply and faecal sludge management services.** Building on completed and ongoing projects, Bank interventions will enhance equitable access to reliable and affordable improved water and sanitation services through appropriate systems along the sanitation value chain. The proposed intervention will improve access to sustainable water and sanitation services and innovatively champion the use of faecal sludge as agricultural fertilizer. Consequently, the beneficiaries of Bank support will include farming communities and the population in Juba who are facing major constraints in accessing improved water supply and sanitation services. Bank assistance will contribute to (i) increasing the share of the population in Juba with access to improved faecal sludge collection services following the construction of additional desludging units; (ii) increasing the use of faecal sludge as fertilizer; (iii) reducing the proportion of wastage of water through leakages (non-revenue water) in Juba town; and (iv) improving access to sustainable water supply in Juba town and enhancing access to farming communities following the construction of valley dams'.

55. ***Specific outcomes.*** (i) share of the population in Juba with access to improved faecal sludge collection services increased from 60% in 2020 to 83% by 2024; (ii) over 50 farmer groups sensitized and supported to use treated faecal sludge as a fertilizer; (iii) share of non-revenue water (water lost through leakages) reduced from 43% in 2020 to 35% by 2024 in Juba town; and (iv) access to sustainable water supply increased from 25% in 2020 to 35% by 2024 in Juba town (Annex A2).

56. **Strategic Outcome 3. Improved institutional and human capacities for a stronger state and better enabling environment for value chain development.** Consistent with its Strategy for Addressing Fragility and Building Resilience in Africa 2014-2019 extended to 2021, Bank assistance will contribute to building resilient state institutions with emphasis on capacity building in PFM. Training on PFM, budget planning and execution, and tax revenue administration will empower civil servants to design, implement and monitor public expenditure polices, leading to improvements in public spending efficiency and boosting public revenue mobilization. Consequently, Bank assistance will help to improve efficiency and strengthen transparency and accountability in public resource management. This approach is consistent with the Bank's Private Sector Development Strategy (PSDS, 2021-2025), which places emphasis on institutional capacity building and reforms to create the enabling environment for private sector development. In response to the skills mismatches and absence of employable skills, which is a key bottleneck to private investment including in agricultural value chains, Bank support will accompany the authorities to enhance access to market-relevant and formal skills training programmes, which are critical for employability, entrepreneurship, and value chain development mainly in agriculture.

57. ***Specific outcomes.*** (i) non-oil tax revenue increased from 3.6% of GDP in 2020 to 4.7% of GDP by 2024; (ii) public private partnership (PPP) legislation and guidelines prepared by 2024; (iii) tax and revenue mobilization score using Mo-Ibrahim Index improved from 8.2 in 2020 to 20 by 2024; (iv) the share of youth and adults provided with business development and entrepreneurship skills training increased from 20% in 2017/18 to 35% by 2024 following the construction of TVET skills development infrastructure; (vi) enrolment in technical and vocational skills (as % of higher education) increased from 6% in 2020 to 8% by 2024; and (vii) the number of jobs created through youth-led Micro and Small Enterprises (MSEs) increased from 2,537 in 2020 to 5,700 (30% women) by 2024 (Annex A2).

58. **Cross-cutting issues:** Project preparation and implementation will apply the conflict and fragility lens to mitigate risks from identified drivers of fragility. A gender marker exercise will continue to be conducted for all projects to collect gender disaggregated data for effective monitoring and evaluation of the Bank's contribution to gender equality and women empowerment. Consistent with its Gender Strategy 2021-2025, Bank support to gender aims to

reduce existing inequalities in access to resources, in collaboration with the government, other development partners and CSOs. Climate change presents several challenges but also offers opportunities including new technologies and innovations, and sources of funding for adaptation and mitigation interventions. Thus, the Bank will capitalise on existing internal instruments (i.e., African Climate Change Fund, ClimDev Trust Fund) to offer technical support in climate finance proposal development and in developing climate change policies and strategies. Furthermore, the Bank (through the SEFA) will provide TA to the energy sector to catalyze private sector investments in renewable energy including solar systems and off-grid solutions. The design and implementation of Bank operations will comply with environmental and social management plan (ESMP) to enhance sustainability. Projects will also be screened for climate risks and measures will be taken to ensure that operations are climate-proofed and deliver climate change co-benefits in terms of building resilience and reducing GHG emissions[xlvii].

59. **Assistance to the private sector.** As discussed in Box 1, the Bank has been assisting the government's efforts towards private sector development and this support will be enhanced and scaled up under this I-CSP. Under this strategy, the Bank will prepare a private sector development country profile to identify options and required reforms for enhancing the sector's contribution to economic development. Consistent with its PSDS, the Bank will also assist to put in place legal and regulatory frameworks (e.g. on PPPs) to catalyze private investment and finance. Building on its previous interventions, the Bank through the ALSF and NORMA projects, will sustain TA to the extractives sector with emphasis on improving the institutional and regulatory framework. Financial sector reforms will be supported to facilitate financial inclusion and innovations like digital financial services will be promoted to increase domestic savings mobilization. Furthermore, the Bank will work with other DPs initiatives to reduce fiduciary risks by supporting ongoing procurement reforms and actions to improve transparency in public spending, which will enhance private sector participation in public investments.

5.3 Indicative Lending and Non-Lending Program

5.3.1 Indicative Lending Program

60. **The Bank's 3 year rolling Indicative Operations Program (IOP) 2022-2024 for South Sudan consists of 3 projects with commitments estimated at UA 39.5 million (USD 56.26 million) in grants focusing on agriculture value chains, water and sanitation, and complementary institutional and capacity building support (Annex A3.1)**. The sectoral distribution of the IOP is as follows: agriculture value chains (44.3%); institutional support and capacity building (35.4%) and water and sanitation (20.2%). Diverse instruments will be deployed to deliver the IOP comprising investment operations, institutional support projects, technical assistance, and advisory services.

5.3.2 Indicative Non-Lending Program

61. **A rigorous non-lending program comprising knowledge work, policy dialogue, advisory services, and technical assistance is planned**. Analytical work will include private sector development country profile, informal market study, and topical demand-driven and operationally pertinent economic and sector work (ESWs) focusing on sectors and themes covered by the IOP and other corporate priorities. Studies will be conducted to inform the preparation of future projects and inform government's policy-reform efforts (Annex A3.2).

5.4 Policy Dialogue

62. **Dialogue with the Government, development partners, and other stakeholders during the next I-CSP period will focus on reinforcing complementarity and ensure a holistic approach to development assistance[xlviii].** Consequently, dialogue will focus on: (i) strengthening partnerships with other DPs to promote joint planning and co-financing to maximize the developmental impact of Bank-financed operations; (ii) diversification of development financing sources, prioritization of public spending, and public revenue mobilization to ensure fiscal and debt

sustainability; (iii) portfolio management and performance; (iv) economic diversification and resilience; and (v) economic governance and PFM reforms, drawing from the Bank's CPIA and Country Resilience and Fragility Assessment (CRFA) diagnostics, among others. The Bank's Policy Reform Dialogue Matrix (PRDM) will be applied to track implementation of these reforms[xlix] (Annex A21).

5.5 Financing the Strategy

63. **The indicative financing program for the I-CSP IOP is UA 39.5 million (USD 56.26 million), comprising UA 7 million (USD 9.97 million) from the last year of ADF 15 (2022), UA 16.5 million (USD 23.5 million) from the first two years of ADF 16 (2023 and 2024), and UA 16 million (USD 22.76 million) from the Transition Support Facility Pillar I**. The indicative financing envelope assumes a similar amount of funding as the ADF 15 allocation. The Bank seek options for co-financing with DPs such as FAO, UNDP will be explored to expand funding for the enablers for agricultural value chains and private sector development in South Sudan[l]. The Bank's Country Financing Parameters (CFPs) for South Sudan were prepared in 2020 and outline various considerations for financing Bank operations (Annex A20). Considering that the country context has not changed much since 2020, the CFPs will continue to be applied during the I-CSP 2022-2024 period.

5.6 Implementation Arrangements, Monitoring and Evaluation

64. **Consistent with the 'One Bank' approach, COSS will lead the implementation of the I-CSP, in collaboration with relevant Bank Departments**. A similar approach will be applied during identification, design, and implementation of operations to ensure that challenges are identified and mitigated in a timely manner[li]. The Bank scale up its collaboration with CSOs including during project design and implementation especially in the hard-to-reach areas. In partnership with other DPs, the Bank will provide targeted capacity building support to CSOs including in economic and financial governance, and project cycle activities to bolster their contribution to South Sudan's development aspirations. The Results Measurement Framework will be the main instrument for monitoring and evaluating the results achieved from the Bank's assistance program in South Sudan (Annex A1 and A2). In addition, annual CPPRs, the PRDM, and project completion and supervision mission reports (including those implemented by third-party implementers) will be critical in monitoring the progress made towards achieving the objectives of the new I-CSP.

5.7 Potential Risks and Mitigation Measures

65. **South Sudan faces political, economic governance, macroeconomic and climate change risks, which could impede the implementation of the Bank's new I-CSP 2022-2024.** Political stability is primarily contingent on the successful implementation of the 2018 RPA. Weaknesses in economic governance are due to shortfalls in institutional and human capacities, which holds back the implementation of development interventions and leads to leakages in public resources due to corruption. The macroeconomic risks result from the country's overdependence on oil revenues amidst high risk of debt distress and weak domestic revenue mobilization, which increases vulnerability to external shocks like fluctuations in international commodity prices. Climate change related shocks like droughts, floods and desert locust invasions affect agricultural productivity. The triple-nexus (peace-humanitarian-development) approach should be sustained, with a focus on long-term sustainability to assist the country to build resilience against shocks, enforce the rule of law, and respect for human rights principles. A detailed discussion of these risks categories and their mitigation measures are presented in Annex A18.

6. CONCLUSION AND RECOMMENDATION

6.1 Conclusion

66. **This report has presented the Bank's proposed new I-CP 2022-2024 for South Sudan.** In line with South Sudan's development priorities outlined in the NDS 2018-2021 and its extension

to 2023 and consolidating gains from the Bank's previous support, the I-CSP 2022-2024 seeks to support the country's ambitions of addressing its drivers of fragility to build a diversified and resilient economy.

6.2 Recommendation

67. **Management hereby invites the Boards of Directors to review and approve the Bank Group's I-CSP 2022-2024 for South Sudan**.

South Sudan I-CSP 2022-2024: Results Measurement Matrix

Annex A1: Strategic Alignment Matrix: *This matrix demonstrates alignment of the I-CSP's Priority Areas with both the Government's National Development Strategy and the Bank's own priorities. It is not intended to assess performance of Bank support.*

<table>
<tr><th colspan="7">Priority Area: Agriculture value chains development for economic diversification and resilience</th></tr>
<tr><th colspan="3">South Sudan National Development Strategy</th><td></td><th colspan="3">Bank's Corporate Policies</th></tr>
<tr><td colspan="3">Vision 2040: (i) Building an educated and informed nation; (ii) Building a prosperous, productive, and innovative nation; (iii) Building a compassionate and tolerant nation; (iv) Building free and peaceful nation; (v) Building democratic and accountable nation; (vi) Building safe, secure, and healthy nation; and (vii) Building a united and proud nation.
Revised National Development Strategy (NDS) 2018-2021 and its update to 2023:
Strategic Priority 1: Governance (i.e., PFM reforms, rule of law, anti-corruption)
Strategic Priority 2: Economic Development (i.e., macroeconomic stability, agriculture)
Strategic Priority 3: Social Development (i.e., education and capacity building; health; social safety nets)
Strategic Priority 4: Gender, Youth and other cross cutting (i.e., skills development, jobs, climate change)
Sustainable Development Goals: No Poverty (SDG 1); No Hunger (SDG 2); Gender Equality (SDG 5); Clean Water and Sanitation (SDG6); Decent Work and Economic Growth (SDG 8); Climate Change (SDG 13)</td><td></td><td colspan="3">Ten Year Strategy 2013-2022:
(i) Operational priorities: Private sector development; Governance and accountability; skills and technology.
(ii) Areas of special emphasis: Gender, climate, agriculture food security, and support to fragile states.
High 5s: (i) Feed Africa; (ii) Improve the Quality of Life for the People of Africa</td></tr>
<tr><th colspan="3">Country Sector/Thematic Strategy</th><td></td><th colspan="3">Bank Sector/Thematic Strategy</th></tr>
<tr><td colspan="3">NDS 2018-2021 and its extension to 2023 overall goal is to consolidate peace and stabilize the economy.
South Sudan Comprehensive Agriculture Master Plan outlining the country's development policy and strategy for the sector.
South Sudan National Environmental Policy (NEP) 2015-2025 provides the strategic framework for reducing pollution that may result from industrialization. The NEP promotes environmental sustainability and bestows on its citizens the right to a clean and healthy environment.
National Technical and Vocational Education and Training Policy and General Education Strategic Plan 2017-2022 provides the broad legal framework for the general education system, and TVET courses in South Sudan.
South Sudan Youth Development Policy 2019 (Revised) which guides work on vocational training focused for youth.
South Sudan PFM Reform Priorities (2020) articulates the guiding principles and presents the action plan including priority areas for immediate implementation.</td><td></td><td colspan="3">-Strategy for Governance in Africa (SEGA, 2021-2025)
-Strategy for Agricultural Transformation in Africa (2016-2025)
-Bank Group Gender Strategy (2021-2025)
-Climate Change and Green Growth Strategy (2021-2030)
- Bank Group Strategy for Addressing Fragility and Building Resilience in Africa 2014-2019 extended to 2021.
- Bank Water Policy – approved in 2021
- Africa's Agenda 2063
- Bank Group Strategy for Jobs for Youth in Africa (2016- 2025)
- EA-RISP 2018-2022 and Regional Integration Framework Paper (2018-2025)
- Bank Group Private Sector Development Strategy 2021-2025</td></tr>
<tr><th colspan="3">Country Development Results/Indicators</th><td></td><th colspan="3">Planned Bank's Interventions and Resources</th></tr>
<tr><th>Indicators</th><th>Baseline (2020)</th><th>Targets (2024)</th><td></td><th colspan="2">Generic areas of interventions or instruments</th><th>Amount (UA m)</th></tr>
<tr><td colspan="3">Agriculture and Value Chain Development</td><td></td><td colspan="2">Investment:</td><td>27</td></tr>
<tr><td>Agricultural productivity of selected crops (tons/hectare)</td><td>Maize 1.9</td><td>2.4</td><td></td><td colspan="2">…of which sovereign operations</td><td>27</td></tr>
</table>

	Sorghum 1.7 Sesame 0.48	2.0 0.72			
Average annual household incomes (in project areas - USD)	422	673		**Capacity building and technical assistance**	**12.5**
Seed Enterprises	0	10			
Water Supply and Sanitation					
Equitable access to sustainable water supply	25%	35%		**Total**	**39.5**
Juba population with access to improved and faecal sludge collection services	55.8%	83%		**Knowledge work**	**0.3**
Share of non-revenue water in Juba town	43%	35%			
Institutional and Human Capacity Development					
Fiscal deficit (% of GDP)	2.5	2.2			
Non-oil tax revenue (% of GDP)	3.6	4.7			
Tax officials trained on domestic revenue collection (#)	0	60 (30% women)			
Share of TVET enrolment in higher education (%)	6	8 (30% women)			
Skills Development Centres rehabilitated/constructed (#)	0	15			
Youth trained in business development (#)	0	3200 (30% women)			

Annex A2: Performance Matrix: *The performance matrix measures a wide range of results that should be regularly tracked during CSP period. This does not only include operational results that will be delivered by the projects approved in the previous period, but also other essential elements of the I-CSP including cross-cutting issues, financial leveraging, harmonization, portfolio performance.*

Performance Area	Monitoring Indicators	Baseline (2020)	Target (2024)	Source of Verification
Operational results				
	Priority Area: ***Agriculture Value Chains Development for economic diversification and resilience.***			
- Outcomes	**Increased agricultural productivity, household's income, and diversified tradeable commodities** ▪ Agricultural productivity and income of selected crops (sorghum, maize and sesame) (average % increase) ▪ Average annual income of households in project areas (USD) ▪ Diversified and tradeable agriculture commodities marketed through formal markets (tons) (% increase)	0 422 15%	30% 600 30%	IPR/PCR
	Increased access to sustainable water supply and faecal sludge management services ▪ Improved equitable access to sustainable water supply ▪ Reduced proportion of non-revenue water in Juba town ▪ Increase the percentage of Juba population with access to improved and faecal sludge collection services	25% 43% 60%	35% 35% 70%	IPR
	Improved institutional and human capacities for a stronger state and better the enabling environment for value chain development ▪ Increase in non- tax revenue (% of GDP) ▪ Number of procuring entities strengthened and established at the state levels ▪ Share of TVET enrolment as % of higher education ▪ Youth and adults provided with skills and livelihood training (%) ▪ Youth-led SMEs established ▪ Jobs created through youth led SMEs (#)	3.6 0 6 (2021) 20 (20117/18) 3000 2537	4.7 4 8 (30% women) 35 (30% women) 3600 (30% women) 5700 (30% women)	IMF/Government Budget Outturn Reports/Mo-Ibrahim index/PEFA report/PCR Government sector reports/UNESCO/PCR/ILO/PCR/UNDP
- Outputs	**Agriculture and Value Chain development** ▪ Hectares under improved technologies or management practices (hectares) ▪ Establishment of Aggregation Business Centres (ABCs) (#) ▪ Farmer's trained on knowledge for better production, aggregation, and marketing (#) ▪ Establishment of Seed Enterprise Groups ▪ Water mobilization for agricultural production (cubic metres) ▪ Rural Access Road Constructed (km) ▪ Youth and Women Enterprises Established (#)	0 0 0 0 0 10 0	30,000 20 5,000 (30%women) 10 500,000 500 200 (40% women)	IPR/PCR

Performance Area	Monitoring Indicators	Baseline (2020)	Target (2024)	Source of Verification
	Water Supply and Sanitation ▪ Faecal sludge treatment plant constructed (#) ▪ Farmers Groups sensitised and supported to use treated faecal sludge as fertilizers (#) ▪ Technical studies and integrated investments plans completed (Yes/No) ▪ Women and youth trained on management of public stand post (#)	1 0 No 0	1 50 Yes 60 (50% women)	IPR
	Institutional and Human Capacity Development ▪ Public Private Partnership laws and guidelines prepared (Yes/No) ▪ Tax officials trained on domestic revenue collection (#) ▪ Tax and revenue mobilization Mo-Ibrahim score improved ▪ Students enrolled in formal and market-oriented skills programmes (#) ▪ Skills Development Centres (NTTI & TVET) rehabilitated/constructed and equipped (#) ▪ Youth employment and entrepreneurship strategy developed (#) ▪ Youths trained in business development and entrepreneurship (#) ▪ Village Savings and Loan Associations (VSLAs) established and registered (#)	No 0 8.2 3935 (2018) 0 (2021) 0 (2021) 0(2019) 0	Yes 60 (30% women) 20 7500(30% women) 15 1 3200 (30% women) 100	IMF/Government Outturn Reports/Mo-Ibrahim Index/PEFA Report /PCR IPPR/PCR/UNDP Project Data
	CROSS-CUTTING ISSUES: ***climate change, gender, fragility***			
Climate change & green growth	▪ Climate-proofed projects (% of lending operations) ▪ Climate Finance Allocation (% of Bank portfolio)	95% 32%	100% 40%	PCR and NDC
Gender	Female trainees' enrolment in male dominated trade (electrical installation, and plumbing/pipe fitting) (%)	0 (first experience)	Minimum of 20% per graduating cohort	PCR
Fragility	▪ Small community centres in rural areas with vocational training facilities for out-of-school youth, including girls and women (sewing machines, local soap production machines, farm machinery and agricultural product processing machines) created (#) ▪ Development of marketing infrastructures in rural areas for agricultural products, including the construction of sheds for the promotion of small local markets (#)	0 0	Minimum of 1 centre per planned project At least 1 market infrastructure per planned project	PCR
	OTHER AREAS			

Performance Area	Monitoring Indicators	Baseline (2020)	Target (2024)	Source of Verification
Financial leveraging	**Amount of co-financing (UA m)** ▪ Parallel Funding	 1	 2	IPR/PCR/PAR
Portfolio performance and monitoring	▪ Overall Portfolio performance rating (1-4) ▪ Projects flagged (% of ongoing operations) ▪ Projects at Risk (#) ▪ Time from approval to effectiveness (months) ▪ Time of approval to first disbursement (months)	3.0 36.3 1 5.4 6.8	3.5 15 0 4 4	AfDB Portfolio Flashlight Reports
Sustainability and capacity building	▪ Fiduciary clinic conducted (#) ▪ Projects with capacity building initiatives (%)	0 0	3 4	CPPR/PCR/IPR
Knowledge work/Policy advice	▪ ESWs prepared (#) ▪ Policy dialogue notes prepared (#)	2 1 (2020)	3 2	ESW/PCRs/CSP Completion Report
Development coordination/ harmonisation	▪ Sector Working Groups led/co-led by the Bank (#) ▪ Working Groups in which the Bank participates (#) ▪ Joint DP missions per year (#) ▪	0 1 0	1 4 4	DP meeting minutes; Aid coordination reports IPR/PCR
Sustainability and capacity building	▪ Fiduciary clinics conducted (#) ▪ Projects with capacity building initiatives (#)	0 0	3 4	CPPR/PCR/IPR
Monitoring and evaluation	▪ Annual country portfolio performance review (#)	1	3	CPPR

Annex A3: Indicative Lending and Non-Lending Program and Contribution to the High 5

Annex A3.1: Indicative Lending Program for the New I-CSP 2022-2024

Project Name	Year	Cost (UAm)	Source of Funding				Associated High 5
			ADF-15 PBA*	ADF-15 TSF I*	ADF-16 PBA**	ADF-16 TSF I**	
Priority Area 1- Agriculture Value Chain Development for Economic Diversification and Resilience							
Institutional Support Project	2022	14	6.41	0.59		7	Improve the Quality of Life for the People of Africa
Agriculture Value Chains Development	2023	17.5	-	-	8.5	9	Feed Africa
Water Supply and Sanitation Development	2024	8	-	-	8	-	Improve the Quality of Life for the People of Africa
Total		**39.5**	**6.41**	**0.59**	**16.5**	**16**	

* ADF-15 resources will be used in 2022
**ADF-16 resource will be used depending on the availability of resources in 2023

Annex A 3.2: Indicative Non-Lending Program for the New I-CSP 2022-2024

Project Name	Year	Type	Amount (UAm)	Priority Area	Associated High 5
Economic Diversification	2023	ESW	0.1	I	Improve the Quality of Life for the People of Africa
Private Sector Development Country Profile	2022	ESW	0.1	I	Improve the Quality of Life for the People of Africa
South Sudan Informal Sector Profile	2024	ESW	0.1	I	Improve the Quality of Life for the People of Africa
Total			**0.3**		

Annex A3.3: Alignment of the I-CSP 2022-2024 Priority Areas with the Various AfDB Group Policies and Strategies

Priority Area/High 5s	Expected Outputs in 2024	Expected Outcomes in 2024
Improve the Quality of Life for the People of Africa	7,500 students enrolled in market-oriented skills programme 60 tax officials trained on domestic revenue collection 3,200 youth trained in business development and entrepreneurship Over 50 farmer groups sensitized and supported to use treated faecal sludge as a fertilizer Enrolment in technical and vocational skills (as % of higher education) increased from 6% in 2020 to 8% by 2024 Share of non-revenue water (water lost through leakages) reduced from 43% in 2020 to 35% by 2024 in Juba town 1 youth employment and entrepreneurship strategy developed 60 women and youth trained on management of public stands Public Private Partnership legislation and guidelines prepared Access to sustainable water supply increased from 25% in 2020 to 35% by 2024 in Juba town	(i) Increased access to sustainable water supply and faecal sludge management services (ii) Stronger institutional and human capacities to support value chain development
Feed Africa	30,000 Hectares under improved technologies or management practices (hectares) 20 Aggregation Business Centres (ABCs) established 5,000 farmers trained on knowledge for better production, aggregation, and marketing 10 seed enterprise groups established by 2024 500km of rural access roads constructed to link production areas with markets About 500,000 cubic metres of water for agricultural production mobilized by 2024	Increased agricultural productivity, household's income, and diversified tradeable commodities

Annex A4: South Sudan On-Going Operations as of 31st August 2021

#	Project Title	Source of Funding	Approval Date	Closing Date	Amount in (MUA)	Amount Disbursed (MUA)	Disb. Ratio
1	Resilience Water Project for Improved Livelihood in Juba	TSF	07/2016	12/2021	5.0	2.9	58.9%
2	South Sudan: Strategic Water Supply and Sanitation Improvement Project	ADF/RWSSI/TSF	06/2019	03/2024	17.7	0.7	4%
3	Juba Distribution System Rehabilitation and Expansion Project	TSF	04/2017	12/2021	10.6	7.2	67.9%
4	Improving Access and Quality of Basic Education	ADF/TSF	09/2019	08/2023	12.9	5.1	39.5%
5	Skills for Youth Employability and Social Inclusion in South	TSF	04/2020	10/2022	1.0	0.5	50%
6	COVID-19 Pandemic Response Project	TSF	06/2020	11/2021	3.0	3.0	100%
7	Gender Equality and Women's Economic Empowerment for Inclusion	TSF	10/2015	12/2021	1.0	0.7	70%
8	Non-Oil Revenue Mobilization and Accountability	ADF/TSF	03/2017	06/2022	10.7	5.1	47.7%
9	EAC - Payment and Settlement Systems Integration Project	ADF/TSF	07/2019	06/2023	4.8	0.04	1.3%
10	Agricultural Markets Value addition and Trade Development Project	ADF/TSF	12/2020	12/2025	10.0	3.0	30%
11	Multinational Emergency Response (South Sudan)	SRF	10/2020	09/2021	0.10	0.10	100%
					76.8	**28.4**	**36.9%**

Annex A5: Revised Country Portfolio Improvement Plan Implementation Status

ISSUES AND CONSTRAINTS	REQUIRED ACTION	RESPONSIBILITY	TIME FRAME	STATUS AS AT JUNE 2021	TRAFFIC LIGHTS
FIDUCIARY ISSUES					
PROCUREMENT					
1. Inadequate understanding of Bank procedures and rules.	Extended supervisions by Bank procurement specialists. Spend extra days to train PIU. Organize annual Institutional Capacity and Fiduciary Clinic.	AfDB	From July 2021	Fiduciary Clinic planned for mid-oct,2021	
2. Delays in procurement and issuance of no objection.	Submit complete documentation for No Objection.	GoSS	Continuous	No delays in issuance of no objection experience since the last CPPR, a lot improvement has been experienced	
3. Weak follow up on procurement progress from the Bank & the GOSS, and the lengthy process for the prior review.	Quarterly review meetings with flagged projects to diagnose the problem and set the way forward.	AfDB/GoSS	Continuous	Water sector: 3 of the 4 key design/supervision consultancies have been cleared and awarded and the forth is under Bank review for award.	
FINANCIAL MANAGEMENT AND DISBURSEMENT					
4. Inadequate FM staffing, poor understanding of fiduciary procedures, resulting in poor financial reporting leading to poor audit quality.	Sensitize PIU on importance of preparing and submitting quality financial statements for audit. Recruit or appoint adequately qualified FM specialists where needed. Capacity Building trainings for local FM staff to properly carry out project Financial Management in the future. Extend computerized accounting systems to all projects and training be given to the staff so that they operate it correctly.	GoSS	Continuous process	Fiduciary Clinic planned for mid-oct,2021	
5. Slow disbursement due to delays in submitting disbursement request or	Provide training to PIUs through regular supervision, annual disbursement clinics and	AfDB/GoSS	Continuous process	Fiduciary Clinic planned for mid-oct,2021	

inadequate supporting documents, at times combined with untimely response from the Bank on inadequate information and staff not familiar with AfDB disbursement rules and procedures	frequent video conference with PIU/TM, COSS and Bank Disbursement specialists.				
	Requests to be in line with the relevant conditions of the contract. Attach all relevant documents to requests. Follow up of the aging of replenishment to the special account and justify timely before they are overdue. Follow up the aging of replenishments of the special accounts and justify before they are overdue	GoSS	Continuous process	Rigorous follow-up has been done and update is provided monthly, coordinated by RDGE	
PROJECT MANAGEMENT AND OTHER ISSUES					
6. Lack of project implementation manual (PIM) and lack of M&E system.	Ensure PIM is ready within 6 months of project approval	GoSS/AfDB	Continuous process		
	Draft ToR for consultant to undertake PIM immediately after approval	AfDB/GoSS	Continuous		
	Create effective M&E system for all projects: second/recruit and train M&E staff, install IT system and link with national framework	GoSS/AfDB	From July 2021	Water Projects: M&E and ESS staff in place and IT system installed	

Annex A6: Matrix of CODE Comment

Annex A6.1: CODE Guidance on the joint South Sudan Interim Country Strategy Paper (I-CSP) 2012-2021 Completion Report and Updated 2020 Country Portfolio Performance Review (CPPR)

CODE Meeting of 6th July 2021	
COMMENT	**ACTION TAKEN**
Overall Comments: Committee members and other Executive Directors present thanked Management for a rich and detailed presentation, and for a quality report. They recognized the challenges and difficulties of operating in a fragile and conflict-affected country. They commended and encouraged the country office team for the results achieved in this difficult context. They made the following observations:	Noted with thanks.
Fragility and governance: One Committee member noted that Management seems to attribute the difficult economic situation in South Sudan to the decline in oil prices, yet this situation is partly due to the fragility caused by poor governance. He noted that a quarter of the national budget is spent on defense and security and questioned the level of government ownership and commitment to the country's development. In this regard, he sought details on how Management intends to address these governance weaknesses and tackle the causes of fragility through policy dialogue**.**	Management confirmed that one of the major problems in South Sudan is the fragmentation of political power and disagreements, which leads to continued insecurity and instability, especially outside the capital. Management also stressed that political governance issues are being addressed through the Public Financial Management Oversight Committee and in collaboration with other bilateral partners who are more involved in political governance than the Bank. Nonetheless, as indicated in paragraph 62 of the I-CSP 2022-2024 report the Bank policy dialogue efforts will also focus on fragility and governance issues including PFM reforms.
Collaboration and coordination with donors: Committee members stressed the importance of strengthening coordination and cooperation efforts with all actors involved in the agricultural sector in order to ensure complementarity, relevance and synergy between the activities of the different stakeholders.	Management reassured the Committee that it interacts continuously with all the development actors present in the country (World Bank, FAO, UNDP, WFP, etc.), so that each actor knows what strategic direction to give to its engagement, thus ensuring a certain synergy and complementarity in their interventions. In addition, paragraph 33 of the I-CSP 2022-2024 report demonstrates the existing collaboration with partners and further proposes to strengthen them.
Strategic orientation of the next I-CSP: The Committee welcomed the next I-CSP's focus on the development of agricultural value chains. However, some members questioned the focus on skills development, and wondered why Management is planning interventions in an area where it has so far not achieved satisfactory results and that is not directly related to the sector targeted by the strategic pillar. Members also sought clarification on how Management intends to use the TAAT initiative under the new strategy to support agricultural value chain development efforts in South Sudan. In addition, Executive Directors stressed the importance of strengthening private sector participation significantly to ensure the success of the next strategy. An Executive Director called on Management not to confuse humanitarian and development interventions.	Management took note of Committee members' comments. The I-CSP 2022-2024 is indeed focusing on Agriculture Value Chains Development for Economic Diversification and Resilience. As indicated in paragraphs 27, 37 and annex A11, low skills are among the key development constraints facing South Sudan. In addition, lessons learned from I-CSP 2012-2021 completion report underscored the need for the Bank's continued support in this area. Furthermore, paragraph 51 stresses that support to skills development will enhance service delivery and catalyse private sector investment, contribute to employment creation including among the youth, thereby addressing youth unemployment,

	which is one of the core drivers of fragility in South Sudan. This will bolster private sector activity, support economic diversification, and build resilience by catalysing the non-oil economy and create jobs for most of the population, thereby supporting inclusive growth. Regarding Technologies for African Agricultural Transformation (TAAT), the Bank, as indicated in paragraph 50/endnote xliv and Box 1, will support the government to create an enabling environment for technology adoption by famers with a view to increase agricultural productivity.
Economic governance: Committee members took note of the weaknesses identified in the area of economic governance and emphasized the need for the Bank to contribute to institutional capacity building in South Sudan. They encouraged Management to pay particular attention to concerns regarding oil revenue management, debt monitoring and domestic resource mobilization. The need to diversify the economy by exploring opportunities in sectors other than the oil industry was also stressed.	Management took note of the comments. As indicated in paragraph 16 of the I-CSP 2022-2024 report, acknowledges the governance challenges facing South Sudan. To this effect, Bank assistance under the new I-CSP strategy will also seek to support the government to strengthen human and institutional capacities, particularly in PFM, and develop skills necessary for improving economic competitiveness, diversification, and job creation (paragraph 51). Furthermore, an Institutional Support project focusing on, among other, PFM will be implemented during the I-CSP period (Annex A3.1).
Gender and youth employment: Some Committee members indicated that youth unemployment is one of the obstacles to achieving development goals in South Sudan. They enquired about the Bank's strategy to promote employment and skills development for youth and women. Management was encouraged to lay more emphasis on gender and youth employment issues in the new strategy.	Management acknowledged that youth unemployment in South Sudan remains a concern. During the consultations with the government and stakeholders the need for promoting and entrepreneurship culture were advised. To positively respond to these demands, the Bank approved the Skills for Youth Employability and Social Inclusion project in 2020. In addition, the new I-CSP 2022-2024 focus area will also aim to support to skills with emphasis on the development of demand-driven technical skills. Support to skills will focus on required skills training programs for entrepreneurship and value chain development in critical sectors including in agriculture (paragraph 51).
Climate and security: An Executive Director invited Management to reflect on how climate change may cause conflict and negatively impact agricultural development, and to take this into account in future interventions. In addition, it was noted that the political situation in South Sudan remains fragile, hence the need for a gradual approach to ensure the sustainability of the Bank's interventions.	Management took note of the comments. As indicated in paragraph 58, project design will be gender sensitive and environmental and security conscious.
Specific questions: Committee members asked other specific questions relating to the signing of a debt restructuring agreement with Qatar National Bank and the geographical distribution or coverage of the Bank's interventions.	Management took note of the comments and informed that in 2020, the authorities worked bilaterally with Qatar National Bank and reached a debt restructuring agreement (paragraph 11). With regard to the geographical coverage of the Bank's interventions, Management explained that given the magnitude of the needs in South Sudan, it would be unrealistic to consider covering all the regions of the country, hence the importance of working in collaboration and coordination with other partners already present on the ground to maximize impact.

Annex A6.2: Summary of CODE Comments on the South Sudan Interim Country Strategy Paper 2022-2024

CODE Meeting of 26th October 2021	
COMMENT	**ACTION TAKEN**
Overall Comments: The Committee thanked Management for the comprehensive presentation and quality document. The Committee took note of the proposed 2022-2024 Interim Country Strategy Paper (I-CSP) for South Sudan which seeks to address the root causes of the country's multifaceted fragility, among which, insecurity, overdependence on oil revenues, and unemployment. The Committee expressed broad support for the proposed I-CSP and its single priority area. The deliberations were structured around the following themes:	Noted with thanks.
Collaboration with partners: The Committee called for increased collaboration between development partners, and also with humanitarian agencies, namely the World Food Programme. In addition, the Committee enquired about the Bank's collaboration with the Food and Agriculture Organization (FAO), the leading actor in agricultural development, and suggested that more information about this cooperation be included in the document.	Management took note of the comments and emphasized the close collaboration with all the development actors present in the country (including World Bank, FAO, UNDP, WFP, etc.), to maximize synergies and complementarity in development assistance to South Sudan (section 2.6). In addition, section 2.6 (paragraph 33) of the I-CSP 2022-2024 report demonstrates the existing collaboration with development partners and the Bank will seek to consolidate these partnerships (section 5.4). Management also reassured the Committee of its excellent working relationship with the UN's leadership in the country and the close dialogue with the authorities.
Extractive Industries Transparency Initiative (EITI): The Committee sought to know if South Sudan is part of the Extractive Industries Transparency Initiative (EITI).	Management indicated that the country is not part of the EITI but that it has expressed interest in joining the initiative. An EITI workshop, supported by the UNDP, was held in April 2021 to provide an overview of the steps South Sudan must take to achieve greater transparency and accountability, which is necessary to maximize the developmental impact of the national extractives sector (paragraph 15, endnote xiii).
Portfolio and interventions: The Committee took note of the satisfactory performance of the portfolio but expressed concern regarding flagged projects. The Committee sought details on Management's approach to achieving the proposed objectives of the I-CSP in a context marked by institutional weaknesses and transparency concerns. It encouraged Management to implement the I-CSP in a fragility-sensitive manner, and to pursue efforts to improve portfolio performance, including through robust monitoring and the use of third-party implementation agencies. The Committee pointed out the need to lay emphasis on various areas, including, inter alia, economic governance and diversification, the fight against corruption, livestock, private sector	Management took note on the need for a closer **project monitoring**. As indicated in paragraph 41 (section 3.3), an action plan (Annex A5) has been prepared jointly with the government to address the project implementation challenges. Management also acknowledged the security issues facing the country, particularly outside Juba. As indicated in paragraph 39 (section 3.2), the Bank uses **third party implementing agencies** such the WFP, UNDP, UNICEF among others, to provide support in hard-to-reach areas outside Juba, which has also helped to improve portfolio performance. This approach will be sustained during the I-CSP 2022-2024 implementation period (section 5.6).

participation, government ownership and commitment, improved revenue collection, and water and sanitation.	Management also took note of the comment and acknowledged the importance of **good governance and PFM**, and the need to build the capacities of government officials to equip them with the tools needed to lead the country's development process. As indicated in paragraph 15, the Bank's 2021 Country Fiduciary Risk Assessment (CFRA) concluded that the country's overall risk is high (Annex A14) characterized by poor accounting and financial reporting systems, weak capacity in PFM, chronic expenditure arrears and persistent deficiencies in compliance and enforcement of regulations. Management also informed the Committee that the government is making strides to implement economic and financial governance reforms with the creation in April 2020 of the PFM oversight and technical committees, which seek to fast-track the implementation of the required reforms (section 2.2, paragraph 15). The Bank is also a member of these committees and works closely with others to monitor and support the implementation of the needed reforms. As indicated in paragraph 17, the Bank through the Non-oil Revenue Mobilization and Accountability (NORMA) project is supporting the government's efforts to increase non-oil domestic revenue mobilization with direct support to the National Revenue Authority (NRA). Furthermore, paragraph 51 (section 5.2) also indicates that special emphasis will be placed on improving PFM, particularly revenue mobilization and expenditure management to build resilience and expand the fiscal space for poverty reducing and growth enhancing investments including in agriculture and improve debt sustainability. Furthermore, an Institutional Support project focusing on, among other, PFM will be implemented during the I-CSP period (Annex A3.1). On the issue **of livestock**, Management informed the Committee that support to agriculture value chains development will also entail, among others, construction of valley dams and boreholes with solar pumps for crop production (irrigation) and livestock use (section 5.2, paragraph 52). With regards to **private sector**, paragraph 59 (section 5.2), Bank support to private sector development will be sustained during the I-CSP 2022-2024 period and will comprise: (i) preparation of a private sector development country profile to identify the required remedial reforms, (ii) support to put in place legal and regulatory frameworks (e.g. on PPPs) to catalyze private investment and finance, and (iii) working with other development partners to reduce fiduciary risks by supporting ongoing procurement reforms and

In addition, the Committee urged Management to ensure that the Bank's interventions benefit populations beyond the capital city. On agriculture, in particular, the Committee sought details on proposed interventions including to strengthen the seed eco-system, improve linkages between production and markets, and facilitate local procurement of farm produce by WFP, and urged Management to ensure that larger scale commercial farming does not lead to land dispossession by farmers who have limited property rights.	actions to improve transparency in public spending, which will enhance private sector participation in the implementation of public investments. As for the **water and sanitation**, Management acknowledged the issue and informed the Committee that due to limited resource allocation of UA 39.5 million (USD 56.26 million) to South Sudan the entire I-CSP period, the Bank will work with others to support the authorities to respond to these challenges that relate to insecurity and conflicts around scare resources including water. As indicated in paragraph 52, support to agriculture will entail, among others, construction of valley dams and boreholes with solar pumps for crop production (irrigation) and livestock use, which will contribute to reducing conflicts around scare water resources including for livestock (Annex A12). In addition, the proposed support to water and sanitation, with clear activities to be defined during project preparation, complements two ongoing operations in the sector (Annex A4), and will enable the Bank to contribute to increased access to clean water supply and sanitation facilities. The Bank has been using third party implementing agencies to implement **projects outside Juba due to insecurity. Regarding property rights** (land), Management informed that Bank support will not lead to land evictions. As indicated in section 5.2 (paragraph 58), the design and implementation of Bank operations will comply with environmental and social management plans to enhance sustainability and inclusive development. As indicated in section 5.2 and Annex A2), Bank support will support improvements in the seed eco-system (including establishment of see enterprise groups to support see multiplication, among others) whereas investments in feeder roads will improve connectivity between production areas and input and product markets. The improved agricultural productivity for key cash crops (notably maize, sesame and sorghum) will enable WFP to procure farm produce locally, among other benefits.
Presence on the ground: The Committee congratulated the new Country Manager for South Sudan for his appointment and emphasized the importance of having a country office with sufficient capacity to engage in political dialogue with the authorities.	Management took note of the comments and indicated that while the new Country Manager has been appointed, the Bank is awaiting his accreditation before he officially assumes duty. Management pointed out the great efforts made by the Bank's senior leadership, including the outgoing Country Manager, to ensure continuous dialogue with all relevant stakeholders in the country. It indicated that the Bank's presence on the ground has contributed to strengthening engagement with key stakeholders, and this will help improve portfolio performance. Lastly, Management reassured the

	Committee that the Bank has the capacity to engage the authorities and ensure that interventions are properly implemented. In addition, the Executive Director for the constituency which includes South Sudan provided an update on his mission to the country. He indicated that the presence of the Bank's teams on the ground has helped enhance engagement and dialogue with the authorities. In addition, he pointed out that South Sudan is the only country in his constituency that has paid two GCI-VII instalments – a sign of the government's commitment in spite of its limited fiscal space.
Exchange rate: The Committee requested further details on the country's exchange rate policy and the dialogue with the authorities in this regard.	Management took note of the comments and questions. Management informed the Committee that the government is implementing macroeconomic reforms to stabilise the foreign exchange rate. As indicated in paragraph 12, the government has discontinued the Special Account Scheme introduced in 2017 to build the needed foreign reserves but was not successful as Commercial Banks were required to give to the Central Bank (CB) 75% share of their foreign exchange purchases from international organizations, NGOS, oil and mining companies among others. In addition, the government also instituted the auction mechanisms with the CB expected to auction USD 5 million every week to stabilize the market. Furthermore, the Rapid Credit Facility (USD 52.3 million) and the new Special Drawing Rights allocation (USD 334 million) from the IMF received in November 2020 and August 2021, respectively, will also help the government to stabilize the balance of payments and boost the foreign reserves. Other measures include scaling back on monetization of the fiscal deficit (paragraph 15), which previously contributed to exchange rate depreciation. The Bank's country policy dialogue will continue to focus fiscal and debt sustainability, including through prioritization of public spending and increasing public revenue mobilization (section 5.4).

Annex A7: Donors Matrix

Institutions	Sectors									
	Agriculture and Food Security	Humanitarian and Resilience	Climate Change Including Resilience	Education, Water and Health	Governance/Macro Issues (trade, private sector, etc.)	Social Protection	Gender	Energy	Security and Peace (including chapter 4)	Infrastructure (e.g. social, services)
AfDB	X			X	X	X	X	X		X
Australia		X								X
Austria		X								X
Canada		X								X
France		X								X
Germany	X	X								X
Ireland		X								X
European Union	X			X	X				X	
JICA	X			X	X				X	X
World Bank	X			X	X					
WFP	X	X								
UNDP					X					
WHO				X						
UNOPS										X
UNESCO				X						

Institutions	Sectors									
	Agriculture and Food Security	Humanitarian and Resilience	Climate Change Including Resilience	Education, Water and Health	Governance/Macro Issues (trade, private sector, etc.)	Social Protection	Gender	Energy	Security and Peace (including chapter 4)	Infrastructure (e.g. social, services)
FAO	X									
UNFPA				X						
UN Women							X			
Norway		X		X					X	
UNICEF				X		X				
UNAIDS		X							X	
SWEDEN		X			X				X	X
UK		X		X					X	X
USAID/USA		X	X	X				X	X	X
UN Mission		X							X	
Switzerland	X	X			X					
Portugal										X
Netherlands				X						
UK's Foreign, Commonwealth and Development Office		X		X						

Annex A8: Lessons Learned

Key Findings of the I-CSP 2012-2021 Completion Report

Several lessons were learned during the implementation of the I-CSP 2012-2021. At the strategic level, the focus of I-CSP 2012-2021 adequately responded to South Sudan's development challenges as a fragile country, although political instability hindered achievement of programmed outcomes and outputs. The choice of the I-CSP pillar was consistent with national development priorities of consolidating peace and stabilizing the economy. This alignment increased the strategy's ownership by the government and ensured its effective implementation. However, accompanying the country to transition into a more resilient economy will necessitate giving greater attention to the root causes of fragility, notably natural resource management, skills development, and job creation. In this context, it will be important to scale-up support for economic governance and PFM, agro-value chain development, and building the skills needed to meet market demand. These actions will expand the fiscal space for public spending on basic social services, create the enablers for private sector investment and finance, and lay the foundation for economic diversification. The Bank's I-CSP 2022-2024 strategic, thematic, sectoral and operational choices respond directly to these requests.

Furthermore, continued policy dialogue with the government and its DPs requires sustained and regular interactions. The Bank's redeployment of Country Office staff to South Sudan in 2019 has significantly helped to improve the quality and regularity of engagement with the government and DPs, while scaling up the visibility and relevance of the Bank in the eyes of the public. As a trusted partner, the Bank's sustained engagement, is important in supporting the design and implementation of the required reforms. In this context, the Bank should continue to actively engage with state and non-state institutions to address economic and socio-cultural drivers of fragility to strengthen economic resilience. High quality and relevant knowledge work will also be necessary to deepen the Bank's engagement with the national authorities and other stakeholders. During the I-CSP 2022-2024 implementation, the Bank will continue to seek opportunities for collaboration with other DPs and prepare knowledge work including on private sector development profile, economic diversification, among others.

CODE provided complementary guidance during the discussion of the I-CSP 2012-2021 Completion Report in July 2021, which has enhanced the strategic orientation of this I-CSP. CODE welcomed the proposed priority area but reiterated the need to sustain support for good economic governance (notably economic management, PFM, and domestic resource mobilization), building institutions, and supporting the enablers for private sector development. This strategy accommodates CODE's guidance by placing emphasis on agriculture value chains development and capacity building to improve the quality of life of South Sudanese**.** Bank assistance under the I-CSP 2022-2024 will seek to support the government to strengthen human and institutional capacities, particularly in PFM, and develop skills necessary for improving economic competitiveness, diversification, and job creation. Furthermore, a second phase of a PFM project (Non-oil Revenue Mobilization and Accountability-NORMA II) will be implemented during the I-CSP period. Support to private sector will aim at assisting the government to put in place legal and regulatory frameworks including PPP laws and regulations, among others, to attract private sector finance.

At the operational level, persistent institutional capacity gaps and fiduciary risks are holding back project implementation, which calls for sustained capacity development. The Bank positively responded to government requests to strengthen its institutional capacity by providing and mainstreaming technical assistance and capacity building in all Bank-funded projects and such support should be sustained under the new I-CSP. The use of third-party implementing agencies also helped the Bank to reach out to beneficiaries that would otherwise be inaccessible due to remoteness and insecurity, and these agencies remain critical. Such support will be also sustained during the I-CSP 2022-2024 period.

Lessons for the Government-The key lessons for the government include: (i) economic diversification is an important building block for economic resilience, and thus policy actions like tax incentives for investments in transformative sectors such as agriculture and human capital development are necessary; (ii) knowledge work is a key foundation for development planning. An assessment to understand how economic diversification can be integrated into national development plans and strategies to promote sustainable economic growth and eradicate poverty is essential to accelerate economic diversification; and (iii) strong institutional and human capacities are important for successful reforms. Consequently, there is need to scale up capacity building and strengthen institutional coordination. The Bank, under the I-CSP 2022-2024, will continue to support the government to build institutional capacity, as well as preparing an economic diversification study.

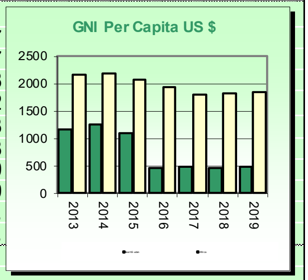
Lessons for Development Partners-The main lesson for development partners is to reevaluate their engagements in the country by identifying effective ways for delivering development support following the signature of the RPA in 2018 and formation of the transitional government in 2020. In this context, operationalization of the humanitarian-development-peace nexus approach is urgently needed. In addition, coordination and collaboration among DPs is critical to avoid overburdening a system with weak institutional and human capacities.

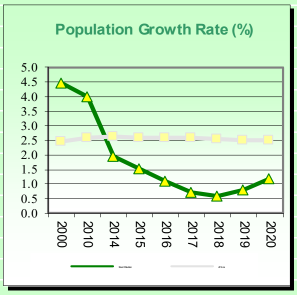
Annex A9: Comparative Socio-Economic Indicators

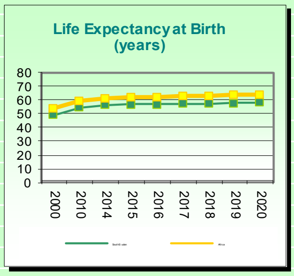
South Sudan

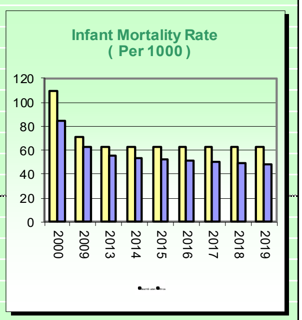
COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	South Sudan	East Africa	Africa	Develo-ping Countries
Basic Indicators					
Area ('000 Km²)	2020	644	6,232	30,067	94,557
Total Population (millions)	2020	11.2	375.5	1,338.8	6,437.7
Urban Population (% of Total)	2020	24.6	28.3	43.8	50.8
Population Density (per Km²)	2020	17.4	64.4	45.6	67.2
GNI per Capita (US $)	2019	480	981	1 843	5 093
Labor Force Participation *- Total (%)	2020	69.8	70.9	61.3	58.3
Labor Force Participation **- Female (%)	2019	70.9	61.3	55.8	45.9
Sex Ratio (per 100 female)	2020	100.2	99.3	99.9	106.9
Human Develop. Index (Rank among 189 countries)	2019	185	...	...	...
Popul. Living Below $ 1.90 a Day (% of Population)	2007-18	44.7	34.8	34.4	...
Demographic Indicators					
Population Growth Rate - Total (%)	2020	1.2	2.6	2.5	1.2
Population Growth Rate - Urban (%)	2020	4.2	4.5	3.6	2.3
Population < 15 years (%)	2020	41.3	41.5	40.4	27.4
Population 15-24 years (%)	2020	20.2	20.7	19.3	16.3
Population >= 65 years (%)	2020	3.4	3.0	3.5	7.3
Dependency Ratio (%)	2020	80.8	80.1	78.1	54.6
Female Population 15-49 years (% of total population)	2020	24.0	24.5	24.2	25.1
Life Expectancy at Birth - Total (years)	2020	58.1	65.5	63.8	71.0
Life Expectancy at Birth - Female (years)	2020	59.6	67.5	65.6	73.2
Crude Birth Rate (per 1,000)	2020	34.3	32.9	32.6	19.7
Crude Death Rate (per 1,000)	2020	10.2	6.5	7.8	7.3
Infant Mortality Rate (per 1,000)	2019	62.4	38.4	47.9	30.6
Child Mortality Rate (per 1,000)	2019	96.2	54.3	69.5	41.0
Total Fertility Rate (per woman)	2020	4.5	4.3	4.3	2.6
Maternal Mortality Rate (per 100,000)	2017	1150.0	433.9	432.3	231.0
Women Using Contraception (%)	2020	10.3	35.3	39.1	59.1
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2010-18	...	11.3	33.4	127.9
Nurses and midwives (per 100,000 people)	2010-18	...	82.7	107.8	247.6
Births attended by Trained Health Personnel (%)	2010-18	19.4	54.8	64.7	79.4
Peop. Using at least basic drinking water services (% of Pop.)	2017	40.7	51.3	66.3	87.7
Peop. Using at least basic sanitation services (% of Population)	2017	11.3	23.9	40.3	68.4
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2019	2.5	2.6	3.1	...
Incidence of Tuberculosis (per 100,000)	2019	227.0	175.5	198.2	152.0
Child Immunization Against Tuberculosis (%)	2019	52.0	81.1	81.0	88.0
Child Immunization Against Measles (%)	2019	49.0	76.5	71.9	84.9
Underweight Children (% of children under 5 years)	2010-19	5.9	13.9	18.1	14.5
Prevalence of stunding	2010-19	27.4	29.8	32.4	23.6
Prevalence of undernourishment (% of pop.)	2018	...	21.	15.1	9.7
Current health expenditure (% of GDP)	2018	6.4	4.6	5.2	5.4
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2010-20	73.0	98.6	101.0	101.6
Primary School - Female	2010-20	60.4	96.7	98.8	100.5
Secondary School - Total	2010-20	11.0	44.4	53.5	72.4
Secondary School - Female	2010-20	7.7	36.5	50.5	72.1
Primary School Female Teaching Staff (% of Total)	2010-20	14.8	44.4	49.2	63.7
Adult literacy Rate - Total (%)	2010-18	34.5	69.4	67.9	84.3
Adult literacy Rate - Male (%)	2010-18	87.7	71.2	73.5	88.4
Adult literacy Rate - Female (%)	2010-18	28.9	64.3	61.7	80.2
Gouvernment expenditure on Education (% of GDP)	2010-19	1.5	4.1	4.8	4.1
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2016	...	13.2	8.0	11.3
Agricultural Land (as % of land area)	2016	...	50.7	38.2	38.3
Forest (As % of Land Area)	2016	...	21.2	13.2	31.9
Per Capita CO2 Emissions (metric tons)	2016	0.2	0.2	1.1	3.4









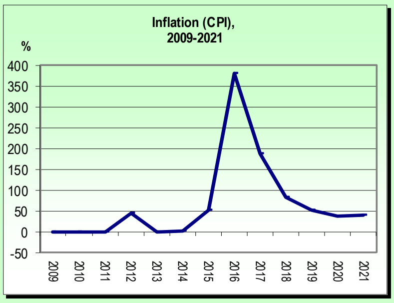
Sources : AfDB Statistics Department Databases; World Bank: World Development Indicators; UNAIDS; UNSD; WHO, UNICEF, UNDP; Country Reports. *last update : March 2021*

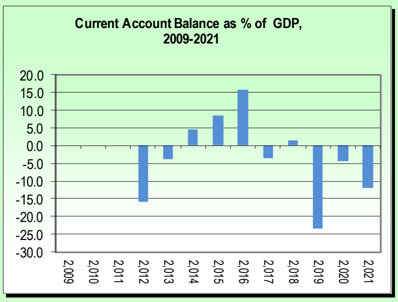
*Note : n.a. : Not Applicable ; ... : Data Not Available. * Labor force participation rate, total (% of total population ages 15+)*
*** Labor force participation rate, female (% of female population ages 15+)*

Annex A10: Selected Macroeconomic Indicators

South Sudan
Selected Macroeconomic Indicators

Indicators	Unit	2010	2016	2017	2018	2019	2020 (e)	2021 (p)
National Accounts								
GNI at Current Prices	Million US $	...	4,983	5,237	5,159	5,310	...	...
GNI per Capita	US$	...	460	480	470	480	...	351.0
GDP at Current Prices	Million US $	...	3,501	3,495	4,659	4,143	4,074	4,461
GDP at 2000 Constant prices	Million US $	...	6,026	5,678	5,569	5,617	5,247	5,526
Real GDP Growth Rate	%	...	-13.5	-5.8	-1.9	7.4	-4.2	2.2
Real per Capita GDP Growth Rate	%	...	-16.4	-8.7	-5.0	-2.2	-9.6	2.4
Gross Domestic Investment	% GDP	...	15.3	7.6	8.4	17.2	6.7	10.3
Public Investment	% GDP	...	...	...	...	...	...	...
Private Investment	% GDP	...	...	...	...	...	...	...
Gross National Savings	% GDP	...	...	...	...	...	...	...
Prices and Money								
Inflation (CPI)	%	...	379.8	187.9	83.5	24.5	45.0	22.6
Exchange Rate (Annual Average)	local currency/US$	...	47.0	113.6	141.7	158.0	174.3	216.7
Monetary Growth (M2)	%	...	145.1	27.1	54.9	28.2	37.3	...
Money and Quasi Money as % of GDP	%	...	29.6	15.6	14.5	15.7	23.1	...
Government Finance								
Total Revenue and Grants	% GDP	...	29.5	36.3	31.9	46.8	35.6	45.1
Total Expenditure and Net Lending	% GDP	...	48.7	33.0	32.5	46.8	38.9	41.5
Overall Deficit (-) / Surplus (+)	% GDP	...	-19.3	3.3	-0.6	-2.5	-3.2	-1.9
External Sector								
Exports Volume Growth (Goods)	%	...	...	...	...	...	...	...
Imports Volume Growth (Goods)	%	...	...	...	...	...	...	...
Terms of Trade Growth	%	...	...	...	...	...	...	...
Current Account Balance	Million US $	...	554	-126	72	-964	-183	-532
Current Account Balance	% GDP	...	15.8	-3.6	1.5	-4.9	-6.6	-1.4
External Reserves	months of imports	...	0.4	0.1	...	...	...	...
Debt and Financial Flows								
Debt Service	% exports	...	...	...	...	...	...	...
External Debt	% GDP	...	...	...	...	...	...	...
Net Total Financial Flows	Million US $	...	1,584	2,176	1,570	1,893	...	...
Net Official Development Assistance	Million US $	...	1,587	2,183	1,578	1,885	...	...
Net Foreign Direct Investment	Million US $	...	-8	1	60	18	...	...





Source : AfDB Statistics Department: African; IMF: World Economic Outlook, April 2021 and International Financial Statistics, December 2020;
AfDB Statistics Department: Development Data Portal Database, December 2020. United Nations: OECD, Reporting System Division.

Notes: ... Data Not Available (e) Estimations (p) Projections Last Update: août 2021

Annex A11: Selectivity Criteria

South Sudan's development challenges are numerous, and ensuring selectivity is critical to provide a concerted support from partners including the Bank in a sustainable and efficient manner. To achieve this objective, the Bank's forthcoming I-CSP will identify a set of selectivity criteria including: (i) alignment with the South Sudan's NDS 2021-2023 and outcome of stakeholder consultations; (ii) enhancing developmental impact; (iii) harnessing the Bank's experience and comparative advantage; (iv) leveraging opportunities for collaboration with other development partners; and (v) mainstreaming cross-cutting themes. These selectivity criteria's aim to guarantee a maximum development impact of Bank operations, in line with the country's priorities and the Bank's High-5s. Knowledge and analytical works including the CDN also informed the strategic thrust of I-CSP 2022-2024

Criterion 1. **Alignment with the South Sudan's NDS 2021-2023 and outcome of stakeholder consultations**. The Bank had extensive consultations with the government, development partners, civil society, and the private sector to understand South Sudan's development challenges and priorities, to explore opportunities for partnerships and ensure value for money through complementarity with activities financed by partners. The strategic thrust, thematic and operational priority areas of focus were discussed and validated during consultations were held during the I-CSP completion report and preparation missions held in March 2021 and August 2021, respectively. During the consultations, the government requested the Bank for continued support on economic management, creating an enabling environment for private sector development, especially small medium enterprises, developing financial services with emphasis on digital service, skills development, and agriculture value chains development. The intervention is aligned with the Bank's TYS 2013-2022, the Bank's Strategy for Economic Governance in Africa 2021-2025 (Pillar I and III) and High5 priorities; the Bank's Strategy for Agricultural Transformation in Africa 2016-2025; the Bank's Strategy for Jobs for Youth in Africa 2016-2021; and the Bank's Strategy for Addressing fragility and Building Resilience in Africa 2022-2026 under preparation.

Criterion 2. **Enhancing developmental impact by** building on past interventions and achievements and scaling up support. To support government's efforts to address the drivers of fragility, building institutions and economic diversification, additional Bank support to create enablers (i.e., market infrastructure, feeder road and water) for agriculture value chains development, skills, and institutional capacity development is critical. The intervention complements the Bank's ongoing Agricultural Markets, Value Addition and Trade Development Project (AMVAT) project focusing on, among others, food security, agro-processing, aggregation, and marketing of agricultural produce. Moreover, the Bank will continue to provide support in the areas of economic management and PFM including domestic resource mobilization where capacities remain weak.

Criterion 3. **Harnessing Bank's experience and comparative advantage**. The Bank has clearly demonstrated its comparative advantage in South Sudan, which is well recognized by other DPs, to be in supporting enablers for economic transformation and capacity development. By focusing on these strategic areas, the Bank will enhance the division labour among DPs while deepening its knowledge and experience in fragile contexts.

Criterion 4. Leveraging opportunities for collaboration with other development partners (DPs). The Bank's proposed priority area of agriculture value chains development presents greater opportunities to further strengthening collaboration with other DPs who are supporting the country to diversify its economy and build resilience. This will leverage additional resources and maximize development impact. As indicated in paragraph 33, the Bank has collaborated with several partners including, WFP, FAO, UNDP, UNICEF to implement its projects in South Sudan.

Criterion 5. Mainstreaming cross-cutting themes. Gender equality, conflict and fragility sensitivity, environmental awareness and inclusive green growth are critical for sustainability and ensuring effective implementation of government's policies and program. Thus, the Bank will ensure that these themes are embedded in a coordinated manner in every project, while also creating synergies with other DPs for greater impact.

In addition, several **Knowledge, and analytical works**, including CDN (2021); Political Economy of South Sudan (2018); Fragility and Resilience Report (2018); Gender profile (2018); and Climate Change and Green Growth profile (2019); underscored the need for economic diversification to build resilience and inclusive growth. The findings of these studies have the proposed strategic priority area.

Annex A12: Fragility Note for South Sudan 2021

1. Introduction

South Sudan is a landlocked country in Eastern Africa and the youngest nation for the continent because it was established on July 9, 2011 after a decade of civil war. The country has continued suffering of peace and stability since the country got its independence in 2011 after a long fight against the old Sudanese regime that has marginalized the south of big Sudan. Two years later, a political disagreement between the President and Vice President opened a community conflict based on the ethnic belonging of the two belligerents. This political tension pushed the young nation into a brutal civil war. Its victims are roughly 400,000 people and displaced persons about four million moved out from their homes and communities. After a decade of liberation, South Sudan is still coping with the lack of peace and political stability despite various peace agreements signed by both parties engaged in conflict. The risk of returning to full-blown strife is never far away. South Sudan still faces an insurgency in the south of the country and localized violence elsewhere. Ethno-political tensions remain high and could be unleashed again by the next presidential election, initially scheduled for 2023.

Although the political and security situation remains calm from the year 2018 and setting up a unity government in February 2020, the presidential poll planned for 2023 may bring back the country to insecurity and force the population to look for safe havens in the neighbouring countries. Beyond a delicate cease-fire observed, peace restoration and political stability progress slowly as most agreements remain unfulfilled.

Beyond the fragile political situation, the growth performance of South Sudan's economy has regressed due to the impacts of the COVID-19 pandemic. Its GDP growth has contracted to 3.6% from 7.4% between 2019 and 2020. Although oil production continues to be the economic growth driver, increasing 26% from 2018 to 2019, living standards (worsened by COVID-19) remain low. The high poverty levels (about 82%) simultaneously reflect severe food insecurity and a lack of essential services in many regions in the country.

South Sudan's population is 12.3 million (50% male, 50% female) with 85% living in the rural area. In South Sudan, 80% of the population relies on subsistence agriculture for their livelihoods. Their heavy dependence on fuelwood and charcoal is estimated to contribute to an annual deforestation rate of 1.5% and 2.0%. It implies that for agriculture to thrive, the viability of land and water resources is vital for its sustainability and broad-based impact on poverty reduction. Therefore, disaster risk reduction and climate adaptation measures are paramount to building a climate-resilient society.

2. Overview of South-Sudan Resilience and Fragility

The Bank's Country Resilience and Fragility Assessment conducted in 2020 reveals that South Sudan's fragility still looms high tensions because of the non-respect of inclusive political agreements, weak economic performance and social frictions, migratory pressures, and spots of armed conflicts. An overview of the seven dimensions is provided below.

For Inclusive Politics, the assessment indicates that political uncertainty still looms in South Sudan even after forming the transitional government in 2020. The newest institutions associated with poor economic governance, especially in the oil sector, are chief reasons for the contestation of political power. Gender representation, although increasing (now 28%), remains below the target of 35% under the Gender National Unit (GNU). Much of the political contestation happens within (and not outside) the dominant SPLM party, hindering political pluralism.

Concerning the Security situation, South Sudan's defense budget declined to $138bn in 2019 from $149bn in 2018. This reduction happened in the context of fragmented militia groups that are playing a pivotal role in creating instability and insecurity in the country. Trust in the security forces remains low given their historical association with human rights violations and political opponents. Localized violence and clashes between government forces and rebel groups have caused more than 2,000 deaths in 2020. In the face of the unstable security situation, the UNMISS mission got extended till 2022.

Regarding Justice, the assessment indicates that judicial independence exists in theory but not in practice. Continued interference of the executive and shortage of judges due in part to low compensation and working conditions hinder the independence and effectiveness of the judiciary. There is near-total impunity for perpetrators of wartime violence and sexual abuse, and senior officials with political power connections are too exempted from the judicial trial. Although the constitution guarantees gender equality, women remain constantly exposed to customary discriminatory practices and gender-based violence.

Concerning the Economic and Social Inclusiveness, the drop in international oil prices, the effects of COVID-19, and floods in South Sudan have harmed the economy. Moreover, chronic issues such as policy ineffectiveness and uncertainty, especially on land, limit domestic and foreign investment and, consequently, the economic recovery from the wars. The current downturn widened the fiscal deficit, opening significant financing gaps to many programs, including the provision of public goods. Youth and women are disproportionately affected by high poverty (88%) and weak economic governance challenges.

Social cohesion is affected by various factors: Commitments made in the interim constitution, freedom of assembly and movement, and access to public information and records are restricted. Moreover, civil society organizations are severely scrutinized and restricted. Ethnic and inter-communal clashes over resources disputes (i.e., land, water, and pastures) account for a significant proportion of the insecurity in South Sudan. With limited protection of property rights and frequent land disputes, women's rights to property and inheritance often go unsolved. Limited life skills and literacy, and economic opportunities affect the youth.

For Externalities and Spill-over Effects, South Sudan's economy does not take advantage of its enormous potential to diversify its economy by importing goods rather than exporting local production. More than 50% of GDP and 90% of exports come from oil, exposing the economy to price shocks. A weak economic and social infrastructure penetration (i.e., roads at 0.2km/1000km2 and 10% access to electricity) limits regional integration opportunities. Rivalry among neighboring countries (i.e., Uganda and Sudan; Uganda and Ethiopia) and tensions with Sudan over affluent oil areas are causing instability and transnational criminal activity.

South Sudan's institutional capacity to cope with **Environmental and Climate Change** is low for a country prone to erratic weather events. According to the Climate Change Vulnerability Index 2019 South Sudan ranked among the world's five worst-performing. Projections indicate that the country will feel global warming two and a half times more than the worldwide average in South Sudan. The ever-frequent drought will exacerbate food insecurity and expand deforestation and resource-based conflicts as 95% of the population depend on agriculture, fisheries, and forestry. A 2020 assessment of fragility and resilience by the AfDB indicates that fragility in South Sudan still looms high on account of tenues political settlements and agreements, weak economic performance and social frictions, migratory pressures, and spots of armed conflict. The assessment covered seven dimensions described below.

3. Other critical factors that impede the economic and social inclusiveness, and the social cohesion development.

South Sudan’s fragility drivers are multidimensional and mutually reinforcing. Hence, corruption and lack of good governance, poverty prevalence, disharmony and small arms proliferation among communities, youth unemployment, land, and water disputes, exacerbate the country's capacity to build a united nation deprived of disparities at all levels that fuel conflicts in the country.

According to Transparency International report, **corruption and lack of good governance** indicate that South Sudan has consistently ranked poorly in international corruption indices and is the second most corrupt country after Somalia. All the economic sectors and state apparatus manifest various corruption forms such as community networks along tribal lines. Despite the political will to promote transparency and accountability in the fight against corruption, the lack of capacity and resources keeps hampering effective implementation.

Exacerbation of poverty prevalence: More than half of South Sudan’s population lives below the poverty line. Regional disparities and inequality in accessing basic infrastructure and services have reinforced the country's exclusion dimension marked by a lack of resources and economic opportunities. This socio-economic gap fuelled a patronage system that constitutes a threat to the country’s economic and financial stability that South Sudan socio-economic transformation needs for enforcing its strength and legitimacy.

Disharmony and small arms proliferation among communities: Ethnicity belonging has jeopardized the state nation notion where conflict between various communities forming the nation, has missed out on the opportunity of linking people for building social cohesion at the country level. Furthermore, this lack of social cohesion has created an insecure environment for the communities that keep possessing the light weapons despite a civilian disarmament process engaged earlier after the country's independence.

Youth unemployment: Over 70% of the South Sudan population are between 15-35 years. They represent young women and men who are often on the front line of the country's challenges. There is a need to conduct national structural and policy reforms to address youth's vulnerabilities, such as difficulties in accessing the job market, formal political processes, and lack of economic opportunities. Excluding youth from all country development initiatives allows them to engage in activities that create social and security instability for the country.

Land and water disputes: Land access has constituted a leading trigger of local violence since the internally displaced persons (IDPs) have left their land searching for safe shelter due to the armed conflict. This distinctive aspect of taking over the land that belongs to IDPs is practical in the urban and sub-urban areas where the conflict actors play a crucial role in destabilizing the social cohesion restoration. Beyond the land issue for sheltering the returnees, pastoralists also cope with over rights over grazing land during the dry seasons. Conflicts related to water shortage often occur when most pastoralists migrate toward searching water for their livestock.

4. Opportunities for Building Resilience

Building resilience for any country aims to improve the well-being of vulnerable people and prevent the country from the internal and external shocks and stress that can relieve human suffering. South Sudan has a potential asset. It can build on its non -exploited suitable land where only four percent of 33 million hectares are cultivated. The agriculture sector appears to address many of the conflict triggers raised in the analysis above and offering a large spectrum of levers to drive the country's structural transformation as an engine for reversing social cohesion and economic and social inclusiveness trends from the exclusion and communities' disparities. The agriculture sector offers an immense opportunity for youth job creation and, to the extend, encompasses many unemployed people comparing to the remaining economic sectors.

Beyond the central priority area selected for the I-CSP 2022-2024, in agriculture sector development will emerge new economic activities that will play a vital role in partnering with the private sector as a growing economic engine and leader in providing employment opportunities to the job market. In addition, the Bank recognizes that addressing fragility requires legitimate, effective, and accountable institutions to gradually overcome the country's challenges. Mixed hard and soft programs or projects targeting institutional development capacity, governance trust, and social cohesion will be at the centre of the I-CSP implementation.

Given the drivers of fragility identified above as well as taking into consideration the entry points to address them and sustain the sources of resilience, the AfDB's engagement will also explore widely alternative options of addressing other fragility drivers through the following topics: (i) enterprise development with a focus on agro-industrialization to support businesses that promote economic linkages away from the oil sector; (ii) economic governance and public financial management reforms for improving the overall economic governance and public finance management framework and (iii) infrastructure development for aiming to build or rehabilitate social and economic infrastructure such as roads and expanding electricity supply access.

5. Project Programming Alternatives

- **South Sudan's security context remains highly volatile** even though a peace stabilization process has continued since 2020. However, it recognizes that in such a fragile situation, implementing Bank's operations require significant flexibility in projects' design whereby target groups, instruments used, procurement and disbursement methods proposed can switch to fit in the changing environment depending on the context. For instance, switching a developmental project to humanitarian response or state-based structures to a third party is one option the Bank will explore to respond flexibly to changing conditions**.**

- **Use of third-party implementing Agency**: The Bank finance support that will assist South Sudan in implementing its operations will require a conflict-sensitive analysis to ensure the programs or projects are not located in the geographically insecure zone. Where the Bank's staff cannot go on the ground for supervision, the third-party arrangements may be an accurate response to maintain the Bank's field presence for the time of crisis. Through agreements with government entities, NGOs or community-based organizations, or UN Agencies, Bank's projects will be continuing implementation spite the security challenges**.**
- **Community-Driven Development approach**: A broken social cohesion and state absence in many areas in South Sudan recall applying a strategy in designing projects or programs respond to complexities of fragile situations. This instrument has proven to be effective in the fragile environment to restore the government's capacity from the ground up. South Sudan must build local governance structures that are either absent or weak.

6. Conclusion and Recommendations

Despite the efforts made in recent years to foster the socio-economic development of South Sudan, significant drivers of fragility and structural vulnerabilities persist. The country remains vulnerable to political, security, social, economic, and environmental shocks. However, the country's ability to unlock its full potential for addressing those challenges remains limited. Therefore, the government needs to scale up its efforts to improve political inclusion and participation, reduce polarization based on group identity, and alleviate poverty. In addition, the prevention of national crime, bribery and corruption, impunity of senior officials, and exclusion to access to justice constitutes a shield that protects the country from an eventual conflict that may emerge from the exclusion practices.

More, South Sudan cannot implement policy and sector-based strategies, including public investments. This inconsistency impedes the national development plans and regional development agendas of the country. In addition, the availability of comprehensive and relevant data, and disaggregated, requires constantly updated information to reflect the realities on the ground; and thus, helping the country to develop its capacity of mobilizing internal and external funding, which is essential for addressing fragility and building resilience in South Sudan.

Indeed, there is an absolute need for economic diversification in a country where the agriculture sector employs 80% of its workforce. Sudden unforeseen shocks in the agriculture sector could potentially weaken the resilience of the largely rural population. While developing and promoting the productive sectors of the economy, there is a need for more investments in climate-smart agriculture. Supporting agricultural value chain development should be an essential part of efforts to curb rural poverty and create wealth at a community level in South Sudan.

Under ADF-15, the African Development Bank committed to mainstreaming and resolving forced displacement and migration issues. Therefore, interventions that target refugees, asylum seekers, returnees, and internally displaced persons in their respective communities must be considered during the I-CSP implementation period. Furthermore, refugees' increasing interest in returning to their home country, combined with the challenging context, highlights the need for innovative and long-term interventions to support returnees and host communities to achieve self-reliance and resilience.

Table 1: Contribution of the IOP 2022-2024 to addressing South Sudan's drivers of fragility

Project	Sector	Fragility Driver Addressed
Priority Area I: ***Agriculture value chains development for economic diversification and resilience.***		
Agriculture Value Chains Development	Agriculture	Enhancing ***social cohesion*** and ***community resilience*** by increasing connectivity between communities, and between production areas, and input and product markets. Strengthening adaptation to and mitigation of ***climate and environmental shocks*** ***Reducing exclusion*** by connecting communities to markets and social services.
Water Supply and Sanitation Development	Water and Sanitation	Strengthening adaptation to and mitigation of ***climate and environmental shocks***. Reinforcing ***social cohesion and building community resilience*** by enhancing equitable access to reliable and affordable improved water and sanitation services through appropriate systems along the sanitation value chain.
Institutional Support Project	Multisector	Strengthening the capacity of state institutions to plan, budget, efficiently managing public resources, build employable skills and implement public programs leading to improved public services delivery and job creation, thereby ***reducing exclusion***, and ***building social cohesion*** and ***community resilience***.

Table 2: Contribution of Bank operations to building resilience to climate change:

Project	Sector	Climate Change Risks and Impacts	How the project will support resilience building
Priority Area I: ***Agriculture value chains development for economic diversification and resilience.***			
Agriculture Value Chains Development	Agriculture	• Agriculture – comprising crop and livestock production – are most affected by climatic impacts, including: - Reduced and erratic rainfall - Delayed and early cessation of rainfall resulting in shorter rainfall seasons - Flooding which washes away crops and destroys livestock - Pest and disease outbreaks (e.g. Army worm infestation for crops and notifiable livestock diseases), among others. • These results in crop failures, reduced water and pastures for livestock, heavy pre- and post-harvest losses. • Extreme rains and flooding disrupts transportation of farm produce to markets, leading to heavy post-harvest losses	➢ Provision of new and improved crop varieties that can withstand harsh climatic condition (drought-resistant, pest and disease-resistant and early maturing varieties) ➢ Improving linkages between farmers, and input suppliers and produce markets. This will improve storage, value-addition and marketing of farm produce and thereby reducing post-harvest losses while enabling farmers to access inputs and agronomic advice ➢ Supporting development of agribusinesses will improve value-addition and marketing of farm produce ➢ Provision of credit and risk guarantees will enable agricultural transformation (from subsistence, low-input to commercial, high-input) and livelihood diversification, widening the income streams of farmers

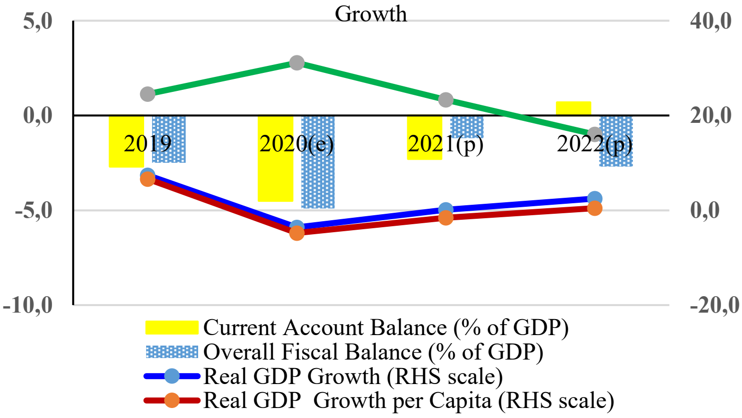
Water Supply and Sanitation Development	Water and Sanitation	• Frequent and prolonged droughts may lead to a drop in water table, perennial rivers becoming seasonal while seasonal rivers drying up, leading to reduced water supply. • Drying rivers and reduced water table will result in reduced access to clean natural sources of drinking water leading high access costs. • Environmental degradation coupled with extreme rains and flooding increases siltation of rivers, lakes, dams and irrigation canals. • Flooding normally destroys water supply and sanitation infrastructure, thereby aggravating outbreak of water-borne and infectious diseases • Reduced water supply increases inter-communal conflicts over rights and access to water.	➢ Provision of irrigation infrastructure will improve availability of water for crop and livestock production ➢ Promotion of climate-smart agricultural technologies (improved crop and livestock varieties) will enable farmers secure yields even during periods of reduced rainfall ➢ Provision of sanitation facilities will help guard against outbreak of infectious diseases ➢ Provision of water storage infrastructure (boreholes, water pans, etc.) will improve availability of water for human and domestic use, and reduce water-related conflicts ➢ Climate-proofing of Bank's water and sanitation investments will enable the investments withstand physical climate risks such as heavy floods
Institutional Support Project	Multisector Bank	• Direct physical damage to TVET infrastructure • Inadequate awareness on climate risks and impacts, and possible adaptation and mitigation measures • Low public (and private) capacity to develop and implement environmental and climate change programs	➢ Climate-proofing of the rehabilitated and new TVET institutions to guard against physical climate risks ➢ Incorporation of climate-smart agricultural and green technologies in curricular of TVETs will enable widespread adoption of those technologies ➢ Greening of TVET institutions (through use of solar, roof catchment harvesting and storage, school gardens and woodlots) ➢ Building capacity of government agencies in PFM for example, will also build their capacity to manage any environmental and climate change projects

Annex A13: Transmission channels of COVID-19 on the economy of South Sudan

Overview: The COVID-19 pandemic has significantly impacted the economy and further exposed the country's weak health system, which is mainly dependent on external assistance with very low government budget allocation over the years-i.g. in the fiscal year 2018/2019 government's allocation to the sector accounted for only 2.2% of the overall envelope. According to WHO, South Sudan's first COVID-19 case was reported in April 2020 and a total of 11,227 confirmed cases and 120 deaths had been registered as of 18th August 2021. Juba, Abyei and Torit are the most affected areas. About 52,387 people have received the first dose of vaccine while 4,763 received the second dose.

Transmission Channels and Economic Impact: In addition to the impact in the health sector**,** the main transmission channels include commodity prices and trade and financial flows. Given the South Sudan's high dependence on oil, disruptions to businesses in its key trading partners including China, Uganda and Kenya. About 95% of South Sudan's exports (mainly oil) are destined to China. Oil resources remain a key driver of growth and accounted for over 90% of exports and domestic revenues in 2019. This high dependence on oil and narrow export base, an indication of limited economic diversification, is expected to increase South Sudan's vulnerability to a prolonged COVID-19 crisis. Boarder closures with Uganda and Kenya where about 90% of food requirements are imported, had negatively escalated poverty levels and inequalities. Reduced FDI inflows will affect investments in the oil sector, affecting the industry sector and gross investments. The peace dividend and the projected rebound in oil production and exports will support the partial economic recovery, with real GDP growth projected to increase to 0.1% in 2021 (Figure 2.1.). COVID-19 also affected commercial banks facing difficulties to import foreign currencies (dollars) caused by regional and global restrictions on movement with potential for a dollar liquidity crisis. Some banks have already imposed withdrawal restrictions. The transport sector is also suffering income losses with the social distancing measures. While supermarkets and groceries have registered increased sales as consumers are cautious on the length of the curfew by stocking up food, restaurants' sales have declined due to social distancing and curfew. On the other hand, in the aviation industry where most businesses have closed their operations and only few operating at (70-80%) below capacity.

Figure 2.1. Impact of COVID-19 on South Sudan's GDP Growth



Source : AfDB Statistics

Impact on Humanitarian and Poverty. Due to years of political instability, most donors support has been channelled to humanitarian assistance. There are currently about 2 million South Sudanese's internally displaced and another 7 million facing acute food insecurity, all of whom depend on humanitarian assistance. A sustained COVID-19 crisis could reduce humanitarian support to South Sudan as donor countries shift focus towards addressing the pandemic's impact on their own economies. For instance, remittances accounted for 35% of GDP (USD1.26 billion)[1] in 2018 and the expected reduction in remittance inflows will reduce consumption and exacerbate poverty and income inequality.

Policy Response. The government provided a combination of fiscal and monetary stimulus to minimize the impact of COVID-19. It has allocated USD 5million to the Ministry of Health to support COVID-19 preparedness, while the Central Bank has reduced its benchmark interest rate and reserves requirements to stimulate private sector lending and increasing banking sector liquidity.

Lessons. COVID-19 pandemic has brought important lessons that requires urgent attention by the government. Some of the key lessons include the need to increase support to the agriculture sector to increase productivity in the northern states and other key agricultural producing areas, especially as peace and security are consolidated to prevent a humanitarian crisis. It has also called for an acceleration of economic diversification efforts to build resilience against exogenous shocks and reduce exposure to fluctuations in international oil prices.

[1] https://data.worldbank.org/indicator/BX.TRF.PWKR.CD.DT?locations=SS&view=chart

Annex A14: Country Fiduciary Risk and Procurement Assessments 2021

Executive Summary

The Government of the Republic of South Sudan (GRSS)'s Public Financial Management (PFM) institutions and systems, designed at the time of independence in 2011, were severely weakened during a series of civil conflicts in 2013, 2015 and 2016. The conflicts adversely affected some of the PFM infrastructure including displacement of most of the PFM staff. Such recurring state of conflict in South Sudan is a major setback for any meaningful PFM reforms to take root and mature. Key PFM shortcomings include the lack of a credible macro-fiscal framework, inadequate fiscal reports, inefficient cash management and the absence of a functional Treasury Single Account (TSA), chronic expenditure arrears, poor accounting and financial reporting systems, deficiencies in compliance and enforcement of regulations, poor governance and non-functional oversight structures, and absence of audits. Low reserve levels and a depreciating exchange rate coupled with a weak and undercapitalized banking sector add to the vulnerabilities. With falling revenue, high inflation, and expenditure pressures, financial controls are often circumvented.

Based on the assessment of the PFM Systems of the country, the overall fiduciary risk is rated "High" in nature. The assessed fiduciary risk associated with the main PFM components is summarised below and the detailed fiduciary risk assessment is presented in Table 1.

Summary of Overall Risk

Risk Element	**Risk rating**
Budget	High
Treasury	High
Accounting, Recording and Reporting	Substantial
Internal Control	Substantial
External Scrutiny and Audit	High
Procurement	High
Governance	High
OVERALL RATING	**High**

The GRSS is fully aware of the PFM prevailing challenges, and the authorities are directing their efforts towards restoring economic stability, rebuilding international reserves, improving the management of oil resources, enhancing public financial management, and regaining access to external support from development partners. The reform measures being undertaken are consistent with the key objectives of the South Sudan National Development Strategy (SSNDS) 2018–2021, which aims to consolidate peace and unlock the country's economic growth potential. The Revitalized Agreement on the Resolution of the Conflict in South Sudan (R-ARCSS) of September 2018 identified key priority areas for PFM improvement and has generated significant momentum for PFM reform in South Sudan. Notable progress includes the establishment of the National Revenue Authority in 2018 and the PFM Oversight Committee (PFM-OC), together with technical committees and a secretariat in April 2020. The PFM-OC has already defined the scope of the initial PFM reform strategy and have prepared a PFM Reform Concept Note (PFM-CN) which has articulated the guiding principles and rationale behind the government's efforts to improve PFM practices and their impact on economic development. The PFM-CN also provides an Immediate Action Plan (PFM-IAP) that is to guide the delivery of the R-ARCSS PFM priorities and suggests a roadmap of actions to be undertaken for the preparation of a 5-year comprehensive and medium-term PFM Reform Strategy (PFMRS). However, as of January 2021, the PFM-IAP had not been passed by the Council of Ministers. The emphasis of the present PFM reform priorities is on improvements in control over the use of public resources by ensuring improved budget credibility, centralised control over cash, better in-year revenue and expenditure controls, timely accounting and reporting, adequate internal and external auditing and a supportive legislative framework. Based on the assessment, the PFM reform process in the country is faced with the challenge of a weak and inadequate legal framework to provide the basis for such reforms. With the renewed momentum, there is a risk that technical work on reforms could overtake the legal reform process which is supposed to act as the foundation for the reforms.

Credible Program to Improve the PFM System

The GRSS has reinvigorated PFM reforms following the coming into force of the R-ARCSS in 2018 the subsequent formation of the PFM-OC and has agreed to the implementation of the eleven (11) priority PFM reform areas (Annex 1) as part of the overall PFM reform program envisaged in the Revitalized Agreement. The key focus is on the development of the budgeting processes, strengthening expenditure controls and improving the quality of public spending so as to maintain a credible and sustainable fiscal path for FY21/22 and the medium term. In line with the IMF recommendations, the Government authorities are implementing actions aimed at having an immediate impact, including (1) removing ghost workers from the payroll; (2) implementing technical tools to support cash forecasting; (3) preparing an annual borrowing plan as part of the budget cycle; and (4) starting verification of the current stock of arrears and developing a credible clearance strategy. The authorities are also making some progress in improving governance and reducing corruption vulnerabilities, which have contributed to the credibility gap with the international donor community. Ongoing and planned IMF Technical Assistance is focusing on macro fiscal forecasting and supporting cash management, with a view to strengthening budget credibility and developing an Arrears Management Strategy. The IMF has also pledged to support the government in establishing a TSA as part of cash management reforms. The WB has deployed TA resources to support budgetary reforms aimed at enhancing credibility and transparency of the national budget including supporting the Government to conduct a comprehensive review of the budget and developing a database to support expenditure analysis. The GoSS has sought WB assistance and support to extend biometric technology to the civilian employees to enhance payroll management but progress is slow given that human resources management is only partly automated at present. The USAID is leading the work on verification of the current stock of payment arrears in collaboration with WB while EU is taking lead on public procurement reforms including the establishment of the Public Procurement and Asset Disposal Authority. The African Development Bank (AfDB) has an ongoing program of assistance aimed at enhancing non-oil revenue management through the establishment of the NRA, strengthening financial controls, accountability and oversight through targeted support to various departments in the Ministry of Finance of Budget, Treasury- (IFMIS, Macroeconomic Policy, Debt, Aid Coordination) and Internal Audit and the National Audit Chamber. Additional support is being provided by AfDB under the NRA component of the NORMA project to support enhanced non-oil revenue collection at state level and is being implemented by UNDP. There is also renewed Government commitment to strengthen the anti-money laundering/combatting the financing of terrorism (AML/CFT) and anti-corruption frameworks as well as the capacity of the relevant local authorities with the assistance of international partners.

Despite the above comprehensive program, the following areas have not been adequately addressed, namely a) improving fiscal transparency and accountability of local governments including the a) strengthening the Fiscal and financial Allocation Monitoring Commission; b) review and verification of loans and contracts collateralized or guaranteed against crude oil; c) development of an Arrears Management Strategy. As a result, decisions on borrowings are still subject to external pressures under less formal rules; d) Full automation of HR management to pave way for full rollout of biometric technology to the civilian employees. The WB has indicated a need for a review of the current mandate, institutional arrangements, and practices of the Loan Committee. Moreover, one of the critical challenges to the PFM reform process in the country has been weak and/or inadequate legal framework to provide the basis for such reforms. It is evident that technical work on reforms is overtaking the legal reform process which is supposed to act as the foundation for the reforms. For instance, the regulations to operationalize the PFMA Act 2011 have not been passed since 2015 while the Public Procurement law was only passed in 2018 but the attendant legislations are yet to be approved. The current PFM reform process may suffer from similar challenges as the amendment of key PFM legislations as outlined in the R-ARCSS (Annex 2) remain pending although PFM reform work appears to have begun in earnest. These PFM-related laws were earmarked for revision during the first twelve months of transition (February 2020 – February 2021) pursuant to the R-ARCSS.

Short term and Medium-Term Safeguards to mitigate the Key Fiduciary Risks
Financial Management

No	Recommendation
1	Provide capacity building and technical assistance to budget planning and preparation, budget execution, accounting and reporting
2	Commence preparation of a medium-term plan
3	Strengthen macro-fiscal framework by a) simplifying workplans and address institutional blockages; b) Assist to develop linkages to the annual budget process.
4	Rollout electronic payroll using biometric system including preparing data cleansing action plan and instituting procedures to control payroll breaches early on before they take place.
5	Strengthen the Anti-corruption Commission (ACC) and the Audit Chamber by focusing the TA to building capacity in key process areas to improve effectiveness in executing their mandates.
6	Implement a TSA by carrying out inventory of bank accounts, opening dialogue with Bank of South Sudan and make a plan to move MDA accounts into the TSA.
7	Strengthen cash management by formally establishing the CMU and commence capacity building on use of templates and consolidated cash flow forecasts.
8	Improve revenue management by a) completing the establishment of NRA and set up the remaining functional departments to ensure that they are operational; b) reducing the time taken by commercial banks to remit collected revenues to the Central Bank and systematically carry out bank reconciliations to enhance the collection and accounting for revenue.
9	Assess the use of the existing IFMIS functionalities with a plan to deploy/expand the modules including the cash flow module.
10.	Develop an action plan to complete the backlog of government financial statements and submit these to the Auditor General for audit.
11.	Establish a system for regular financial reporting with specified timelines and persons responsible for reporting
12.	Finalize the ongoing amendment of the PFMA Act and approval of the draft PFMA regulations.

Conclusion

The Bank is fully committed to the Paris Declaration on Aid Effectiveness and the subsequent declarations to using Country systems where such systems have been assessed to be adequate. The assessment has shown that the fiduciary risk associated with the use of the GRSS country systems is high. To deliver the PFM reform agenda, the country needs to ensure fiscal discipline, strategic allocation of resources, and efficient service delivery, all enabled through a strong PFM institutional framework. 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. In this regard, the reforms need to focus on setting up effective systems and procedures for prudent financial management, as well as reporting and strengthening the institutional framework in accordance with international best practices. To sustain the current reform momentum, the work of the PFM-OC needs to be supported by Development Partners including the Bank providing detailed guidance to implementations of PFM-IAP as well as TA towards the preparation of a medium-term PFMRS. There is need for adequate prioritization and sequencing of the envisaged reforms and taking an incremental approach recognizing that institutional strengthening takes a long time. Coordination among the various stakeholders is also key in avoiding potential overlaps.

Public Procurement Management

Executive Summary

The goal of the South Sudan Procurement Assessment is to achieve a sustained improvement of the public procurement system and practices throughout South Sudan. The objective is to take stock of the progress of the development of the system, determine the procurement risks to public funds, and recommend actions for improvement. Recommendations focus on capacity and institutional improvements needed to ensure internationally acceptable procurement standards in budget execution. The procurement assessment has been undertaken alongside the Public Expenditure and Financial Accountability assessment, both comprising the two parts of the Country Fiduciary Risk Assessment (CFRA) for South Sudan**.** In order to provide a benchmark, the

South Sudan Procurement Assessment applies the methodology of the OECD-Development Assistance Committee **(DAC)** for assessing national procurement systems as an overall framework. This **OECD-DAC** methodology (MAPS II) is a good tool for measuring a country's performance against international best practices in procurement. The tool uses four pillars to assess the national procurement system namely: *(i) legislative and regulatory framework; (ii) institutional framework and management capacity; (iii) procurement operations and market practices; and (iv) transparency and integrity of the procurement system.* However, only the baseline indicators were applied in a way that was reasonably comprehensive, whereas the assessment of the compliance and performance indicators was conducted only to the extent that the necessary information could be obtained through interviews. This was due to the serious challenges that were anticipated in obtaining procurement data from the nascent South Sudan public procurement system.

Overall Key Findings and Recommendations

Pillar I: Legislative and Regulatory Framework

Sound and efficient public procurement system is key to development in any country. Following a request by the Government of South Sudan, the World Bank and other development partners joined with the government to undertake the South Sudan Integrated Fiduciary Assessment during **2011.** The integrated assessment was in two parts: (i) the assessment of Public Expenditure and Financial Accountability (PEFA), and (ii) the South Sudan's Procurement Assessment Report. The purpose of the act is to provide legal framework to ensure an open, transparent, accountable and efficient management of public procurement with government entities. The law applies to all government institutions where public funds is utilized and budgeted.

Following the assessment, the Government of South Sudan adopted the Public Procurement and Disposal of Assets (PPDA) Act, 2018, in 2019 as part of the reform. The law was enacted in fulfilment of the constitutional provisions of articles 55 (3) (b), 110(n) and 85 (1) of the Transitional Constitution of the Republic of South Sudan 2011 as amended by the Transitional National Legislative Assembly in 2018 and assented by the President into law in 2019.

<u>Key Issues</u>

According to a very recent (October 2020) Report on Public Perception on Public Procurement Practices conducted by Institute of Social Policy and Research there is still a long way to go for the public procurement sector to have the trust of the people as follows: (i) lack and low rate (29%) of awareness of PPDA Act 2018; (ii) lack of understanding of PPDA Act 2018; (iii) poor implementation of the Public Procurement and Asset Disposal Act 2018; and (iv) lack of transparency in awarding of public contracts with senior government officials being the major beneficiaries with 60% of the contract followed by foreign companies.

Key Recommendations

Establish the PPDA Authority – the government should immediately form and operationalize the Public Procurement and Disposal of Assets Authority to deliver its oversight, regulatory and policy mandate. The Authority should receive the political commitment, financing and independence to hold accounting officers in government accountable for their actions on matters of public procurement.

Publicize and raise awareness on PPDA Act 2018 – the new public procurement law needs to be publicized and awareness raised among different stakeholders including the business community, humanitarian, and civil society actors as well as the larger general public. This will enable public safeguards of the law at all levels of government. The civil society and media should play critical role in raising public awareness on the relevant laws.

Full implementation of the PPDA Act 2018 – the public procurement law provides clear guidelines for conduct of business by the government in spending public funds. It is important that government entities especially accounting officers are encouraged to fully implement the law in purchase of goods or services by government.

Pillar II: Institutional Framework and Management Capacity

The PPDA (2018) under Section 6 establishes the South Sudan Public Procurement and Disposal of Assets Authority (PPDAA). And Section 7 provides the objectives of the Authority, while section 8 stipulates the functions of the Authority. The Act mandates PPDAA to: (a) regulate and monitor public procurement and disposal of assets, (b) advise government entities on procurement issues, (c) ensure fair, competitive, transparent, accountable, non-discriminatory and value for money procurement in the public sector, (d) harmonize the public procurement and disposal of assets policies, systems and practices across government entities, (e) ensure adequate staffing of procurement departments in government entities and (f) ensure that procurement contracts are granted to qualified business women, youth and persons with special needs.

Key Issues

Comprehensive training and capacity-building strategy in the field of procurement is still missing. Decisions regarding recruitment and training are taken on a case-by-case basis, guided by short-term needs. Capability in processing procurement has been improving since 2005, but there is room for further improvement. The procuring entities and the PPDAA rely on a limited number of senior staff possessing the knowledge, skills, and experience to effectively exercise the procurement functions. The junior or less experienced staff have limited public procurement knowledge and skills. Moreover, all steps of the procurement process contain weaknesses. The bid openings, evaluations, and award processes are subject to all kinds of dubious practices and irregularities. In this context, single sourcing remains a widely used, if not dominant, procurement method, regardless of the amount of the contract. Value for money seems not to be achieved.

The PPDAA does not have adequate levels of independence and authority to exercise its functions and implement the procedures defined in the PPDA. As a result, the PPDAA has difficulty performing its statutory functions, and there is no effective normative/regulatory body in Ministry of Finance and Economic Planning (MoFEP). Further, the PPDAA lacks the needed information-gathering tools and resources to monitor procurement. This is exacerbated by an ambiguous legislative and regulatory framework, which does not establish and assign normative/regulatory functions and define clear procedures.

Procurement plans, when available, are hardly used as effective planning and management tools. In practice, it is unclear how the availability of funds for appropriations is being checked. Payment delays due to cash flow problems are the norm and can exceed several months. In terms of contract management, all interviewees acknowledge that capacities are low and there are no clearly defined procedures for undertaking contract management responsibilities. Contract supervision and administration are assigned on a case-by-case basis, capabilities are lacking if not inexistent, and cases of mismanagement are frequent. There is no established practice for the quality control of the works, goods, or services delivered. Certificates of completion are used as requests for payment, but the issuing of completion reports is not a common practice.

Key Recommendations

The following recommended actions are dependent on the creation of a functional procurement oversight body, and effectively implementing the provisions provided in the PPDA. Therefore, these actions are continuous over the short to medium to long term.

- *Create a functional procurement oversight body with adequate capacity and independence.*
- *Institutionalize procurement planning as part of budget preparation and execution by ministries, departments, and agencies.*
- *Develop a central procurement information and tracking system.*
- *Prepare and implement a procurement capacity-building strategy.*

Pillar III: Procurement Operations and Market Practices

Having assessed the legal/regulatory and institutional systems guiding public procurement in South Sudan, the third Pillar looks at how these systems operate at the level of the implementing procuring entities and as well as on the procurement market. The assessment identified a number of factors, which have contributed positively to strengthening the procurement operations and market practices in South Sudan in recent years. These include: (i) the enactment of the new procurement legal framework that replaced the IPPDR; (ii) GRSS's commitment to the private sector-led economy, (ii) the steps taken by GRSS in drafting many laws to establish a proper framework for private-sector growth; (ii) registration of an increasing number of business being registered.

Key Issues

The most important barriers to private-sector participation in public procurement are the lack of a well-functioning financial system, underdeveloped private-sector competencies, and an insufficient legislative framework to ensure positive business development. The legal framework for the private sector is not yet satisfactory, and the legislation that has been passed is yet to be implemented. Poor infrastructure and complex and unclear import regulation and customs systems result in high and non-transparent transportation costs and unpredictable shipping times.

Key Recommendations

- *Facilitate private-sector participation in public procurement through encouraging the participation of businesses by creating a business-friendly environment for procurement and ensuring that businesses have the capacity to comply with the requirements and submit competitive bids.*

Pillar IV: Integrity and Transparency of the Public Procurement System

The integrity and transparency of a public procurement system rely on several control mechanisms, including an effective control and audit system, an efficient appeals mechanism, a comprehensive information sharing system enabling civil society and interested stakeholders to conduct social audit, and effective ethics and anti-corruption measures. Without such control mechanisms, flaws in the procurement system may not be detected and addressed. The fourth Pillar of the assessment therefore measured the existence of adequate control systems and the practices related to these.

Key issues

Progress has been made in terms of strengthening the oversight and integrity of the procurement system in South Sudan. The establishment of the PPDAA, an Audit Chamber, the South Sudan Anti-Corruption Commission (hereafter referred to as the Anti-Corruption Commission) and a relatively vibrant civil society are all good indications that things are moving in the right direction. Nevertheless, both the oversight and the integrity of the procurement system in South Sudan are very weak due to: (i) lack of accountability and compliance with the principles and procedures that have been established; (ii) lack of capacity, resources or authority levels to exercise normative and monitoring functions; (iii) lack of a central information system for collecting, tracking and monitoring procurement statistics; and (iv) absence of procurement capability that is robust enough to effectively undertake internal control of the procurement processes and to offer corrective measures.

There is no internal functioning or external control mechanism at this stage, and internal control units have yet to be established. The Audit Chamber is still finding its feet and building its capacity, and so far, no actual audit reports have been published. The PPDA provides a complaint handling procedure with timeframes -albeit they are long timeframes--through the head of the procuring entity and the PPU. In practice, however, no complaints are filed, trust in the complaints handling mechanism is very low, and the mechanism has little transparency.

Corruption remains a huge challenge in South Sudan, despite the good intentions of the Anticorruption Commission. The commission has a very limited mandate, and it cannot take any cases to court.

Key Recommendations

- *Strengthen the Audit Chamber to conduct procurement audits through provision of adequate level of staffing that are capable of handling procurement audit functions and undertaking capacity building intervention.*
- *Strengthen the capacity for procurement investigations needed to resolve bidder complaints.*
- *Endow the internal audit units with the capacity to inspect procurement processes and provide real-time advice for improvement.*
- *Establish formal and actual interagency cooperation among accountability institutions in addressing corruption in procurement.*

Risk Assessment

The risk that funds are not being used for their intended purpose, are not achieving value for money and/or are not properly accounted for has been assessed. The risk is both (i) to those providing the funds, which in the case of South Sudan means domestic and external taxpayers, the latter mainly comprising the residents of countries funding donor agencies and international financial institutions; and (ii) to the recipients of the public services, not all of whom are taxpayers, who may suffer if services are not delivered as expected; for example, clean water and sanitation not being provided as expected due to something going wrong in procurement, to the detriment of peoples' health and thus their livelihoods.

The public procurement system is not functioning in a way to ensure value for money. Procurement is prone to corruption, and indeed instances of corruption have occurred, facilitated by the weaknesses in the system. The regulations of Interim Public Procurement and Disposal Regulation (IPPDR), which stipulate open competition as the preferred procurement modality, are not complied with; single sourcing is the prevalent modality. The IPPDR was superseded by a procurement law (PPDA) consistent with international standards and providing for a legal authority to perform the procurement oversight function. The legal authority however is yet to be established.

The system is non-transparent in that information on procurement operations is still unavailable and an independent complaints mechanism is lacking. Procurement capacity is however improving, assisted by donor-supported training programs, but it is still weak.

Procurement risk to public funds is therefore rated as ***high.*** *Risk mitigation measures are of high priority and should include:*

- Implementing the Procurement Law and, simultaneously, drafting supporting regulations;
- Based on the above, strengthening the procurement oversight functions and the institutional and managerial frameworks in procurement entities;
- Based on the above, the procurement regulatory body designing a system for collating and publicizing data on procurement operations;
- Establishing an independent complaints mechanism; and
- Strengthening the function of and cooperation among the accountability institutions in tackling fraud and corruption in public procurement.

These recommendations are already receiving government attention, although implementation is seriously hampered by lack of capacity. The African Development Bank and other development partners must continue to support Government of Republic of South Sudan (GRSS) to implement these recommendations by providing not only technical assistance but also hand-holding support, which has proved highly effective. Further, the design of future operations should include development policy lending instruments that enable development partners to maintain a dialogue on procurement policy as well as flexible financial resources for implementation of procurement reforms.

Annex A15: Bank's Response to Emergency Crisis Beyond the Initial Programming

COVID-19 Crisis in South Sudan and the Emergency Humanitarian Assistance to Populations Affected by Floods
COVID-19 Pandemic Response Project On 17th June 2020, the Board of Directors approved a UA3million *Crisis Response Project to support the emergency response for COVID-19 and strengthen the health system capacity for emergency preparedness in South Sudan.* The project was financed through Pillar I of the Transitional Support Facility under ADF-14. The project has three mutually reinforcing components including: (i) support emergency response for COVID-19 prevention and case management; (ii) build health system capacity for emergency preparedness; and (iii) project management. World Health Organization (WHO) was the implementing agency while the Ministry of Health was the executing agency. Key expected outputs by the end of 2021 (compared to 2019) include: (i) increased health facility triage system from 1 to 140; (ii) increased number of health facilities for COVID-19 case management renovated and equipped from zero to 17; (iii) increased number of health workers trained on surveillance from 0 to 100; and (iv) increased number of COVID-19 community case detection increased from 1.8/100.000 to 5/100.000.
Emergency Humanitarian Assistance to Populations Affected by Floods On 20th October 2020, the Board of Directors approved a USD440,000, special grant relief fund for South Sudan (USD200,000) and Sudan (USD240,000), under the project titled *Emergency Humanitarian Assistance to Populations Affected by Floods* to contribute to the ongoing efforts of the Governments and development partners to provide emergency food and nutrition to insecure and displaced households affected by flooding. The emergency has two components, (i) procurement of fishing and vegetable kits; and (ii) distribution of fishing and vegetable kits through integrated rapid response mechanisms (IRRMs). Some of the key outputs to be achieved by October 2021 include, (i) the number of emergency vegetable kits provided to households increased from zero to 5.500; and (ii) 6.500 emergency livelihood fishing kits distributed.

Annex A16: I-CSP 2022-2024 Consultations

Comments	Response/Action Taken
Government (Ministries-Finance, Agriculture, Water and Irrigation, Gender and Youth, Labour Environment, Trade and Industry, Higher Education; and Central Bank)	
The Government acknowledged the Bank's critical role in continuing supporting the country's development efforts. Such support, which spanned from humanitarian to development, was once again reiterated with the COVID-19 response facility and an emergency crisis response to support people affected by flooding. Agriculture sector is the engine of growth and critical in the country's economic transformation, and diversification away from oil. It provides livelihood for over 80% of the population.	Noted.
The Government reiterated its priority areas as follows: • Institutional capacity development- support to NRA, PFM reforms, etc. • Agriculture value chain development- support to farmers, food security; storage facilities to avoid post-harvest losses; irrigation technologies; seeds multiplication; feeder roads; and agribusiness. The support will also create the needed jobs for the youth. • Skills development to support economic transformation ambitions and respond to market demands. • Support to private sector development- access to financial services, youth entrepreneurship. • Water and sanitation for agriculture production	Noted.
The Government indicated that it endorses the analysis and agreed with the proposed focus on a single priority area- *Agriculture value chains development for economic diversification and building resilience.*	Noted.
Multilateral and Bilateral Development Partners (i.e., USAID, World Bank, WFP, UNDP, Canada, UNCHR, Netherlands, UK, Germany, Norway, OCHA, WFP, USAID, and Sweden)	
Supports the Bank's proposed single priority area and complementary support areas for transformative economic activities (i.e., skills development; institutional and capacity building-PFM; water and sanitation for agriculture production; food security, private sector development).	Noted.
Partners supported the single priority area but also expressed the need to also focus on the enablers to support agriculture value chain development. These include, (i) infrastructure development notably feeder roads to create the interlinkages between the producing to selling points, storage facilities; (ii) skills and enterprise development; and (iii) training and capacity building.	Noted.
Discuss how bilateral and multilateral institutions could work together on complementary support for economic transformation activities, notably to push PFM reforms in the country.	The Bank has highlighted the fact that most partners are part of the technical and oversight committees created to spur PFM reforms in the country. Thus, joint efforts are required. In addition, the Bank also welcomed partners and expressed it willingness for collaboration.

Partners informed on their ongoing areas of support and emphasized the need for close collaboration due to existence of great complementarity. Thus, continued dialogue and opportunities for co-financing opportunities should be explored.	Noted. The Bank has welcomed such initiative and reiterate its willingness to hold bilateral discussion on this regard.
Discussions were also focused on key principle and drivers of fragility and its implications on private sector investment in the country. Support to youth enterprise development and training; engagement with local actors; and sharing lessons learned during project implementation were deemed necessary. To this effect, partners asked questions about the following: (i) mechanisms used or to be used to ensure that the intervention will reach people outside Juba; and (ii) risk sharing instruments to support private sector.	The Bank has stressed that the support to the Government on addressing the drivers of fragility notably political, institutional capacity weaknesses and economic is a collective effort rather than individual. On his part, the Bank informed on the continues policy dialogue with the government on the need to create a peaceful and secure environment for meaningful investments. Support to institutional capacity building has been mainstreamed in all Bank funded projects in the country. Specifically, support to economic governance has been channelled to support building institutions and improve transparency and accountability in public resource management through the NORMA project at the downstream level. Furthermore, the Bank also informed that it had used third party implementing agencies such the WFP, UNDP, UNICEF among others, to provide support outside Juba. This collaboration will continue in the next I-CSP period 2022-2024. With regards to support to private sector, the Bank indicated that although the country's risk profile remains high to use its ADB window to use its risks sharing instruments such as Partial and Risks Credit Guarantees, it will focus on support the government to create enablers including legal and regulatory framework.
The Bank was also sensitized in contributing towards a multi-donor trust fund to support the government.	Due to the institutional challenges, it would be difficult for the Bank to enter into a multi-donor trust fund. However, joint support could be done through parallel funding. For instance, the Bank has partnered with JICA and UNDP to support states through the NORMA project.
Stakeholders – Civil Society, Private Sector, Think Tank and Academia	
Representative from the University of Juba highlighted the issue of skills and investments in higher education (science and technology) are fundamental for diversification and industrialization. Furthermore, supporting TVET is also important.	Noted. The Bank consider higher education with emphasis on Science, Technology, Engineering and Mathematics (STEM) related courses as ideal to foster innovation; and support to TVET as key to addressing youth unemployment and promotion of value-chain. Skills development is one of the

	priority areas of the upcoming I-CSP 2022-2024.
Representative of private sector (e.g. CEO and Director Generals from Commercial Banks: Equity, Alpha, Cooperative, Ecobank, Stanbic Bank) has requested the Bank for funding so that they can increase their lending to SMEs.	The Bank acknowledged the challenge facing the sector and informed about different instruments (LOC, PCR, PCG, etc) available within the Bank to de-risk investments. The participants were also informed about the possibility of borrowing through their holding entities and then channel it to South Sudan. Nonetheless, a bilateral meeting will be conducted to better understand their needs.
Civil society representatives supported the Bank's selection of the single priority area. In doing so, they further reinforced the need to focus on the enablers, skills development, youth entrepreneurship and institutional strengthening.	Noted.

Annex A17: Impact of the Non-Oil Revenue Mobilization and Accountability (NORMA) Project in South Sudan

On 30th March 2017, the Bank's Board of Directors approved the NORMA project valued at UA 10.7 million (USD14.7million). The project's objective is to enhance sustainable and improved economic growth through increased domestic resource mobilization and improved accountability in the use of public resources. Some of the key achievements include:

- *Supported the establishment of the National Revenue Authority (NRA) in 2018. As a result, in January 2019, the NRA reported USD4.7 million non-oil revenue collected, equivalent to South Sudan Pound 1.3billion. The effort demonstrated in non-oil revenue collection through NRA, has led the government to adjust its budget forecast from SSP 14billion in 2017/18 to SSP29.8 billion in 2019/20 state budget.*
- *The development of the draft 2019/2020 tax bill submitted to the Ministry of Justice.*
- *Unification of institutional tax structures and system established in 3 states (Aweil, Gbudue, and Jubek).*
- *Development of the National Taxpayer Education programme to support both national and state government revenue modernization and tax policy reform agenda.*
- *The positive impact of the project: It motivated JICA to provide parallel financing for three additional states (Jonglei, Torit and Gogrial).*
- *Preparation of the National Revenue Authority (NRA) communication strategy to raise awareness on non-oil revenue mobilization in 2019.*

Annex A18: Risks and Mitigation Measures

Risks and Mitigation Measures				
RISK CATEGORY	**RISK DESCRIPTION**	**RATING**	**MITIGATION MEASURE**	**RISK OWNER**
Country's Political and Governance Context	*Stability is contingent on the successful implementation of the 2018 Revitalized Peace Agreement (RPA), but any interruptions in the implementation of the peace process could lead to political instability and insecurity.*	*Moderate*	*The government made efforts to ensure stability with the formation of the Transitional Government of National Unity (TGoNU) in February 2020 and establishment of an inclusive Parliament in August 2021. The Bank, jointly with other DPs will sustain dialogue with the government on the critical role of political stability in the development process.*	*Government and Development Partners.*
Macroeconomic Imbalances	*Overdependence on oil resources, high risk of debt distress, and weak domestic revenue mobilization amidst high public spending needs on pro-poor and growth enhancing sectors, increase vulnerability to economic shocks.*	*Moderate*	*The government has created the oversight and technical committees to address PFM challenges. Government is also committed in reducing financing from the Central Bank and rationalizing public expenditure to ensure macroeconomic stability. The Bank's support through the NORMA project has financed the establishment of the National Revenue Authority (NRA) and capacity building for customs officials, and other civil servants notably in budget preparation, taxation, gender budgeting, among others to increase non-oil revenue collection and efficiency in public spending. This support will be consolidated under the new I-CSP, with emphasis on the establishment of systems and procedures required for sound economic and transparent financial management.*	*Government, Bank, and other development Partners.*
Fragility and Security	*The country' security volatility would change the developmental objective that the I-CSP is pursuing and switch on humanitarian assistance*	*High*	*Flexibility in projects design to include component that can address any disaster and emergency solutions such as weather change or unexpected shocks like COVID-19.* *Considering potential drivers of conflict in project design and develop mitigation measures.* *Engage third party if Bank's missions are not conducive due to the security situation* *Develop projects that generate job opportunities*	*Government, Bank, and other development Partners*

Risks and Mitigation Measures				
RISK CATEGORY	**RISK DESCRIPTION**	**RATING**	**MITIGATION MEASURE**	**RISK OWNER**
			for the youth to minimize inter-ethnic conflicts	
Environmental and Social	*The country faced several climate risks such as flooding and has been affected by desert locusts. It also experiences droughts which normally reduce water and forage availability, and as crop yields.*	*Moderate*	*The government developed a National Environmental Policy (2015-2025) in April 2016 and the National Adaptation Program of Action (NAPA) was subsequently developed to guide the implementation of adaption actions. The Bank will continue to ensure that projects are climate-proofed, including through the adoption of climate-smart technologies.*	*Government, Bank, and other Development Partners.*
Capacity of Implementing Entities	*Weak institutional and human capacities in financial management, including procurement, which negatively affects implementation and performance of Bank operations*	*High*	*To complement government efforts of improving institutional capacity, the Bank has mainstreamed capacity building support in its operations for South Sudan, and this support will be sustained under the new I-CSP. Furthermore, the Bank will continue to use its procurement rules as well as those of third part implementing agencies in project implementation as measures to strengthen country systems are consolidated.*	*Government and the Bank.*

Annex A19: Arrangements with the IMF

Issues	Status
IMF Program	**The IMF has an Extended Credit Facility (ECF) and Staff Monitored Program (SMP) with South Sudan**. The Executive Board of the International Monetary Fund approved on November 11, 2020 its first ECF lending operation disbursement of SDR 36.9 million (about USD52.3 million or 15percent of its SDR quota). The ECF arrangement aims at supporting the country to address its urgent balance of payments needs amidst the COVID-19 pandemic, contain the fiscal impact of the shock, and provide critical fiscal space to maintain poverty-reducing and growth-enhancing spending. To further support the government, the IMF Executive Board approved on March 30, 2021 a SMP to foster greater transparency of government operations while strengthening governance and reducing vulnerabilities. The first Article IV mission was conducted in 2019.
Capacity Development and Technical Assistance	**The IMF will continue supporting South Sudan's capacity development needs.** The IMF provided technical assistance and capacity development assessments in several areas including financial sector supervision, government finance statistics, and macro-fiscal analysis.

Annex A20: Country Financing Parameters for South Sudan

Summary

1. **South Sudan's Country Financing Parameters (CFPs) note (the "Note") is a guide to the African Development Bank (the "Bank Group" or "AfDB") approach for assessing the financing of eligible expenditures under projects and programs to be funded by the Bank Group in the Republic of South Sudan ("South Sudan" or the "country")**. The CFPs will enable the Bank Group to focus on delivering results with high development impact by aligning the Expenditure Eligibility Policy (*ADB/BD/WP/2007106/Rev.2* and *ADF/BD/WP/2007/Rev.2*) to the country's development priorities. In addition, it will also assist Bank Group staff to better understand the fiscal sustainability challenges facing the country and ensure efficient use of Bank Group's resources in supporting South Sudan's development agenda, thereby guiding the expenditure eligibility decisions in the country. The Note will remain flexible and open to amendments taking into consideration future changes to the country's political economy and fragility situation. In this context, the eligibility of expenditure in the country will be assessed on a case-by-case basis and waivers granted only with appropriate justifications.

2. **During the preparation of this Note, the Bank Group's team engaged with Government representatives as well as with the project executing agencies**. Within the Bank Group, the South Sudan country team members, particularly Project Task Managers, Financial Management Officers and Procurement Officers, provided inputs and highlighted the need for close monitoring of the country's public financial management system and associated fiduciary risks issues, especially since South Sudan is in debt distress. Table below provides a summary of the CFPs for South Sudan.

South Sudan: Country-Financing Parameters		
Items	**Parameters**	**Remarks**
Counterpart Funding: Limit on the proportion of individual project cost that the Bank may finance.	Up to 100%	The portfolio analysis demonstrates that due to the country's financial, political, and economic challenges, the Bank's contribution to financing the overall project costs in South Sudan has been 100% in most cases. As the country context remains broadly unchanged, we expect the Government to continue requesting a 100% coverage of the total cost of some projects. Nonetheless, to ensure Government's commitment and ownership, the Bank will continue to also pursuit its cost sharing policy through both in-kind and financial contributions of individuals' projects.
Recurrent Costs: The limit that would apply to the overall amount of recurrent expenditures that the Bank may finance.	No limit, but close monitoring of the fiscal sustainability is critical.	The Bank should continue providing 100% recurrent cost financing on income- generating and non-income generating projects. In doing so, special consideration will be given to fiscal and debt sustainability issues in assessing Bank financing of recurrent costs in individual projects
Local Cost Financing: Are the requirements of local expenditures met: (i) financing requirements for the country's development program would	Yes.	However, the Bank's financing of individual projects in South Sudan should continue to prioritize foreign currency expenditure because of the fluctuation of local currency. However, it can also provide local currency financing provided

exceed the public sector's own resources (e.g. from taxation and other revenues) and expected domestic borrowing; and (ii) the financing of foreign expenditures alone would not enable the Bank to assist in the financing of individual projects.		that it is imperative and critical for the project sustainability. To this, its finance should be done on a case-by-case basis and depending on the amount required by the project.
Taxes and Duties: Are there any taxes and duties that the Bank would not finance?	None	South Sudan has a progressive income tax system. The principle of exemption will remain valid, and exception granted on a case-by-case basis. During the project preparation phases, the Bank will ensure that taxes are not part of the financing plan, as it has been the case in all its projects.
Provisional expenditures of infrastructure projects	Yes, subject to the fulfilment of the four conditions.	Despite providing infrastructure related financial support, the Bank has not received a request from the Government to finance operating costs of any infrastructure project before the said project starts generating enough resources to cover its own operating cost. In addition, it is premature to assess whether the infrastructure projects included in the pipeline under the updated interim country strategy paper (CSP) 2012-18 to December 2021 may drive Government's demand for financing operating costs of these projects. Therefore, it is advisable for each request to be treated on a case-by-case basis.

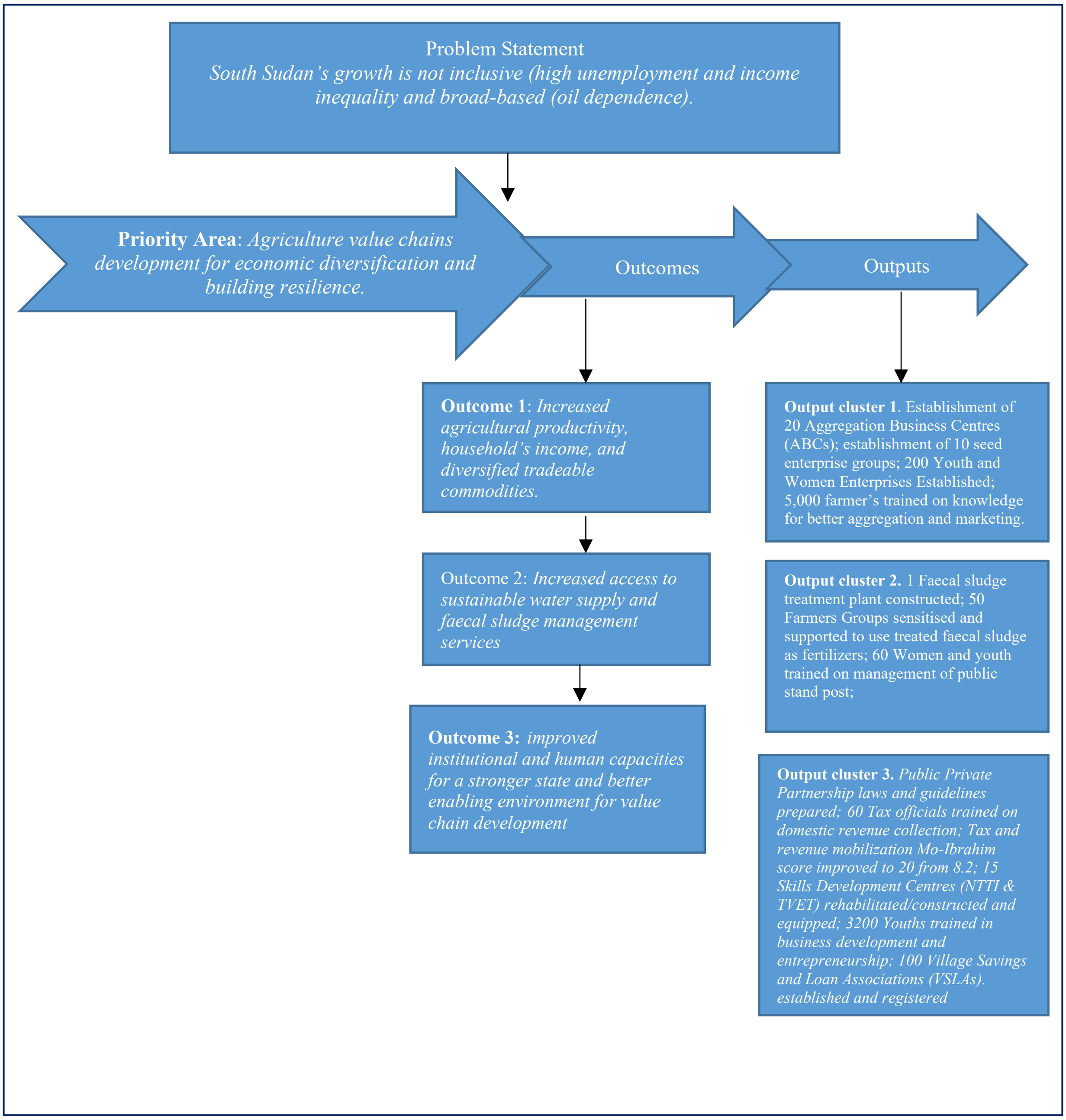
Annex A21: Policy Reform Dialogue Matrix

SOUTH SUDAN (ADF only country)									
Reform/Activity supported	**GCI-VII and/or ADF-15 high-level commitment (for ADF-15 commitments indicate pillars plus objective and objective code)**	**High-5(s) supported**	**Technical Bank department(s) in charge**	**Expected timeline for completion of reform(s)**	**Key expected results and timelines**	**Support Instrument (PBO/RBF/Investment Project/ISP/ES**	**ESW/TA required ? (title/purpose, cost secured/not secured,**	**Status/progress & Key Milestones achieved**	**Comments**
Health Infrastructure and Basic Services									
Reduce COVID-19-related mortality and strengthen health system capacity for emergency preparedness.	**PILLAR 2 - Governance, institutions and human capacity for inclusive growth** **Objective 1:** Strengthen infrastructure governance: Support capacity delivery to improve regulatory and institutional framework for better managed infrastructure projects, governance and maintenance (C1).	Improve the Quality of life for the people of Africa	AHHD	31/12/2022	(1) National case management requirements and guidelines for COVID-19 prepared by September 2020. (2) Number of states and counties with comprehensive COVID 19 preparedness and response plans increased from 6 in 2020 to 17 by 2021. (3) Number of health facilities renovated and equipped with triage facilities in line with WHO and national case management requirements and guidelines for COVID-19 and other related infectious diseases increased from 0 in 2020 to 17 by 2021. (4) Number of health care workers trained, equipped with personal protective equipment (PPE) and supervised increased from 20 in 2020 to 1270 (50% women) by 2021. (5) COVID-19 case fatality rate (proportion of deaths among confirmed COVID-19 cases) kept below 5%.	Investment Project	No.	Project title: '' Emergency Assistance to Support COVID-19 Respone in the Republic of South Sudan" Project amount: UA 3m. Project (expected) approval date: 05/2020. Project (expected) period covered: 05/2020 - 04/2021 Key Milestones Achieved: (1) COVID-19 task force comprising various government agencies created in April 2020. (2) Action plan to guide COVID-19 implementation and resource mobilization prepared in April 2020.	The project was approved on June 8, 2020 and still under implementation. The support helped the country to install its first oxygen plant with generation capacity of 2 500 litres per day, alongside with oxygen celinders. Other achievements include, among others; (i) rehabilitation of 4 state hospitals; (ii) 426 health workers (306 male; 120 female) trained on case management; (iii) 17 health facility triage system established; (iv) 3,900 health workers equipped with PPE; and (v) fatality stands at 1.1% as at September 2, 2021.
Economic Governance (Pre-COVID-19 ongoing reform)									
Reforms to increase non-oil revenue mobilization	**PIILLAR 2 - Governance, institutions and human capacity for inclusive growth.** **Objective 1:** Domestic Resource Mobilisation and fighting corruption and illicit financial flows (G9) **Cross-cutting areas** Private sector development: Strengthening the private sector in transition states (P3)	Improve the Quality of life for the people of Africa	ECGF	30-Jun-2020	(1) Board Members and Commissioner General of National Revenue Authority appointed and operating (NRA). (2) Commissioners in charge of tax and customs departments appointed by June 2020. (3) Thirty (30) staff from tax and Customs departments trained on accounting, audit, import valuation and HS codes harmonization by December 2020. (4) Enhanced financial control and accountability of Government's revenue mobilisation. (data to be added once available). (5) Non-oil tax revenue increased from 3% in 2015 of GDP to 4.5% of GDP by 2021.	Institutional Support Project	No.	ISP title: "Non-Oil Resource Mobilization and Accountability in South Sudan (NORMA)". ISP amount: UA 10.65m ISP approval date: 03/2017 ISP period covered: 03/2017 - 06/2022 Key Milestones accomplished to date: (1) Inaugural Commissioner General and NRA Board appointed in April 2018. (2) Supported the restructuring of a unified tax system at state levels and updated tax policy reform agenda. (3) Creation of a blocked account for non-oil revenue collection. As a result, about USD 14m and over South Sudan Pound (SSP) 8bn mobilised from January to July 2019. (4) New NRA Board Members were appointed in January 2020. (5) Recruitment of the new Commisioner General: advertisement process completed and shortlist of candidates	The NORMA project is still under implementation. Some of the key achievements include, but not limited to; (i) preparation of the draft 2019/2020 tax bill submitted to the Ministry of Justice; (ii) Unification of institutional tax structures and system established in 3 states (Aweil, Gbudue, and Jubek); (iii) development of the National Taxpayer Education programme to support both national and state government revenue modernization and tax policy reform agenda; (iv) preparation of the National Revenue Authority (NRA) communication strategy to raise awareness on non-oil revenue mobilization in 2019;and (v) 354 tax and customs officers trained on accounting, audit and HS codes.

Annex A22: South Sudan Key Performance Indicators

South Sudan Key Performance Indicators				
Selected Indicators	**2018**	**2019**	**2020**	**2021 (August)**
Total amount of active operations (*UA million*)	76.6	112.2	113.1	76.8
Average size of projects (UA million)	10.9	11.2	10.3	6.67
Average project age (years)	2.2	2.8	3.2	4.3
No. active operations (#)	7	10	11	11
Cumulative disbursement rate (%)	34	42.7	58.7	36.9
Projects at Risk (%)	14.2	0	1	0
Average time from approval to effectiveness (months)	7	6.8	5.4	4.3
Implementation Progress (IP)	2.5	3	3	3
Development Objective (DO)	2.5	3	3	3.3
Overall Rating	**2.5**	**3**	**3**	**3.15**

Annex A23: Theory of Change-Results Framework



Annex A24: South Sudan's Debt Dynamics

According to the joint debt sustainability analysis undertaken by the IMF/World Bank, South Sudan's overall and external debt distress risk rating improved from 'in debt distress' to 'high risk' in October 2020. Public sector debt increased from 15% of GDP in 2014 to 127.9% of GDP in 2016 due to resumption of war and default payments to Sudan under the Transitional Financial Arrangement (TFA) and the Qatar National Bank (QNB). Public debt has since declined to an estimated 40.8% of GDP in 2020 following the restructuring of bilateral debt. Similarly, external debt also increased from 4.5% of GDP in 2014 to 87.8% of GDP in 2016 due to increased non-concessional loans and oil-backed advances.

South Sudan's external public debt is mostly commercial (estimated at USD1,355 million as of June 2020 and representing 81% of total debt). It comprises Qatar National Bank (46%); Afreximbank (28% non-concessional); and oil advances on commercial terms (7%). The remaining 19% of external debt include multilateral debt of 8% (AfDB--2%; and IDA--6%) and bilateral debt from China Exim Bank (11%). On the other hand, salary arrears and borrowing from the Central Bank are the main drivers of domestic debt (estimated at 12.5% of GDP).

Nonetheless, the Government made strides to improve debt sustainability by restructuring debt with its major commercial creditor (QNB) in July 2020. Following debt restructuring, commitment to fiscal consolidation and limiting oil-backed advances, the present value of external debt to GDP ratio was estimated at 28.3% in 2020, which is below the 30% threshold under the baseline scenario. The ratio is expected to further decline to 21.5% by 2024 with gradual recovery of exports. Lower oil prices and efforts to repay commercial creditors will keep the debt service-to-revenue ratio above the 12.5% threshold until 2025 but to decline and remain below the threshold thereafter. The external debt service to exports ratio breached the 10% threshold in 2019 and 2020 but is projected to decline to 8.1% in 2022 and remain below the thresholds henceforth (see table below). Additional measures to control expenditure include creation of the technical and oversight committees to support implementation of PFM reforms including on debt management.

South Sudan-PPG External Debt Sustainability Indicators (2019-2025)								
Solvency indicators								
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**Threshold**
PV Debt/Exports	43	49.3	47.6	38.1	37.1	34.8	34.2	140
PV Debt/ GDP	25.9	28.3	29.3	23.9	23.0	21.2	21.5	30
Liquidity indicators (Debt Service)								
Debt Service % of Exports	15	32.9	10.1	8.1	8.4	8.3	5.4	10
Debt Service % of Revenue	28.8	71.8	25.2	16.4	16.6	16.5	10.6	12.5
Source : IMF Article IV/DSA 2016-2020								

To ensure debt sustainability in the medium to long term, high reliance on non-concessional financing and limiting external borrowing to only finance critical infrastructure and COVID-related spending are critical. While there is no debt management strategy in place, the government has been implementing reforms to ensure macroeconomic by refraining monetary financing of the deficit which, along with the forex auctions, have helped stabilize the exchange rate as well as phasing out some tax exemptions, to boost domestic non-oil revenue. Going forward, ensuring public debt management system is anchored on a medium-term fiscal framework is fundamental to drive prioritization of the future public investments and their financing on highly concessional terms. Key risks to debt sustainability are the stalemate in the implementation of the peace agreement, and lack of political will to enforce the needed macroeconomic adjustment measures.

To complement the government's efforts, the Bank has been providing capacity building training to the Debt Management Unit, and there are discussions to support preparation of the debt management strategy. Furthermore, under the Bank's current debt management and policy dialogue initiative to support its Regional Members Countries including South Sudan, a regional virtual policy dialogue event on public debt was held on June 17th, 2021, to discuss public debt dynamics in East Africa, and policies to improve debt sustainability.

Endnotes

[i] The report was cleared by the responsible VP Economic Cluster and PFM Oversight Committee. The next steps are clearance from the Council of Ministers and thereafter approval from the Parliament.

[ii] The Bank's proposed new I-CSP 2022-2024 is one year overlap from the upcoming National Development Strategy (NDS) 2018-2021 extension to 2023. The rationale is because of the following reasons: (i) the team is not expecting the new administration, to assume duties in 2023 after the elections, to immediately start the preparation of the new NDS to expire in July 2023; (ii) the team believe that preparation of the new NDS will be overshadowed by the new administration focus on power sharing. Thus, extending the period for one year is appropriate while the Bank observes the political developments in the country.

[iii] Implementation of the I-CSP, among others, enabled, 301,529 people benefitted from unconditional food support; 5,903 commercial premises connected to the electricity grid; construction of 250 km low voltage distribution networks; and raining of 354 tax officers (21 females) on tax administration, audit, and budget process.

[iv] Implementation of the various RPA provisions has been slow, with several shortcomings linked to lack of accountability mechanisms, lack of provisions to unify security forces, dispute over Upper Nile halting appointment of commissionaires, demobilization and training of armed groups, and the absence of a plan to reform the state

[v] Disruptions in oil production due to civil war negatively affected economic performance. By the end of 2012, real GDP growth contracted by 51.3% (of which oil sector accounted for 93% of this contraction) with oil production declining to 22,000 barrels per day from 325,000 barrels per day in 2011.

[vi] Under the Transitional Financial Arrangement (TFA) signed with Sudan in 2012, South Sudan is obligated to make annual payments of 10 million barrels of oil until FY2020/21.

[vii] In 2017, public expenditure has significantly fallen by 26% when compared to the previous year when the country ended its civil war.

[viii] In March 2021, the government has paid 2 months salary arrears (June and July 2020) in Central Equatoria, Eastern Equatoria, Upper Nile and Western Bahar el Ghazal states.

[ix] Commercial Banks required to give 75% share of their FX purchases from international organizations, NGOS, oil and mining companies among others. The main objective was to boost foreign reserves.

[x] The distortions from the large premium between the official and parallel market exchange rate, which is currently estimated at over 200%, significantly impede economic activity, discourage foreign exchange inflows from investors, and create opportunities for rent seeking.

[xi] There are 28 banks, 44 forex bureaus, 4 microfinance institutions (MFIs)xi, 3 Savings Credit and Cooperative Organizations (SACCOs) and other small informal financial institutionsxi. In terms of bank ownership, 4 banks are state-owned, 6 are foreign-owned, 10 are joint-ventures, and 8 are domestic banks. Key constraints to access to credit include high lending interest rates (15.8% in 2018) and lack of collateral. Political and fragile security has also contributed to raising the cost of banking services and limiting access to credit since 2013. The adverse impact of these shocks on the banking sector was reflected in soaring NPLs averaging 50% in 2017, the depreciation of the local currency against the dollar and the under-capitalisation of banks. To support the financial sector, the Central Bank reduced its reference rate in July 2020 due COVID-19 pandemic and create space for Banks to increase lending, but this policy was later reversed in November 2020 with reference rate raised to 15% from 10%. Key reforms include; (i) improving banking supervision and restructuring the central bank; (ii) policies geared towards enhancing the growth of financial inclusion in the country and develop digital technology and e-payments to increase access to affordable financial services while promoting e-governance; (iii) measures to encourage and support private sector growth centred around a mix of conventional commercial banking, microfinance as well as digital finance solutions; and (iv) implement and enforce the counter-terrorism and money laundering financing act.

[xii] In order to increase financial inclusion and bring dynamism into the financial sector, South Sudan launched mobile money services: Two companies, m-GURUSH and NilePay have partnered with Zain, a telecom company, to provide mobile phone-based money transfer services in the country.

[xiii] An EITI workshop, supported by the UNDP, was held in April 2021 to provide an overview of the steps South Sudan must take to achieve greater transparency and accountability, which is necessary to maximize the developmental impact of the national extractives sector.

[xiv] There are an estimated 17,300 private companies, mainly micro and small enterprises registered in South Sudan. According to the 2014 World Bank Enterprise Survey data (latest available data), most of the larger firms are based in Juba: manufacturing (89 firms), retail (265 firms) and other services (384 firms). About 66.6% of these firms are owned by South Sudanese, while 42.7% of the firms have at least 10% of foreign ownership. SMEs capacity for job creation remains limited, over 90% of these businesses employ less than five people each.

[xv] South Sudan's has a huge unrealized agricultural potential but continues to be trapped in low input-output subsistence agriculture. The country has one of the richest agricultural areas in Africa, with fertile soils, favourable climate, and abundant rainfall (ranging from 500-600 mm/year to more than 1,500 mm/year). About 95% of the country's total land area (658,842 km2) is considered suitable for agriculture, 50% of which is prime agricultural land where soil and climatic conditions allow for production of a variety of crops and livestock. Yet only 4% of the country's arable land is cultivated and 97% of the agricultural land is not irrigated. The many rivers and lakes, aside from fisheries, provide possibilities for irrigation, and hence for year-round crop production.

[xvi] The agriculture sector employed about 57% of the population between 2013-2019 (ILO, March 2020).

[xvii] The Government had a Road Transport Strategy 2013-2018 with key priorities on roads and bridges. This priority was also reinforced in the 2019/2020 state budget. Infrastructure maintenance is still financed by the government through resources allocated to concerned ministries. There is no road fund.

[xviii] The country's main policy is the "South Sudan Electricity Sector Policy 2013" based on the 2007 pre-independence policy paper. A The policy recognizes the need to establish a regulatory oversight for the provision of electricity through a combination of public and private service providers (engaged in generation, transmission and distribution) where the interests of all parties including consumers) are ably balanced. A draft National Electricity Bill 2015 was prepared with the purpose of providing the establishment of a regulatory framework to govern the generation, transmission, bulk supply, distribution, export and import of electricity and system operation and related matters.

[xix] The urban-rural disparities exist, with 47% of the urban population having access to electricity compared to 24% in rural areas, although this represents a significant improvement when compared to the 9% access rate in 2012. However, the electricity access rate lags neighbouring countries of Kenya (75%), Sudan (60%), Ethiopia (45%) and Uganda (43%) but is comparable to the Central Africa Republic (32%). South Sudan has vast potential sources of electricity generation comprising fossil (oil and gas) and renewables (hydro, solar, wind, geothermal and biomass including waste-to-energy)

[xx] Construction and Development Group Company

[xxi] Juba Electricity Distribution Company

[xxii] https://trackingsdg7.esmap.org/country/south-sudan.

[xxiii] South Sudan is still negotiating its accession to the World Trade Organization.

[xxiv] South Sudan's main exports are Crude Petroleum, Gold and Forage Crops.

[xxv] These include: (i) implementation of the AfCFTA, which includes the preparation of a national AfCFTA strategy; (ii) full implementation of the EAC protocols, following its accession in 2016; and (iii) implementation of regional trade facilitation and transit procedures, including customs upgrading and reforms to operationalize the Electronic Cargo Tracking System on the northern corridor, which would benefit South Sudan as a landlocked country.

[xxvi] According to the UN Habitat Country Program Report 2016-2020 for South Sudan, the urbanization rate increased to 18.8% in 2016 from 8.6% in 1972.

xxvii Gender inequalities pervade all facets of life in South Sudan, with consequences for how different groups are affected by and can cope with socioeconomic shocks and ongoing insecurity in some parts of the country.

[xxviii] However, this constitutional provision is rarely implemented especially at the local government levels. For example, only 1 out of 10 State Governors are female and the share of seats held by women in parliament is 24.3%, though not far below the 25% national quota. High gender disparity in terms of literacy (i.e., 87.7% for men against 28.9% women between 2010-2018) limits the ability of women to capitalize on initiatives that seek to empower women and mainstream gender equality.

[xxix] United Nations Framework Convention on Climate Change.

[xxx] Furthermore, the Bank, in collaboration with other development partners, will provide targeted capacity building support to CSOs notably in economic and financial governance, and project cycle activities to enhance their contribution to national development.

[xxxi] The report was cleared by the responsible VP Economic Cluster and PFM Oversight Committee. The next steps are clearance from the Council of Ministers and thereafter approval from the Parliament.

[xxxii] The National Development Strategy has been vital in implementing the peace agreement. Since the signing of the peace agreement, there has been lower intensity of conflicts in parts of the country. It enabled the return of an estimated 500,000 displaced people have recently returned to their places of origin, including approximately 284,597 spontaneous refugee returnees (UNHCR, April 2020). The government has implemented several reforms including abolishing fuel subsidy and liberalizing the fuel market; and stop deficit financing by the Bank of South Sudan.

[xxxiii] Prior to the outbreak of the conflict in 2013, three major coordination and dialogue forums, namely, the High -Level Partnership Forum (HLPF), Quarterly Government- Donor Dialogue Forum (DDF), and Sector Working Groups (SWG) were operational. The HLPF was used by senior members of the Government and Heads of DP institutions to discuss key strategic policy issues. The other two forums facilitated dialogue between the government and DPs at technical levels on various issues. Ten sector working groups were established, with each sector designated with a lead donor. The Bank was the lead donor for the infrastructure sector which consisted of Transport, Water Supply and Sanitation and Housing and Physical Planning sub-sectors.

[xxxiv] Continued reliance on third-party implementing agencies to achieve desirable development impact is not sustainable in the long run. Consequently, measures to develop human and institutional capacities should be sustained to build resilience. The Bank is working with third party implementing agencies to facilitate knowledge transfer to the government agencies.

[xxxv] The full redeployment of staff in South Sudan in 2019 has helped to strengthen communication and exchange of information with the Government and other development partners. It has also helped to improve portfolio performance. The Bank has chaired the PFM and Economists working group meetings to promote country policy dialogue.

[xxxvi]
https://fts.unocha.org/countries/211/donors/2018?f%5B0%5D=flowStatus%3Apaid&f%5B2%5D=destinationPlanIdName%3A713%3ASouth%20Sudan%202019&f%5B3%5D=destinationPlanIdName%3A646%3ARepublic%20of%20South%20Sudan%202018

[xxxvii] The Bank has been providing support towards economic diversification by investing in productive sectors including agriculture, infrastructure that will create jobs and alleviate poverty. Building on its role as a trusted partner, the Bank has also supported initiatives to bring several players, notably the Africa Rice Centre (AfricaRice) and the Centre for Agriculture and Biosciences International (CABI) to the country. The Bank's leadership position in the above captioned areas is because most development partners interventions have been channeled to humanitarian assistance.

[xxxviii] Resilience Water Project for Improved Livelihood in Juba, Non-oil Revenue Mobilization and Accountability (NORMA) project, Strategic Water Supply and Sanitation project, and the Payment and Settlement Systems Integration Project.

[xxxix] Gender Equality and Women's Economic Empowerment Project. This project has 5.8 years with a total disbursement of 7.1% and will close on December 31,2020.

[xl] In this context, it will be important to scale-up support for economic governance and PFM, agro-value chain development, and building the skills needed to meet market demand. These actions will expand the fiscal space for public spending on basic social services, create the enablers for private sector investment and finance, and lay the foundation for economic diversification.

[xli] The Bank's proposed new I-CSP 2022-2024 is one year overlap from the upcoming National Development Strategy (NDS) 2018-2021

extension to 2023. The rationale is because of the following reasons: (i) the team is not expecting the new administration, to assume duties in

2023 after the elections, to immediately start the preparation of the new NDS to expire in July 2023; (ii) the team believe that preparation of the new NDS will be overshadowed by the new administration focus on power sharing. Thus, extending the period for one year is appropriate while the Bank observes the political developments in the country.

[xlii] Strategy for Governance in Africa (SEGA, 2021-2025); Strategy for Agricultural Transformation in Africa (2016-2025); Bank Group Gender Strategy (2021-2025); Climate Change and Green Growth Strategy (2021-2030); Bank Group Strategy for Addressing Fragility and Building Resilience in Africa 2022-2026; Bank Water Policy – approved in 2021; Bank Group's Strategy for Jobs for Youth in Africa (2016-2025); and the East Africa Regional Integration Strategy Paper (RISP) 2018-2022.

[xliii] Strengthen agricultural value chains; scale up successful technologies; improve nutrition and food security; support enterprise development; accelerate access to finance for women and youth; build skills for job and expand economic opportunities for youth; and support integrated water resource management and expand water supply, sanitation and hygiene services.

[xliv] Throughout the Bank's interventions, a specific focus will be on empowering bottom of the pyramid communities to strengthen social cohesion. With more than 4 million South Sudanese forcibly displaced (as internally displaced persons or refugees), Bank's interventions will aim to benefit displaced persons and host communities, including assisting with peaceful and productive reintegration of returnees as might be needed in affected communities, directly (whenever feasible) or indirectly as determined throughout project design phases.

[xlv] This objective is achieved through various flagships and enablers such as the Technologies for African Agricultural Transformation (TAAT), Special Agro-Industrial Processing Zones (SAPZs), the Enable Youth Program, Post-Harvest Losses Reduction Program. TAAT works by: (i) creating an enabling environment for technology adoption by famers, (ii) facilitates effective delivery of technologies to farmers; and (iii) raises agricultural production and productivity through the identification and deployment of appropriate technologies, including nutrient dense crop varieties, and vigorous crop outreach campaigns, extension, and market linkage campaigns. The other flagships address agro-processing, value addition and agribusiness development.

[xlvi] The Bank will also accompany the authorities to develop agribusiness enterprises by supporting to seed enterprise groups, aggregation business centres and business producer associations.

[xlvii] The Bank will sustain dialogue with the government on how to effectively respond to emerging development challenges like desert locust invasions, floods, and the COVID-19 pandemic. Activities to bolster job creation and youth employment will be embedded in all projects to catalyse inclusive growth, whereas capacity development initiatives will be mainstreamed in all operations to ensure sustainability of Bank assistance.

[xlviii] Addressing South Sudan's diverse development challenges requires a holistic approach to development assistance, including sustained engagement with other stakeholders including in areas where the Bank is not providing direct support.

[xlix] To date, key achievements include (i) preparation of the 2019/2020 tax bill submitted to the Ministry of Justice; (ii) unification of institutional tax structures and system established in 3 states (Aweil, Gbudue, and Jubek); and (iii) installation of the first oxygen plant in South Sudan with generation capacity of 2 500 litres per day.

[l] These resource mobilization efforts will be replicated during I-CSP 2022-2024. These resources will be augmented with Bank-managed funds including the Affirmative Finance Action for Women in Africa (AFAWA), SEFA Trust Fund, Gender Equality Trust Fund, several Climate Investment Funds, African Climate Change Fund, ClimDev Trust Fund, the Non-Sovereign Window (NSO) Youth Entrepreneurship and Innovation Multi Donor Fund, TSF Pillar III, FAPA and the Italian Trust Fund. The Bank will also explore complementary financing and seek co-financing/parallel financing opportunities with other DPs such as the World Bank, UNDP, FAO, UNICEF, DFID, and WFP.

[li] Operations will be implemented by the relevant sector ministries, 3rd party implementers, and other stakeholders, under the coordination of the Ministry of Finance. In addition, COSS will organize portfolio review meetings with project implementation units and line ministries on a quarterly basis and/or more frequently as desired to discuss progress and agree on the required remedial actions.