AFRICAN DEVELOPMENT BANK GROUP

SOUTH SUDAN

INTERIM COUNTRY STRATEGY PAPER 2012-2014

REGIONAL DEPARTMENT

East Region B

October 2012

COUNTRY TEAM	OREB:	Solomane Kone, Lead Economist, Officer-in-Charge Suwareh Darbo, Principal Country Economist
	SSFO :	Jeremiah Mutonga, Resident Representative Dejene Demissie, Principal Country Program Officer Joseph Muvawala, Chief Country Economist
	OSFU	James Wahome, Lead Economist, Officer-in-Charge
	ORMU	Senait Assefa, Chief Resource Mobilization Officer
	GECL	Faith Kamau, Legal Counsel, GECL
	SECTORS	Gerald Ajumbo, Principal Trade Expert, ONRI.2 Berhanau Bezabeh, Principal Transport Engineer, OITC.2 Gregoire De Loubassou, ICP Expert Statistician, ESTA.2 Maimuna Nalubega, Principal Water Engineer, OWAS.2 Enock Yonazi, Principal ICT Expert Christophe Malherbe, Consultant, OPSM
	Regional Director :	Solomane Kone, Officer-in-Charge

Peer Reviewers	Joseph Muvawala, Chief Country Economist, SSFO Serign Cham, Principal Resource Mobilization Officer, ORMU Victor Ndisale, Chief Governance Expert, EARC Cristina Hoyos, Fragile States Policy Expert, OSFU Basil Jones, Principal Capacity Building Officer, OSFU Edward Sennoga, Senior Country Economist, RWFO

TABLE OF CONTENTS

ANNEXES

TABLES

FIGURES

BOXES

This I-CSP report was prepared by Mr. Solomane Kone, Lead Economist, OREB, Task Team Leader; Mr. Jeremiah Mutonga, Resident Representative, SSFO; Mr. Suwareh Darbo, Principal Economist, OREB; and Mr. Dejene Demissie, Principal Country Program Officer, SSFO. The I-CSP preparation team which visited South Sudan comprised Mr. Solomane Kone, Lead Economist, OREB; Mr. Jeremiah Mutonga, Resident Representative, SSFO; Mr. Suwareh Darbo, Principal Economist, OREB; Mr. Dejene Demissie, Principal Country Program Officer, SSFO; Mr. Gerald Ajumbo, Principal Trade Expert, ONRI2; Mr. Berhanau Girma Bezabeh, Principal Transport Engineer, OITC2; Mr. Gregoire Mboya De Loubassou, ICP Expert Statistician, ESTA2; Ms. Maimuna Nalubega, Principal Water Engineer, OWAS2; Mr. Enock Yonazi, Principal ICT Expert; Mr. Faith Kamau, Legal Counsel, GECL1; Mr. Christophe Malherbe, Consultant, OPSM; and Ms. Arek Majak, Consultant, SSFO.

ACRONYMS

ADF	African Development Fund
AICD	Africa Infrastructure Country Diagnostics
AUHIP	African Union High Level Implementation Panel
COMESA	Common Market for Eastern and Southern Africa
CN	Concept Note
CPA	Comprehensive Peace Agreement
CSO	Civil Society Organizations
CSP	Country Strategy Paper
DDR	Disarmament, Demobilization and Resettlement
DP	Development Partner
EAC	East African Community
ESW	Economic and Sector Work
FSF	Fragile States Facility
FSFGDP	Gross Domestic Product
GoSS	Government of South Sudan (before independence)
GRSS	Government of the Republic of South Sudan
HIV/AIDS	Human Immune Virus/ Acquired Immune Deficiency Syndrome
ICBPRGG	Institutional Capacity Building for Poverty Reduction and Good
ICT	Governance
IDPs	Information and Communication Technology
IFC	Internally Displaced Persons
IMF	International Finance Corporation
M&E	International Monetary Fund
MDG	Monitoring and Evaluation
MoFEP	Millennium Development Goal
NBHS	Ministry of Finance and Economic Planning
OAG	National Baseline Household Survey
OSFU	Office of the Auditor General
PFM	Fragile States Unit
PPPs	Public Finance Management
PSC	Public Private Partnerships
RSS	Peace and Security Council (African Union)
SME	Republic of South Sudan
SPLM	Small and medium scale enterprises
SSACC	Sudan People's Liberation Movement
SSDP	South Sudan Anti-Corruption Commission
SSEC	South Sudan Development Plan
SSIFA	South Sudan Electricity Corporation
SSP	South Sudan Integrated Fiduciary Assessment
UNDP	South Sudanese Pound
USD	United Nations Development program
	United States Dollars

FISCAL YEAR OF BUDGET
1 July to 30 June

CURRENCY EQUIVALENTS
(30 June 2012)

National Currency	**=**	**South Sudanese Pound (SSP)**
UA 1.0	=	SSP 4.04281
UA 1.0	=	US$ 1.56335
US$ 1.0	=	SSP 4.0

WEIGHTS AND MEASURES
Metric System

I. INTRODUCTION

1.1 This is the first Interim Country Strategy Paper (I-CSP) for the Republic of South Sudan (RoSS) for the period 2012-2014, following the country's independence on 9 July 2011 and its subsequent official admission as member of the Bank Group on 1 June 2012 in Arusha.[1] It will cover both the ADF-12 (2011-13) and partially the ADF-13 (2014-16) cycles.

1.2 The 2012-2014 I-CSP is the Bank's medium term strategy that seeks to assist the government in addressing the new country's challenges in a coordinated and consultative manner. It defines broad strategic priorities for the period covered and is aligned with the first South Sudan National Development Plan (SSDP) 2011-2013. The rationale for an I-CSP is based on the fact that the Government of the Republic of South Sudan (GRSS) has developed the SSDP as an interim National Plan for the new State.

1.3 The I-CSP was informed by the various ***participatory consultations***,[2] including the preparation mission concluded in July 2012, the assessments and analytical work done by the Bank and other development partners, the recent political and economic developments, the emerging challenges and the short and medium term growth prospects of South Sudan. It also takes account of the Bank's Enhanced Strategy and the recent Busan New Deal & Good International Practices and Engagement in Fragile States.[3]

1.4 The RoSS is classified as a post-conflict country. It has a very high degree of socio-economic fragility, especially in terms of weak institutional and human capacities, limited baseline information and statistics and one of the worst social development indicators. It is worth noting at this stage that the preparation of the I-CSP was fraught with problems, including in particular limited data and statistics across all sectors, which explain on occasions the absence of most of the conventional figures.

1.5 The political and security situation in South Sudan has remained fluid. The recent heightened military tensions with Sudan, internal conflicts and population displacements make it challenging for the GRSS and Donors to make the full transition from addressing humanitarian needs to medium and long-term state-building and development needs.

1.6 The medium term economic and social prospects appear brighter than they were few months, with the recent major agreements signed by the two heads of states of South Sudan and Sudan on 27 September 2012 on oil, security and trade issues. However, the coming months will continue to be challenging before the full resumption of oil production and exports.

1.7 In this context, the I-CSP for RoSS is meant to be country-tailored, flexible and dynamic with medium to long term perspectives aligned with the SSDP and the structural and emerging challenges of the country. The I-CSP attempts to set the baseline for the RoSS on the basis of available information and situation on the ground, which is bound to evolve. It also builds on the Bank's earlier interventions

[1] The Bank Group had initially intervened in the South in the context of Sudan under the "one-country - two systems" framework. With the independence of the South, the Bank signed a Cooperation Agreement with the GRSS in September 2011, which provided the legal basis to continue operational assistance and programming activities pending full membership of the new State in the Bank.

[2] In particular, the preparation mission of this I-CSP took place in Juba during the period 3-18 July 2012. It involved broad consultations with the GRSS including representatives of the Ministry of Finance and Economic Planning, sector departments and line ministries, stakeholders in the private sector and civil society. A large number of development partners, including Norfund, USAID, World Bank, IMF, European Union, DFID, Joint Donor Team and UNDP were also consulted on their respective areas of intervention and priorities going forward. In addition, two widely-attended Stakeholder Workshops on the Infrastructure Action Plan (IAP) and the Study on Cross Border Trade of South Sudan with its neighbours were also organized on 12 and 16 July 2012 respectively.

[3] At the Fourth High-Level Forum on Aid Effectiveness in Busan (December 2011), several countries and international organizations, including the Bank Group, endorsed the **New Deal for Engagement in Fragile States**. The New Deal commits donors and partner countries to use Peace & State-building Goals (PSG) as an important foundation for progress towards the MDGs, focus on country-led and country-owned transitions out of fragility, and commit to mutual trust by providing aid and managing resources more effectively and aligning them for results. South Sudan was chosen among pilot countries for the piloting of the New Deal.

the context of Sudan under the "one-country – two system framework.

1.8 The report is organized as follows: Chapter one is the introduction. Chapter two deals with the country context, including political, economic & social developments. Chapter three highlights the Bank Group medium term strategy and the pillars, and Chapter four makes conclusions and recommendations.

II. COUNTRY CONTEXT AND PROSPECTS

2.1 Political, Economic & Social Context

Political Developments and Root Causes of Fragility

2.1.1 Since the signing of the Comprehensive Peace Agreement (CPA) in 2005, the Government of the Republic of South Sudan (GRSS) has made progress in putting in place administrative structures and systems, including a new constitution, legislative assembly, and cabinet. In addition, it has formulated a number of policy and planning instruments, including core governance functions[4] a growth strategy, aid coordination strategy, a governance profile and a national development plan. Under the CPA, a referendum has been held in January 2011 culminating in the independence of South Sudan on 9 July 2012.

2.1.2 However, the political landscape in South Sudan continues to be dominated by both internal and external threats to sustainable peace, security and stability.

2.1.3 Internal threats are rife, and are often fuelled by ethnic rivalries, disputes over land and cattle, the spread of arms, the presence of militias, high levels of youth unemployment and the huge gap between the expectations of the population in the post-independence era and the challenging social reality on the ground. Ethnic rivalries and the proliferation of small arms result in conflicts, inter-communal violence and internal displacement of people. Programs to disarm and demobilize ethnic militias have not succeeded, thus compounding the security situation. Since 2008, the annual death toll in South Sudan has exceeded that of the years of the civil conflict.[5]

2.1.4 The external threat to peace and security emanates essentially from pending key contentious post-secession issues with Sudan, notably on oil, border demarcation, the final status of Abyei and the issues surrounding the other two so-called Protocol Areas (Blue Nile and South Kordofan States).[6] Unless resolved, these outstanding issues will continue to pose a permanent and serious threat to peaceful relations with Sudan.

2.1.5 This situation has resulted in a volatile political environment, frequent hostilities and military confrontations both within and outside. Hostilities between the two neighbours escalated, resulting in the closure of South Sudan's oilfields in late January 2012, the brief capture and occupation of Heglig by South Sudan in April 2012 as well as mounting militarization on both sides of the disputed Sudan-South Sudan border (Abyei Area, Southern Kordofan and Blue Nile).[7]

2.1.6 Recent bombings and ground fighting between the Sudanese Armed Forces and the Sudan People's Liberation Army-North in the Sudanese state of Blue Nile resulted in refugees continuing to flee to the Upper Nile state of South Sudan reaching more than 100,000 people. South Sudan's Unity state is hosting another

[4] These include rule of law, executive leadership, fiduciary management, public administration, basic services, natural resources (oil), and natural resources (food security)

[5] In the first quarter of 2011, the UN office for Coordination of Humanitarian Affairs (OCHA) reported over 750 people had been killed and more than 80,000 displaced by conflict and inter communal violence. The Lord's Resistance Army (LRA) is active in Western Equatorial.

[6] Some progress was made on external debt issue, in particular the so-called "zero option". Sudan, the continuing State, will assume all the debt conditional upon: (i) a joint outreach to the donor community by both countries; and, (ii) Sudan benefiting from debt relief within two years, failing which there will be debt apportionment between the two countries. However, this option has still not been signed yet by the Parties.

[7] Heglig is Sudan's main oil field, producing about half of the national oil production. The renewed strife between the two neighbours has given impetus to the South Sudan Government's exploration of a pipeline route to the east coast either through Lamu in Kenya or the Port of Djibouti via Ethiopia. However, little progress seems to have been made both at the technical and financial levels.

38,000 refugees from Sudan's South Kordofan state. This has sharply worsened the humanitarian situation in South Sudan.

2.1.7 However, more recently the negotiations with Sudan on the contentious post-secession issues have evolved positively, with the mediation of the AU High level Implementation Panel (AUHIP) and the United Nations.[8] On 3 August 2012, the Parties agreed on the financial arrangements on oil.[9] However, the implementation of the deal was conditional upon agreements over some key remaining unresolved issues, particularly on security matters and border demarcation.

2.1.8 This obstacle was lifted on 27 September 2012, when the two leaders of South Sudan and Sudan signed a list of nine agreements on security, the common border, trade and economic relations between the two countries.[10] The agreements were endorsed by the Council of Ministers of South Sudan and Sudan on 29th and 30th September 2012 respectively. The buffer zone, established under the deal, will enable the two countries to implement the August agreement for the resumption of oil production and exports in the coming months.

2.1.9 It is also agreed that both Sudan and South Sudan will jointly approach the international community for financial assistance to address the urgent needs of both countries, and lift all sanctions against the former.[11]

2.1.10 However, no agreement was reached on the final status of Abyei,[12] the key disputed region, as well as on Blue Nile and South Kordofan States. The international community, in particular the UN Security Council (UNSC), commended the September agreements signed by the two countries and stressed the importance of their full implementation as well as the rapid resolution of the final status of Abyei and other disputed and unclaimed areas.

2.1.11 The key to sustainable progress and development for both South Sudan and Sudan is reconciliation, peace and security through a genuine strong commitment by the Parties to resolve rapidly the remaining contentious post-secession issues. Concerted efforts by the international community and AUHIP for peaceful settlement of issues and the viability of two States must be sustained.[13]

Economic Context

Growth and Growth Drivers

2.1.12 The ***oil sector*** is the largest contributor to GDP in 2010 accounting for about 60% of GDP. Oil revenues have also accounted for almost 98% of public expenditure over the years.

2.1.13 In ***the non-oil sector***, subsistence agriculture, forestry and fisheries account for 14.5%; government services, 9.1%; trade, hotels and restaurants, 5.9%; manufacturing and mining, 3.6%; transport and communication, 3%; construction, 2.2% and other services, 2% (Figure 2).

---

[8] The Bank has been providing technical assistance to the AUHIP as early as December 2010, to assist in accelerating peaceful settlement of post-referendum issues. Four Working Groups were formed, comprising: (i) Citizenship; (ii) Security; (iii) International Treaties and Agreements & other Legal Issues; and (iv) Financial, Economic Issues & National Resources.

[9] The agreement entails a weighted average of $10 a barrel to be paid by South Sudan for the sum of all transportation, transit and processing fees. South Sudan has also agreed to pay a lump sum of $3.028 billion over a period of three and half years. This amount is based on the proposal made in November 2011 that Sudan, South Sudan and the international community should contribute a third each of the potential financial gap faced as a result of the loss of revenues previously received from oil exports generated from the territory of South Sudan. The amount was calculated to range $7.8-10.4 billion.

[10] The Agreements signed pertains to i) oil and related economic matters, ii) the status of Nationals of the other State, iii) boundary demarcation, iv) border issues, v) cooperation on Central Banking issues, vi) trade and trade-Related issues, vii) economic matters: division of assets and liabilities, arrears and claims and joint approach to the international community, viii) facilitate payments of post-service benefits and ix) cooperation agreement between Sudan and South Sudan.

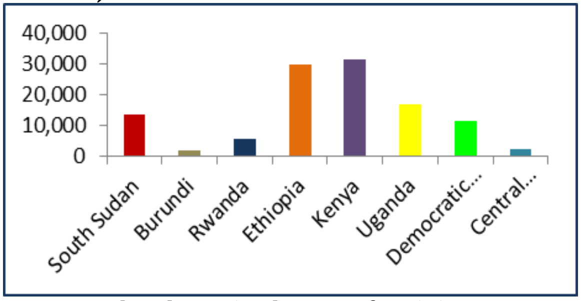
[11] It is estimated that the deal will cost the GRSS about USD12 billion for the next three years. The GRSS is, therefore, appealing to the international community to provide assistance in filling this gap.

[12] The leaders of both countries agreed, however, to continue the implementation of the deal they signed in June 2011 on Abyei, which stipulates the establishment of joint administrative and legislative bodies to run the region. They also agreed to keep the UN-mandated force of 4200 Ethiopian peacekeepers that are deployed in Abyei as part of the same deal.

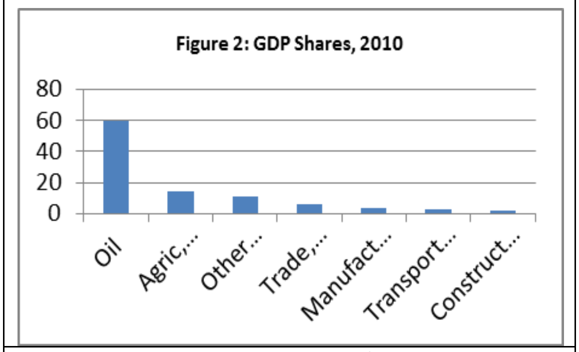
[13] Implementing the agreements on security issues and halting the alleged support for armed combatants on either sides of the border (by the other party) are critical for regaining trust in the negotiations.

2.1.14 In 2010, ***GDP*** was estimated at South Sudanese Pound (SSP) 30.5 billion, up from SSP 24.9 billion in 2009. It was estimated at SSP49.1 billion in 2011.[14] In comparison with its neighbors in the East African region, South Sudan's GDP ranked 4th out of eight countries (Figure 1).

Figure 1: Current GDP of South Sudan and some African comparators in 2010 (USD Millions)



Source: South Sudan National Bureau of Statistics



Source: South Sudan, National Bureau of Statistics

2.1.15 Real GDP growth is estimated to contract by -27% in fiscal year 2011/12, down from 1.9% in 2010/11, resulting from the shutdown of the oil pipelines. It was projected to contract by -16.3% in 2012/13, prior to the agreements signed on 27 September 2012.

2.1.16 The overdependence of the economy on oil increases its fragility and vulnerability to external shocks. There is need for a radical shift from overreliance on oil to diversification to non-oil sectors such as agriculture, mining, forestry and manufacturing that potentially have greater regional linkages.

2.1.17 The shutdown of the oil pipelines has engendered a fiscal crisis and the need for austerity measures. The Austerity Budget for FY 2012/13 was approved by the Council of Ministers on 5th June 2012 for SSP6.5 billion (about USD2.17 billion). This represents 59% of the initial annual budget.[15] The GRSS has taken, with some degree of success,[16] measures aimed at revenue diversification towards non-oil sources, increase in tax rates on certain items, drastic spending cuts and mobilization of external funding, including budget support from some African countries.

2.1.18 Based on the implementation record of the austerity budget for the past few months, expenditure cuts are likely to be challenging and will mostly affect development spending on basic services and pro-poor growth initiatives. In addition, budget spending control mechanisms are very weak. It should also be noted that transparency of the GRSS over the external sources of financing as well as the risk of contracting loans on unfavourable terms are major concerns.

Macro-economic Management

2.1.19 The lack of basic socio-economic statistics and inadequate human and institutional capacities constitute major constraints on macroeconomic management. The macro-economic policy objectives of the government aim to achieve macroeconomic stability and sustainable broad based economic growth.

2.1.20 On the ***fiscal front***, a modest surplus of 0.7% of GDP was recorded in 2011/12 up from a deficit of -0.2% in 2010/11. A surplus of 0.2% is projected in 2012/13 in anticipation of a possible resumption in oil production.

2.1.21 In terms of ***exchange rate developments,*** the dollar has risen against the South Sudanese Pound (SSP). As at

[14] South Sudan National Bureau of Statistics

[15] The GRSS austerity measures involve a 50% cut in capital expenditure which will likely affect the delivery of social services and poverty reduction initiatives. It stresses value for money and efficient use of scarce resources, by focusing on a small set of key priorities, directing resources towards activities that will encourage economic growth (e.g. roads, education, health) rather than current consumption (e.g. salaries) and ensuring that every SSP spent achieves the highest possible benefit for citizens.

[16] Non-oil revenue is estimated to have increased from SSP107 million in 2010/11 fiscal year to SSP 440 million in 2011/12. It is projected to reach SSP700 million in the 2012/2013.

end-September 2012, the official exchange rate was SSP4.0 for USD1.00, but on the parallel market the rate was estimated at 25% higher, i.e. about SSP5.0 to $1.00.

2.1.22 With respect to ***monetary performance***, inflation rose from 14.7% in 2010/11 to 59.2% in 2011/12, mainly explained by the increase in global food and fuel prices and the pressure on the exchange rate. It is projected to decline marginally to 49% in 2012/13.

2.1.23 It is estimated that with current trends in expenditure and revenue mobilization, reserves will be depleted by the end of December 2012. Although the medium term macroeconomic prospects appear brighter with the expected resumption of oil exports and the recent improvement in non-oil revenue collection, the coming months will continue to be challenging.

Governance

2.1.24 ***Public Finance Management (PFM)***: The PFM system is very weak. Development partners, including the Bank,[17] have provided support to the Ministry of Finance and Economic Planning (MoFEP) in a number of areas, including: (i) planning, budgeting, and treasury systems; (ii) carrying out core functions in procurement and accounting on behalf of the government; and, (iii) preparing South Sudan Integrated Fiduciary Assessment (SSIFA).

2.1.25 The SSIFA[18] has identified critical weaknesses in PFM and proposed ways of addressing them. Areas requiring urgent actions include: (i) the enactment of appropriate laws, in particular for allocating the National Revenue Fund; (ii) strengthening accountability and accounting capacities as well as domestic resource mobilization; (iii) prioritizing spending and tracking expenditures of government agencies, to avoid many instances of budget overruns; and, (iv) complying with procurement laws.

2.1.26 ***Control of Corruption***: As a new country, none of the governance indicators such as the Mo Ibrahim Index or the Corruption Perception Index are available for South Sudan. However, corruption is a major concern in South Sudan. Both the GRSS and the international actors have expressed the need to tackle corruption. Development partners are providing support to the South Sudan Anti-Corruption Commission (SSACC), Audit Chamber, Parliament, civil society and the media aimed at promoting anti-corruption efforts. The SSACC developed an Anti-Corruption Strategy 2010-2014 and a Five Year-Work Plan, which contains a series of preventive and responsive measures at all three levels of government and among non-state actors.

2.1.27 A number of steps have been taken to strengthen good governance including: (i) enactment of some laws; (ii) public awareness and education campaigns; (iii) actions for candidacy to the Extractive Industries Transparency Initiative; and, (iv) the SSACC ruling of February 2012 making mandatory the disclosure of annual net worth for all the constitutional post-holders and senior civil servants, including income and assets of spouses and children.

2.1.28 Furthermore, The GRSS has indicated its strong commitment to transparency and accountability and oil revenue management. In that regard, it has committed to join the Extractive Industries Transparency International (EITI), an important step to improving governance.

2.1.29 **Country Performance and Institutional Assessment (CPIA) Rating:** The first CPIA exercise for South Sudan was conducted in 2011 to set the baseline.[19] The average overall score of 2.03 is well below the 3.2 threshold to qualify as a fragile state.[20] This reflects the high fragility of the nascent, weak

[17] The Bank support was provided under the Institutional Capacity Building for Poverty Reduction and Good Governance Project (ICBPRGGP) and using Pillar 3 of the FSF.

[18] The IMF also conducted in August 2011 a review of the PFM system and recommended some priority reforms. Progress and the way forward are supposed to be evaluated during an IMF mission in October-November 2012.

[19] In a context of weak data and information system, this exercise has proven challenging.

[20] South Sudan only fares better than Somalia (total score of 1).

institutions and policy framework of the new State. It reflects also the legacy of decades of civil war and the many challenges in state and institution building.

Business Environment and Competitiveness

2.1.30 South Sudan has one of the most constraining business climates in the world. Many South Sudanese depend on the public sector payroll in the absence of an appropriate environment for the development of business activities. Many service jobs especially in Juba are filled by expatriates from Intergovernmental Authority on Development (IGAD) countries due to lack of local capacity. Few South Sudanese are engaged in trade.

2.1.31 The International Finance Corporation (IFC) *Doing Business in Juba 2011* ranked Juba at 159th out of 183 economies on the ease of doing business (Table 1). A number of key challenges emerged from this survey, including human and institutional capacity constraints, major infrastructure gaps, and overlapping legal and regulatory instruments. Several important laws are yet to be enacted. There is also lack of clarity among federal, state and county jurisdictions over business licensing, taxes, and customs. Although some progress was made in terms of drafting laws, addressing the infrastructure and institutional gaps will remain a major challenge.

Table 1: Doing Business Indicators (days)

Indicator	**Juba South Sudan (days)**	**Khartoum Sudan (days)**	**Sub-Sahara Africa (days)**
Starting a business	123	121	126
Dealing with construction permits	49	139	117
Registering property	124	40	121
Getting Credit	176	138	120
Protecting Investors	173	154	113
Paying taxes	84	94	116
Trading across Borders	181	143	136
Enforcing Contracts	74	146	118
Closing a business	183	183	128
Overall ease of doing business	**159**	**154**	**137**

Source: IFC 2011

2.1.32 Despite the challenging context, private actors have been somewhat active in 2011 and 2012, particularly in the banking sector, real estate, ICT and agriculture. These developments were not fully captured in the *Doing Business 2011*. Companies registered increased from 470 to 12,000. Investors seem increasingly interested in the country's potential and intend to take advantage of being the first mover.

2.1.33 Banks are opening aggressively. The Association of Bankers was launched in July 2012. It regroups 14 banks. Significant regional or continental players have entered the market in 2012. In addition, four micro-finance institutions have established at a fast pace, and account for about 80,000 clients.[21]

2.1.34 Private sector operations are concentrated on trade financing. Difficulties relate to the increased scarcity of the United States Dollar (USD) and the depreciation of the South Sudanese Pound (SSP) on the informal market. Some of the largest banks (80 to 100,000 clients) are offering loans up to 3 years but can't extend the tenor as the law prohibits pledging collateral for a period exceeding 3 years. Most corporate loans are 100% cash collateralized, due to lack of track-record and management capacity of borrowers. A partial guarantee leading to the increase in tenor could have a positive effect on lending terms.

2.1.35 Furthermore, major projects are planned in agriculture, river transportation, poultry farms, real estate and beverages, particularly given the high potential in these sectors.

2.1.36 In this regard, the role of the private sector will be very crucial in the provision of infrastructure in view of the limited resources from the GRSS and donors relative to the huge needs. This underlies the urgency for strengthening the framework for business development, including through public-private

[21] The leader is Equity Bank. Having gained experience in Kenya, the Bank could be interested in taking an active part in the power distribution part of the Fula Rapid Hydro Project (40 MW) whose transmission line is being considered by the Bank, in collaboration with NORFUND for the generation component.

partnerships, notably in the power, ICT and transport sectors. To this end, the current quasi State enterprises in these subsectors will need to be strengthened and upgraded into formal legal entities to be trusted parties for private investors.

Regional Integration and Trade

2.1.37 The experience of South Sudan in merchandise trade is fragile, nascent and non-reflective of its tremendous economic potential. Statistics show that the country needs to improve its trade balance that currently is in favour of and dominated by its regional trading partners, from whom it imports heavily but exports very little, i.e. Uganda, Kenya and Sudan. Merchandise trade is dominated by informal traders both in terms of volume and value.

2.1.38 There is need for a radical shift from overreliance on the oil to diversification to non-oil sectors such as agriculture, mining, forestry and manufacturing that potentially have greater regional linkages.

2.1.39 South Sudan's trade policy and regulatory environment is still embryonic. A few trade-related and investment laws were enacted, such as on businesses registration, companies Act, Arbitration Act and investment promotion. Challenges include the non-existence of business regulations such as standards, quality assurance, as well as the lack of human and institutional capacity to implement these legislations.

2.1.40 Regional cooperation is not only critical for ensuring food security and peace, but also for fostering infrastructural development. To avoid spreading scarce resources too thinly, the country may embark on a phased approach to regional integration. It may initially join either the EAC or COMESA and subsequently scale up while also being mindful of the pitfalls of multiple memberships in regional economic communities (RECs). The choice of which REC to join will depend on the country's overall competitiveness, relative access to the sea, sub-regional, regional and international markets and potential complementarities for regional infrastructure development.

2.1.41 However, the country will have to address its major infrastructure weaknesses and align its tariff structures and related instruments to those of the regional blocs to fully benefit from the customs union and the Common Market Protocol. South Sudan has initiated the membership process for the East African Community (EAC). Joining the EAC is almost inevitable for South Sudan given its historical, cultural and economic links with Kenya and Uganda.

<u>Social Inclusion, Gender and Environment</u>

Poverty, Social Inclusion and Equity

2.1.42 According to the Bank-supported 2009 Southern Sudan Household Survey, 50.6% of the population is poor, with daily expenditures of less than US$2.0. Huge regional disparities prevail. The poverty gap is 24%, i.e. the average shortfall in consumption relative to the poverty line. South Sudan is in the bottom five countries for 11 of 22 MDG indicators for which data is available.

2.1.43 The influx of returnees and internally displaced persons into South Sudan and the need to cater for their food, water, land, housing and infrastructure needs have exacerbated the humanitarian and poverty situations. The World Food Program has declared South Sudan level 3 in terms of the emergency food situation. South Sudan's food deficit stands at 473,000 metric tons in 2012, up from 200,000 in 2011**.**

2.1.44 The social impact of the shutdown of oil pipelines is no less daunting. The percentage of the population living in poverty is expected to increase from 51% in 2012 to 83% in 2013. Under-five child mortality will double from 10% live births to 20% and school enrolment will drop from 50% to 20%.

Millennium Development Goals (MDGs)

2.1.45 The above analysis of the social context paints a gloomy picture of South Sudan on the MDGs. Although chronic hunger has been reduced from 48% to 33% between 1995 and 2006, more than 90% of the population in South Sudan currently live on less than USD1 a day.

2.1.46 About 1.3 million children are enrolled in primary school. However, completion rate only stands at 1.9%. The ratio of pupils per teacher stands at a staggering 1,030, but is double that level in some states. Only 12% of the teachers are female which reinforces gender inequalities. In South Sudan, girls make up only 27% of primary school enrolment. More than 90% of women are illiterate.

2.1.47 Although the under-five mortality rate decreased from 250 per 1000 live births in 2001 to 135 in 2006, one in eight children dies before their fifth birthday. South Sudan has the highest maternal mortality rate in the world – 2,054 per 100,000 live births. There is limited information on HIV/AIDS in South Sudan. Reports show yearly increases in the prevalence rate and limited knowledge among the population about prevention. Furthermore, malaria is considered hyper-endemic in South Sudan.

2.1.48 The overall social situation reflects the numerous challenges facing the country in attaining the MDGs by 2015 including: weak institutional capacity of national institutions; weak coordination among sectors; political uncertainty and insecurity in large parts of the country; poor infrastructure; weak implementation of development and antipoverty strategies; weak civil society organisations and limited resources relative to needs.

2.1.49 Urgent actions are needed to correct these trends. South Sudan will need an extended period of sustained and robust growth to reduce poverty and provide productive employment. Strong growth in the non-oil sector driven by economic diversification towards agriculture would provide substantial opportunities for employment for a rapidly growing labour force and private business activities.

Gender

2.1.50 The two-decade conflict has affected disproportionately women. Women and girls make up the majority of the internally displaced person (IDP)/refugee population. About 90% of women are poor and uneducated. Some of the challenges include harmful social and cultural practices, weak capacities of gender institutions.

2.1.51 However, progress has been made in certain areas. For instance, it is encouraging to note that 34% of the seats in the South Sudan Legislative Assembly are held by women. In addition, 120 out of 480 members elected to the 10 state legislative assemblies are women. Other institutional measures taken by the GRSS include the creation of the Ministry of Gender, Child and Social Welfare and the State Ministry of Social Development and Religious Affairs as well as the appointment of a Gender Adviser in the Office of the President.

Environment and Climate Change

2.1.52 South Sudan is faced with a number of climate change and environmental challenges, including, inter alia, unregulated exploitation of natural resources and extraction of oil, compounded by the pressure exerted by large numbers of returnees. These factors impact the natural resource base of the country and the livelihoods of the communities who depend largely on the land resources for a living.

2.1.53 The GRSS has recently drafted an environmental policy aimed at ensuring sustainable development through: (i) enforcing social and environmental impact assessments for all programs and projects; (ii) acceding and ratifying applicable and beneficial multilateral environmental treaties, conventions and agreements; and, (iii) promoting inclusive participation, access to information and good governance in sustainable natural resources management and environmental protection.

2.2 Strategic Options

2.2.1 Country Strategic Framework

2.2.1.1 ***Government Development Agenda****:* The overarching objective of the South Sudan development Plan (SSDP) is to ensure that by 2014 conditions are created for South Sudan to be a united and peaceful new nation, building strong foundations for good governance, economic prosperity and enhanced quality of life for all.

2.2.1.2 The SSDP (2011-2013) has four main four pillars: (i) Governance, (ii) Social and Human Development; (iii) Economic Development; and, (iv) Conflict Prevention and Security. In addition, the plan includes seven cross-cutting issues, namely environment, gender equality, youth employment, capacity building, human rights, HIV/AIDS, and corruption.

Box 1: South Sudan National Development Plan, 2011-2013

Pillar	**Areas of Focus**	**Objectives**
Governance	i) Accountability ii) Public Administration	Build a democratic, transparent, and accountable govt. managed by a professional & committed public service, with an effective balance of power among the executive, legislative and judicial branches of govt.
Economic Development	i) Economic Functions ii)Infrastructure iii) Natural Resources	Achieve a diversified private sector-led economic growth and sustainable development that improves livelihoods and reduces poverty
Social and Human Development	i) Education ii) Health iii) Social Protection iv) Youth v) Sports	Promote the well-being and dignity of all citizens & accelerate universal access to basic social services
Conflict Prevention and Security	i) Rule of Law ii) Security	Defend the sovereignty and territorial integrity, uphold the constitution, provide equitable access to justice and maintain law and order

Source: SSDP: South Sudan Authorities

2.2.1.3 The SSDP is anchored on Vision 2040; which encompasses medium and long term objectives that the country wants to achieve by 2040. Its national policy goals of good governance, safety and security, increased prosperity and enhanced quality of life are consistent with the policy objectives of SSDP.

2.2.1.4 Based on the Bank's assessments, the main challenges faced by the SSDP include: (i) the huge capacity gaps and the need to design effective implementation arrangements; (ii) the need for realism, particularly the infrastructure component, which calls for reprioritization and sequencing to ensure that the proposed programs are consistent with the modest, but evolving financing and implementation capacities of the country; (iii) the need for strengthening aid coordination and putting in place a resource mobilization strategy, including creating the appropriate framework for private sector involvement.

2.2.1.5 In this context and at the request of the GRSS, the Bank assisted in the evaluation of the aid coordination mechanism, detailed needs assessments of infrastructure subsectors (transport, power, water and sanitation, ICT, agriculture infrastructure) as well as the preparation of the Infrastructure Action Plan (IAP). The objectives are to assist in: (i) strengthening the GRSS's ability to coordinate and manage donor assistance more effectively; (ii) designing effective implementation arrangements for the SSDP; and, (iii) putting in place, through the IAP, a key instrument for policy dialogue, donor coordination and resource mobilization mechanism for the decade ahead, including the role of the private sector.

2.2.2 Challenges and Weaknesses

2.2.2.1 Urgent need for State building in a context of continued external and internal threats to peace, security and stability. This constitutes the most pressing challenge to be addressed by South Sudan. Externally, following the independence in July 2011, the GRSS was faced with the daunting challenge of building the new State in a context of extreme fragility, with very unfavorable initial conditions. This was hampered by the renewed tensions with Sudan. The key to sustainable progress and development for both South Sudan and Sudan is reconciliation, peace and security through a genuine commitment by the Parties to resolve rapidly the remaining contentious post-secession issues. Concerted efforts by the AUHIP, aimed at peaceful settlement of issues and the viability of two States, must be sustained.

2.2.2.2 The internal threats to social cohesion relate, amongst others, to the aspiration of the people to the peace dividend after independence, youth unemployment, governance and corruption. The South's secession in July 2011 ended the CPA period, bringing with it the opportunity to rethink Disarmament, Demobilization and Reintegration (DDR). The DDR program has become more focused on the economic imperative to downsize the respective armies for the purpose of fiscal sustainability and development. Addressing vigorously these issues will significantly contribute to alleviating the threat to internal cohesion.

2.2.2.3 Although the new State of South Sudan has enormous economic opportunities and potentials, the country is faced with major structural constraints, namely weak institutional and human capacities across all sectors, narrow economic base with a heavy dependence on the oil sector, pervasive unemployment and poverty affecting particularly the youth and exacerbated by the inflows of refugees and IDPs. In this context, the dilapidated infrastructure has been identified as the most binding constraint on economic diversification and inclusive private sector-led growth and productive employment.

2.2.2.4 **Weak institutional and human capacities.** Institutions and the human resource base remain fragile. According to UNDP[22], half of all positions in ministries remain unfilled, 50% of public service staff have only early education. Many of the current staff lack necessary work experience and have major difficulties communicating in English, the official language of government. There is an acute need for training, technical assistance and long-term support at all levels of central and state governments. This situation hampers the effectiveness of the State in service delivery.

2.2.2.5 In this context, the IGAD Initiative aimed at strengthening capacity of South Sudan public service is laudable. Under the program, which started in 2011, 200 highly skilled and experienced public servants from Kenya, Uganda and Ethiopia provide support to South Sudan's nascent civil service.[23] The officials, known as Civil Service Support Officers (CSSOs) are "twinned" with South Sudanese civil servants to ensure the direct transfer of skills and on-the-job mentoring. The program also aims at building the organizational systems of government and creates an environment where policy can be effectively implemented.

2.2.2.6 Enhancing capacities in service delivery also requires urgent actions. Given the lack of capacity of the GRSS, NGOs and UN agencies currently provide 80% of basic services in South Sudan. This situation is unlikely to change drastically in the short-term,[24] given the dearth of capacity and experience in service delivery in the country.

2.2.2.7 Cognizant of the need to address the issue of capacity urgently, the GRSS has formulated a medium term capacity development strategy. The objective of the strategy is to ensure that the GRSS addresses critical institutional capacity needs required to implement the SSDP. It is envisaged that contributions of South Sudanese of the diaspora to nation building will be taken into account. The GRSS has begun working on initiatives to attract well qualified South Sudanese to return home.[25]

[22] "State Building in South Sudan, the UNDP experience", by Francis Luwangwa, UNDP, South Sudan.

[23] The program is being supported jointly by South Sudan, IGAD member states, UNDP and the Norwegian government.

[24] DFID, for instance, established the Basic Services Fund (BSF) as a short-term funding mechanism, disbursing up to USD 20 million over two years.

[25] For example, the South Sudanese Loan Forgiveness Program for the benefit of professionals who want to return home, but are saddled with repayment obligations for educational loans. The Bank has been requested, together with other donors, to provide technical assistance in putting together a comprehensive strategy in mobilizing South Sudanese Diaspora. The Bank assisted in developing a CV registry platform for capacity building which was handed over to the government. The Joint Donor Team's Capacity Building Trust Fund has also funded a Curriculum Vitae Registry project which targets all qualified South

2.2.2.8 **Narrow economic base with a heavy dependence on the oil sector** (cf economic context, section 2.1)**.** This is a source of economic fragility and vulnerability and underscores the urgent need for diversification. Oil revenues can be used effectively to give impetus to other sectors, notably agriculture and manufacturing.

2.2.2.9 **Pervasive unemployment and poverty, with very weak social indicators.** Most of the MDGs will not be met by 2015. The situation is exacerbated by the large number of returnees, mainly from Sudan, with the resulting challenge of ensuring their absorption and reintegration as well as catering for their livelihood and infrastructure needs. Furthermore, 72% of the population comprise youth under the age of 30 years who are mostly unemployed, unskilled, rural and female.

2.2.2.10 The rate of employment, as a percentage of the active population is only 11.5% (10.8% for men and 12.2% for women), making job creation a top priority, as it is underscored in the strategy of GRSS.[26] Failure to promote employment opportunities can undermine social stability, limit state legitimacy and contribute to the persistence of shadow economies, including crime. Sound policies that improve the enabling environment for economic participation including the provision of security and the development of a vibrant and diverse private sector are thus fundamental for creating jobs in South Sudan.[27]

2.2.2.11 The focus lies on growth in the agricultural sector since the majority of the population live in rural areas and are engaged in smallholder agriculture, farming livestock and fishing. The private sector should be strengthened for job creation, particularly SMEs, agriculture, and road construction. The need to open opportunities for short-duration skills training and employment is also urgent.

2.2.2.12 The agriculture sector can be a source of livelihood for the vast majority of people with the provision of inputs such as fertilizers, seeds, farming implements, basic infrastructure and training in modern farming techniques. Regarding the ex-combatants and returnees, there is need to provide them with vocational skills.

2.2.2.13 **Dilapidated infrastructure**: Decades of civil war destroyed the basic infrastructure of South Sudan and much of its production capacity. The current gap in basic infrastructure has been identified as one of the most serious impediments to private investment in the country and broad-based sustained economic growth. Given that 83% of the population lives in rural areas, this situation particularly constrains the development of the large agricultural potential of the country.

2.2.2.14 All infrastructure sub-sectors are affected. For instance, only 2% of the existing ***road network*** is paved. Most roads are impassable during the wet season making it difficult if not impossible for rural people to access urban centers and markets, hindering the transport of goods into the country and raising their cost. In terms of percentages, only 1% of the population has access to ***electricity*** and only 31% to ***improved water supply*** and, worse still, only 15% *to* ***improved sanitation services***. Less than 5% of the actual cultivated area is irrigated. In the ***ICT sector***, teledensity is poor and prices of services are high (Table 2).

Table 2: Selected Indicators for Infrastructure Services

Country	Road network paved (%)	Access to electricity (% of population)	Access to improved water (% of population)	Access to improved sanitation (% of population)	Telephone subscriber per 100 people
Burkina Faso	4.2	10.2	76.3	12.6	7.7
Burundi	10.4	2.1	72.5	41.4	2.9
Eritrea	21.8	-	60.9	5.5	2.1
Malawi	45.0	7.5	81.6	59.2	6.1
Niger	20.6	-	51.2	8.1	-
Rwanda	19.0	5.4	64.8	22.6	3.5
South Sudan	**2.0**	**1.0**	**27.0**	**16.0**	**-**

Source: South Sudan: Infrastructure Action Plan, African Development Bank, July 2012

Sudanese and provides the public sector with an opportunity in filling priority vacancies.

[26] Cattle-raiders are often better armed than the police or even the army. Abebe Shimeles and Audrey Verdier-Chouchane, African Development Bank 2011

[27] Concept note: Putting Jobs on Center Stage:Global Facility for Employment Creation in Fragile Situations 2012 (WB, AfDB, UNDP, ILO, UN Peace Building Commission, UNECA)

2.2.3 Strengths and Opportunities

2.2.3.1 **South Sudan is endowed with abundant natural resources**, including a large amount of fertile rain-fed agricultural land that is potentially irrigable, aquatic and forest resources as well as mineral resources including oil.[28] These resources can be harnessed for economic diversification and the development of the country, in particular given the prospect for oil reserve depletion by 2018.

2.2.3.2 In this context, revenues from oil can be deployed in the non-oil sectors such as agriculture and services to generate employment. Effective management and development of the vast agricultural potential of the country offers the best prospect for sustained strong economic growth that is broad based and inclusive.

2.2.3.3 **South Sudan is also endowed with potential hydropower sites** all situated on the White Nile River estimated at up-to 3,000 MW, which if exploited would provide energy needs and security for the country.

2.2.3.4 Regional integration can act as a major **driver for south Sudan's economic development** in particular in the form of investment and imports from neighbouring countries and regional blocs as well as market to support economic diversification. Given that the country is land locked and shares borders with six states, it will be critical to ensure regional connectivity through relevant infrastructure. With vast tracts of fertile land and abundant rains, South Sudan has the potential to be the region's food basket. This presupposes empowering farmers, putting in place appropriate policies and ensuring security as well as mitigating the effects of drought in some areas.

2.2.3.5 At the regional level, the Bank has initiated the Drought Resilience and Sustainable Livelihoods Programme (DRSLP) in the Horn of Africa (HoA). It is envisaged to include South Sudan in the second phase of the program.[29]

2.3 Recent Developments in Aid Coordination & Harmonisation and ADB Positioning in South Sudan.

2.3.1 Developments in Aid Coordination and Harmonisation

2.3.1.1 Several donors are intervening in various sectors in South Sudan, including accountability, economic functions, education, health, infrastructure, natural resources, public administration, rule of law, security, and social and humanitarian development (Annex 3).

2.3.1.2 Donor coordination in South Sudan has undergone rapid evolution since 2006. Donor support has primarily focused on humanitarian assistance, urgent core governance functions and social infrastructure. Coordination among donors along the lines of the Paris Declaration is less than satisfactory. For example, within the MoFEP, there are several small and un-coordinated interventions in PFM.[30]

2.3.1.3 With the independence of South Sudan, new aid coordination priorities have emerged resulting in the formulation of a new Aid Strategy in August 2011 which provided a mechanism for high level political dialogue, more effective monitoring, inclusion of states and counties in the aid coordination process,

[28] Ninety percent of South Sudan's total area of 644,329 square kilometers is considered suitable for agriculture and 50% is prime agricultural land. The country has great potential for crop production, livestock, fisheries and forests products. In particular, the South area has a potential for 100,000 – 300,000 MT of fish per year. Forests make up 29% of the land area, amounting to approximately 191,667km^2.

[29] The DRSLP comprises six countries of the HoA: Djibouti, Ethiopia, Kenya, Somalia, Sudan and South Sudan. Phase 1 includes the first three countries. The DRSLP aims at (i) enhancing provision of timely early warning information; (ii) supporting efficient utilization of water and other natural resources; (iii) promoting ecosystem rehabilitation and management; (iv) encouraging the shift from reliance on rain-fed agriculture in order to manage the impacts of climate change and enhance food security and improve water management; (v) launching and supporting programmes that address the underlying causes of vulnerability in drought-prone areas; and (vi) supporting the IGAD-Bank dry land initiatives. .

[30] Norway and the United States Agency for International Development (USAID) are supporting the Management of oil revenues, while the process of budget preparation is being funded by USAID. The World Bank and UNDP are supporting the improvement of procedures for public expenditure, and the payroll and payment systems and procurement audit is funded by the Multi Donor Trust Fund (MDTF) and the World Bank. The Bank and the World Bank assisted in preparing the SSIFA. The Bank further supported the preparation of the PFM Bill.

formal division of labor and more explicit undertakings on the actions needed to bring more aid into the budget. The GRSS also created the Aid Coordination and Management Unit (ACMU) within the MoFEP.

2.3.1.4 Furthermore, with the recent worsening of the humanitarian situation in South Sudan, many donors are finding it challenging to shift their assistance to the equally important medium to long-term development needs of the country. With the recent agreements signed with Sudan, the international community is exploring appropriate mechanisms for assisting the country to ease the short term transition and the social and humanitarian situations till the resumption of oil exports in the coming months.

2.3.1.5 From the Bank's evaluation, the ACMU's capacity must be strengthened, by addressing key challenges.[31] Accordingly, the Bank has prepared a capacity building program, namely the Institutional Support Project to PFM and Aid Coordination (PFIAD). It aims to strengthen PFM and create a framework for enhancing the ability of the GRSS to take full leadership and ownership in managing and coordinating donor assistance more effectively, in compliance with the Busan's engagements under the New Deal.

2.3.2 ADB Positioning in the Country

2.3.2.1 Prior to the independence, the Bank Group's interventions in South Sudan were constrained by the arrears situation of Sudan under the "one country-two systems" framework. The Bank Group's activities in the country have therefore been limited to policy dialogue, capacity building, technical assistance, analytical and knowledge work.

2.3.2.2 In the past two years, the Bank's strategic engagement with South Sudan has focused on: (i) accelerating a peaceful settlement of post-independence issues with Sudan, by providing technical assistance to the AUHIP; (ii) technical assistance and capacity building aimed at building the new State and its ability to manage and coordinate donor assistance effectively; and, (iii) sustaining dialogue and conducting analytical work to prepare the ground for effective full-fledged support in addressing the development challenges, particularly in infrastructure.

2.3.2.3 In this context, numerous activities were conducted (cf. Annex 5), including technical support to the preparation of the South Sudan Development Plan (SSDP), infrastructure sub-sector needs assessments (transport, power, water and sanitation, ICT, agriculture) followed by the Infrastructure Action Plan (IAP), household survey-based poverty and inequality analysis, the South Sudan Integrated Fiduciary Assessment (SSIFA), the study on cross border trade and regional integration, and the preparation of the Institutional Support Project to PFM and Aid Coordination (PFIAD).

2.3.2.4 The Bank's engagement contributed to its positioning as a credible major player in South Sudan. The Bank is officially co-chair of the Infrastructure Sector Budget and Working Group. The full **establishment of the South Sudan Field Office (SSFO)** provides the Bank with the necessary presence to sustain its leadership, particularly in infrastructure, capacity building and aid coordination.

2.3.3 Results from Past Interventions

2.3.3.1 Currently, the ***active portfolio*** in South Sudan comprises two projects. The first is the Institutional Capacity Building for Poverty Reduction and Good Governance Project (ICBPRGGP), approved in 2007 for UA9.6 million through an ADF grant with activities both in Sudan and South Sudan (Annex 5). Disbursement rate stands at 67%. Expected to be completed by end-December 2012,

[31] These include: i) reviewing existing aid financing arrangements to ensure appropriate alignment with the SSDP priorities; ii) having donors provide estimates of their future aid commitments on a rolling three-year basis; iii) reduce current substantial fragmentation of aid programs along with increased emphasis on multi-year commitments to priority programs; and iv) in close collaboration with the donor community, strengthen arrangements for monitoring the status of on-going donor funded projects and programs and for evaluating their effectiveness.

the project was instrumental in completing the Baseline Household Survey (BHS) in 2010 and the subsequent SSDP. The project has also contributed to the establishment of a Training Center for civil servants as well as the training of more than 1,200 GRSS and state officials in planning and budgeting.

2.3.3.2 The second project, Support to the University of Juba, was signed in February 2012 for USD482,350 under the Nordic Trust Fund. It aims at strengthening the capacity of the University of Juba to provide training in auditing, fiduciary management and resource mobilization with a view to enhancing functional capacities of public sector officials in improving service delivery. Under pillar 3 of the FSF, the Bank Group provided technical assistance to the MoFEP and funded studies on non-oil revenues, PFM regulations and procurement law as well as seminars for preparing the Growth Strategy, 2010-2012.

2.3.4 Lessons Learned from Previous Interventions

2.3.4.1 **Key lessons** include the need for: (i) continued assistance to the AUHIP for peaceful settlement of remaining contentious post-secession issues with Sudan, which is critical for sustainable peace and prosperity; (ii) a renewed focus on flexible programming in line with the SSDP, including in planning and project prioritizations; (iii) striking a balance between medium-term development issues and rapid improvement in livelihood, though "quick-wins" operations; (iv) complementarity and co-financing with development partners and creating urgently the conditions for private sector involvement; (v) sustaining analytical work in crucial areas, particularly political economy, peace & state building, private sector development, regional integration and infrastructure; and, (vi) project design must endeavour to put in place pragmatic and workable implementation mechanisms to ensure ownership and capacity building in the process (e.g. learning by doing).

2.3.4.2 Regarding lessons learnt so far from the implementation of the ICBPRGGP, the two main lessons include inadequate capacity on the ground for project management and non-conformity with the Bank's regulations, including in particular those relating to procurement and financial management.

2.3.4.3 A major conclusion from the IAP is that one of the biggest challenges facing the South Sudan in the decade ahead is to sustain strong economic growth, well in excess of the projected growth in the labor force of 5% a year, to provide productive employment opportunities, reduce the high incidence of poverty and enhance livelihoods in both urban and rural areas.

2.3.4.4 The best prospects for an extended period of sustained strong economic growth will come from the development of the vast agricultural potential of the country, to meet the most pressing domestic needs and exploit export opportunities in regional and global markets. The current major gap in basic infrastructure in the country is one of the most serious obstacles to accelerate economic growth.[32]

2.3.4.5 The IAP proposes a major program for the development of basic infrastructure in the decade ahead that, in conjunction with a range of other initiatives that build human capacities and labor force skills and strengthen institutions, would provide the basis for a transition to economic growth in the range of 9% a year in real terms in the non-oil economy.

2.3.4.6 In particular, the main lesson from the stakeholder validation workshop is that the IAP provides a valuable game plan for the development of infrastructure in South Sudan in medium to longer term. **However, there is an urgent need for early action on a range of capacity building initiatives identified in the IAP**, in particular legal, regulatory and other

[32] Empirical studies suggest that a major improvement in infrastructure could boost per capita growth in non-oil GDP by 3.5 percentage points.

measures to improve the operating environment for private investment in infrastructure services. Early action is also required on the launch of technical studies required for the subsequent build-up of a solid pipeline for the huge infrastructure investment program.

2.3.4.7 The **total financial requirements proposed by the IAP for basic infrastructure development over 10-year period amounts to USD13.8 billion**, of which: (i) **Physical investment program** for all sub-subsectors (transport, power, agricultural infrastructure, water and sanitation, ICT): USD13.3 billion; (ii) **Capacity building and technical support**: USD380 million; (iii) **Technical studies**: USD128 million (of which about USD70 million for the transport sector program).[33] About 96% of these expenditures are capital outlays for the rehabilitation of existing infrastructure and creation of new facilities.

2.3.4.8 The funding arrangement proposal of the IAP is for the Government to provide 52% of the requirements, while donors and the private sector will provide 27% and 21% respectively. **The flow of oil revenues and their effective use are therefore crucial** to address the structural impediments, diversify the economy of South Sudan and combat poverty in the medium term.

2.3.4.9 **The implementation of the IAP calls for a strong coordination among donors, in particular in taking urgent steps in rolling out the capacity building and technical assistance program**. The Bank Group has already included some important elements of these early technical assistance needs in the already appraised PFAID. In particular, the PFAID will provide for three technical advisors to assist the GRSS in the implementation of the IAP, PPP arrangements and aid coordination within the Ministry of Finance and Economic Planning (MFEP).

2.3.4.10 **Lessons from other fragile and post-conflict countries** indicate the importance of understanding the specific context and developing a shared view of the strategy response required. Sound political analysis is needed to adapt the Bank's responses to country context beyond quantitative indicators of conflict, governance or institutional strength.

2.3.4.11 In the specific South Sudan case, strengthening the capability of the state to fulfil its core functions is essential in order to reduce poverty. Core functions include establishing an enabling environment for basic service delivery, strong economic performance and employment generation. The GRSS has demonstrated the political will, but lack capacity.

2.3.4.12 The Bank could explore alternative aid instruments such as international compacts or multi donor programs to facilitate the shared priorities and responsibility for execution that is aligned with government strategies and the Busan's New Deal. The Bank, in collaboration with the GRSS, will use its convening power to sensitize donors about South Sudan's huge infrastructure gap and the need to set up a coordinated infrastructure program, through which donors will channel their support to the country's infrastructure development. The Bank's assistance must be flexible enough to take advantage of windows of opportunity and respond to changing conditions on the ground.

III. BANK GROUP STRATEGY FOR SOUTH SUDAN

3.1 Rationale for Bank Group Intervention

3.1.1 A fragile country like South Sudan is a high-risk environment for development investments and action, yet more often than not, the risks of not engaging in these contexts, both for the countries themselves and for the Bank in particular, outweighs the risks of engaging in the first place. The question, therefore, is not whether to engage, but how the Bank can engage in

[33] This is largely for engineering studies and technical design work for the proposed roads program, as well as basic data collection such as regular traffic counts on the trunk roads of the country and in urban areas.

ways that are context-specific and do not come at an unacceptable cost.

3.1.2 While the country faces several daunting challenges, development partners and the Bank have a unique and unprecedented opportunity to draw lessons from the past and make the right choices and decisions in this new State in a relatively short time**.** Revenue from oil provides an opportunity to invest in social and infrastructure development. In addition, sizeable livestock, fishery, and forestry resources and adequate rainfall and fertile land make agriculture a promising potential driver of non-oil growth. Expertise from abroad would help in this regard and also build much-needed capacity to put into operation basic government institutions for the new state.

3.1.3 The GRSS and other development partners regard the Bank as a credible partner. The Bank's intervention in South Sudan has so far been satisfactory and must be enhanced, flexible and evolve to match expectations and changing conditions on the ground. The design of the Bank Group strategy will, therefore, be aligned with the aforementioned lessons.

3.1.4 South Sudan has huge economic opportunities and with the right mix of public and private sector capacities, the country has the potential to grow at a fast rate. However, as mentioned in section 2.2.2.4, capacity constraints have made the realization of this potential difficult. Addressing the capacity gap is one of the key elements of the SSDP.

3.1.5 Inadequate infrastructure has also been cited as a major obstacle in realizing the country's development potential. Low levels of access to improved water and sanitation pose increased health hazards for the population. The cost of road freight in South Sudan is around 20 US cents per ton km, compared with 6-8 cents per ton km in a number of neighbouring countries. The cost of moving a 20 foot container of imports from Mombasa to Juba is $9,400 and takes 60 days. This compares with an average of 10 days and a cost of $3,580 for Burundi, Rwanda and Uganda. The average tariff for electricity supplied by South Sudan Electricity Corporation (SSEC) is 22.5 US cents per kWh while that supplied by cooperatives is 53 US cents per kWh.

3.1.6 The above analysis of capacity and infrastructure situation underscores the urgency for donors to complement the efforts of the government in these two critical areas. With the recent agreements signed with Sudan, the medium term prospects appear brighter than they were before. This makes a more compelling case for the Bank's to emphasize its main areas of comparative advantage, i.e. medium term issues aimed at state and peace building through capacity building and infrastructural development.

3.1.7 However, the coming months will continue to be challenging, particularly with respect to the macro economic, financial, social and humanitarian situations. The Bank Group should strengthen its dialogue and coordination with the other development partners in devising appropriate joint mechanisms to ease the short-term challenges till the full resumption of oil exports.

3.1.8 Long-term peace, stability and the viability of Sudan and South Sudan will hinge upon reaching a comprehensive agreement on all the remaining contentious unresolved issues. The Bank Group should, therefore, sustain its engagement and technical assistance to the AUHIP to accelerate peaceful settlement of outstanding contentious issues. The Bank can envisage providing technical assistance for negotiating and contracting through its African Legal Support Facility (ALSF).

Proposed Pillar for Bank Group Support

3.1.9 On the basis of the above analysis, it is proposed that the Bank Group strategy for South Sudan during 2012-2014 be articulated around one main pillar: (i) ***State Building through Capacity Building and Infrastructure Development.*** The particular emphasis will be on creating the conditions for promoting peace, stability and state building. This will entail a major role for the Bank in assisting the country in human and institutional capacity building in public finance management, aid coordination and implementing infrastructure programs as well as quick-win infrastructure projects with rapid impact on improving peace, security, livelihood and the investment climate.

3.1.10 For example, road infrastructure provides access to seaports and facilitates the movement of farmers' produce from the production to the marketing centres. It also enhances the maintenance of law and order and reduces transportation costs. The construction of roads (feeder roads as quick win projects for example) can provide employment and boost livelihoods for a large number of people through labour intensive approaches. Similarly, the provision of energy can help open up remote areas, give an impetus to the government's drive to diversify the economy and thus avoid undue dependence on oil. It can also serve as a catalyst for the growth of SMEs in various sectors of the economy. Capacity building can facilitate the formulation and implementation of policies and programs.

3.1.11 The design of the Bank Group strategy is based on the following guiding principles and strategic frameworks: principles of aid effectiveness and Good International Engagement and the New Deal for engagement in fragile states; the Bank Group Medium Term Strategy (2008-2012) focusing on infrastructure, governance and private sector development; lessons from the implementation of past operations; Regional Strategy Paper (RISP) for the Eastern African Region.; as well as the need for selectivity and ensuring maximum impact of interventions; synergy and complementarity with the interventions of other development partners; various analytical work conducted.

3.1.12 **This I-CSP will focus on transport, energy and capacity building** (Table 3). In the area of ***road transport***, the Bank has identified a multinational project, the Djibouti Corridor – Juba-Kapoeta upgrading Road Project to be co-financed with the World Bank. It will include ICT and trade facilitation components and it is envisaged to finance it from the regional operation (RO) window under ADF-13.

3.1.13 In the area of ***energy***, the Bank Group has already initiated discussions with Norway, through Norfund, on the proposed Fula Rapid Hydropower Plant near the Ugandan border. The total cost of the project is estimated at US$135 million for a generation capacity of 40-60 MW. Norfund would finance the generation component, but welcome other partners, including the Bank Group, for the transmission network estimated at about US$42 million. Feasibility studies are completed and are being reviewed by the Bank. The Private Sector could come in for the distribution component, provided that urgent actions are taken to improve the policy and regulatory environment.

3.1.14 **In the area of capacity building and technical assistance**, the Bank will focus on the following:

(i) ***Support to the AUHIP*****:** The Bank will sustain its assistance, by strengthening the analytical capacity of the AUHIP to provide advisory services to South Sudan and Sudan in the post-secession negotiations, with a view to reaching a comprehensive agreement and its effective implementation for sustainable peace.[34]

(ii) ***Donor coordination and resource mobilization***: Cognizant of the need to maximize the impact of aid and facilitate development effectiveness, the Bank will provide technical assistance and capacity building support to the MoFEP under the Bank's Institutional Support Project to PFM and Aid Coordination (PFAID). This project seeks to strengthen domestic resource mobilization; and aid

[34] Past assistance has covered oil, debt resolution, currency and banking and trade and related payments. The experts provided by the Bank to the Panel have produced option papers, including in particular the Macroeconomic Prospects and a Framework for Macroeconomic Cooperation for two Viable Economies and a Policy Note on the Debt Relief Process which have informed the decisions of the Panel.

coordination at the central and state levels.

(iii) ***Public Finance Management***: The Bank has already initiated the process of strengthening PFM under its support to the University of Juba. This project will train a critical mass of university professors who will in turn train civil servants in PFM. Further training in PFM will be provided under the proposed project in (ii) above.

(iv) ***Implementation of the Infrastructure Action Plan***: Through the PFAID, the Bank will provide some assistance in building the requisite capacity in implementing the IAP, by providing technical advisors, including PPP.

3.1.15 These four areas are consistent with the seven core governance functions mentioned in paragraph 2.1.1. Aid coordination and resource mobilization fall under public administration while public finance management and infrastructure fall under fiduciary management and basic service respectively.

3.1.16 A ***Multi-sector Program of Human and Institutional Capacity Development in Infrastructure*** is also being proposed. This program will entail strong coordination with other donors in the context of the Bank's leadership role in assisting South Sudan to roll out its huge infrastructure plan. The design of the program will be critical in terms of implementation arrangement. A program implementation support unit can be envisaged, with the view of assisting line ministries in fiduciary and project management issues. The role of SSFO will also be crucial in this context. This type of approach will also contribute to addressing the issue of absorptive capacity.

3.1.17 The program will focus on: (i) infrastructure pipeline development (transport, power, agricultural infrastructure, water and sanitation and ICT feasibility studies); (ii) improving the legal and regulatory capacity for PPP, in particular restructuring and strengthening institutional framework of quasi-state enterprises on a pilot basis; and, (iii) capacity building and TA in project implementation support to line ministries. Attention will be accorded to ICT and cross-cutting issues, including M&E. However, selectivity will be ensured with respect to Bank-financed components of the program.

3.1.18 **Regarding regional integration, the Bank's support will focus on the following three areas:**

(i) ***Support for regional infrastructure***: In order to strengthen connectivity and cross border investment and trade, the Bank will provide support for physical infrastructure in transportation, telecommunications, and energy, especially in infrastructure projects along economic and development corridors (spatial development initiatives) within the East African Community (EAC). This will be done through financing of multinational projects under the NEPAD initiative and the Regional Integration Strategy Paper for Eastern Africa with a view to enhancing the region's competitiveness and promoting greater sense of community.

(ii) ***Facilitation of cross-border investment and trade*****:** The study commissioned by the Bank on South Sudan 's competitiveness and cross border trade with neighbouring countries revealed that South Sudan imports virtually all food stuffs from neighbouring countries such as Uganda and Kenya and exports very little to those countries. It is envisaged that the implementation of the recommendations emanating from this study will help enhance the competitiveness of the economy and facilitate the country's cross border trade with neighbours.

(iii) ***Building Capacity in trade and regional integration***: The Bank will assist South Sudan in building capacity in the following areas, particularly through dedicated trust funds: i) core competency training, knowledge and institutional and managerial skills transfer for those involved in trade and regional integration negotiation; ii) developing trade information documentation; and, iii) improving response capacity of exporters to meet the challenges and take advantage of the opportunities created by trade and regional integration agreements.

3.1.19 **The Bank's Private Sector Operations Strategy*:*** The Bank's private sector strategy in South Sudan will seek to increase the participation of the private sector in infrastructure projects by building up the capacities of the line ministries and agencies/state corporations that interact with the private sector. This will be achieved by: a) creating and supporting a PPP Unit in charge of policy formulation, detailed planning, legislation and regulation, drafting and project promotion; b) providing technical assistance to reinforce the State quasi-corporations in charge of utilities in the legal, financial and governance fields in order to position these corporations as trusted business partners for the private sector; and c) organizing a PPP forum in South Sudan to discuss prospects for PPP and its potential development impact.

3.2 Deliverables and Targets

Lending activities

3.2.1 Available internal Bank resources include the following:

i) Performance-based Allocation (PBA) Country Allocation under ADF-12: UA 16.06 million, or about USD24 million equivalent (Grant);

ii) Pillar 1 of the Fragile State Facility (FSF): UA 17.03 million, or about USD25.5 million (Grant)

iii) Pillar 3 of the FSF: UA4.8 million, or about USD7.2 million (Grant).

iv) Regional Operation Window (RO) for multinational operations (To be confirmed). It consists of committing part of the PBA and leverage resources from the Bank-wide global RO envelop with a cost-sharing factor of 1.5 to 2 to be confirmed during the overall internal competitive RO selection process);

v) Private Sector Window for targeted commercially-viable, enclave and PPP operations, including some integrated capacity building activities to be funded in a form of grants.

vi) Bilateral Trust Funds hosted in the Bank for targeted capacity building and pipeline development activities.

3.2.2 In addition to ADF-12 (2011-2013) resources indicated above, the I-CSP will also partially involve resources from the ADF-13 (2014-16), which will be determined and confirmed at a later stage.

3.2.3 The overall internal Bank resources envelope is relatively small compared to the numerous challenges and needs of the country. In this regard and in line with the leadership role the Bank has been requested to play, particularly in the area of infrastructure development, capacity building and aid coordination, the Bank Group strategic approach is to use its expertise in these areas of comparative advantage, its convening power as well as its internal financial instruments to assist in leveraging resources to address the major challenges of South Sudan through co-financing arrangements with other donors and the private sector. Table 3 presents the indicative lending program for South Sudan for the period 2012-2014.

Non-Lending operations

3.2.4 This will consist of advisory services through economic and sector work (ESW) and development of appropriate institutional capacity in response to the needs of the country and in collaboration with other development partners. Potential non-lending activities (Annex 6) will focus primarily on policy advice, technical assistance and analytical work targeted to capacity building, aid coordination for effectiveness and mobilization of additional resources for sustainable infrastructure development, private sector involvement and regional integration.

3.2.5 The IAP has developed a comprehensive program for studies and TA for sustainable infrastructure development. Together with the RISP for Eastern Africa, the IAP will be instrumental in enhancing Bank's non-lending activities.

Table 3: Bank Group Intervention: Indicative Pipeline 2012-2014

Projects	Indicative	Indicative Amount by Source (million)	Comments
QUICK-WIN INFRASTRUCTURE PROJECTS (ADF)			
Power/Electricity Project- Fula Rapid Hydro Project – Transmission Component	2013	Country ADF-12 PBA & Pillar 1 of FSF***: USD 30.0 Co-financiers: NORFUND & others to be confirmed (TBC) Total Cost: TBC	Co-financed with NORFUND and other Donors with possibility of PPP arrangement. Discussions ongoing.
Multinational: Djibouti Corridor – Juba- Kapoeta upgrading Road Project	2014	ADF-13 Country Allocation: USD25.0 ADF-13 RO Window: USD50.0	Identified and to be conducted in coordination with the World Bank and other donors. Will include ICT and Trade Facilitation Components. This will also require commitment, a project or a study in countries involved to qualify as a multinational operation and funding from the RO Window. Discussions on-going.
CAPACITY BUILDING ACTIVITIES		**(million USD)**	
Institutional Support to Public Finance Management and Aid Coordination (PFAID)	2012	ADF Grant (Pillar 3): USD7.2	Appraised. To be approved and confirmed to the Government.
Multi-sector Program of Human and Institutional Capacity Development in Infrastructure: - Pipeline development in infrastructure (Transport, Power, Agricultural Infrastructure, Water & Sanitation and ICT feasibility studies) - Improving the legal and regulatory capacity for PPP, in particular restructuring and strengthening institutional framework of quasi-state enterprises on a pilot basis - Capacity Building & TA in Project Implementation Support to line Ministries - Capacity Building in Energy, Transport, Agricultural infrastructure, ICT and Cross-Cutting Issues including M&E)	2013	ADF-12 and Pillar 1 of FSF: USD20.0 ADF-13: TBC	Will rely heavily on the wider program of capacity building, studies and technical assistance identified in the IAP. Preliminary discussions on possible indicative areas of intervention discussed during the mission are indicated in Annex 6.

* Consistent with ADF guidelines for financing multinational projects, whereby about 1/3 is to be drawn from the country allocation (to be confirmed during the internal competitive selection process of RO.

3.3 Monitoring and Evaluation of Bank Group Assistance

3.3.1 The lack of socio-economic data and statistics in infrastructure and other key sectors constitutes a major constraint on guiding the GRSS's policy and planning its development agenda. In response, the Bank is proposing a program on capacity building on statistical competence (CBSC) which will enable the government to establish methods for effective collection of infrastructure and socioeconomic data requirements for economic management. The program will involve an assessment of capacity of the National Statistical System, Sectorial Planning Departments, National Bureau of Statistics (NBS), the data systems, and methods of data extraction and submission in a timely and cost-effective way.

3.3.2 Monitoring the MDGs and the SSDP rests with the NBS. The Bank has initiated a project proposal under the KOAFEC trust fund and the Statistical Capacity Building program (SCB III) for strengthening the analytical capacity of the NBS to effectively fulfil this task. The monitoring of the I-CSP will rely on results and data generated by the Bureau. A monitoring and evaluation unit is being established in the MoFEP which will work closely with the NBS to monitor project outcomes and results.

3.3.3 The indicators for monitoring outcomes are spelt out in the Results Based CSP matrix in Annex 1. Given the limited capacity on the ground and the fluid political, economic and social context of South Sudan, annual review progress reports on the I-CSP will be conducted. SSFO will play a critical role.

3.3.4 As regards the poverty and social sector indicators, the targets of the MDGs which are congruent with the targets set in SSDP will guide the monitoring of outcomes. The Bank interventions will also aim at strengthening the country donor coordination and M&E system, including efforts at collecting baseline data. In terms of post evaluation, the indicator of relevance would be the extent to which the strategy addresses the challenges of the country and the effectiveness of the projects undertaken in the specified sectors.

3.4 Country Dialogue Issues

Dialogue issues with the government and development partners will include: (i) Bank's role in peace and state building activities, in particular through the AUHIP and other relevant players; (ii) implementation of the IAP; (iii) economic diversification, pro-poor and inclusive growth (iv) austerity measures and appropriate joint mechanisms implications to address the short-term macroeconomic and social challenges; (v) macroeconomic stability, resource mobilization and the EITI initiative; (vi) donor coordination and effectiveness; and, (vi) regional integration, particularly initiatives aimed at finalizing a financing plan for South Sudan inclusion in the DRSLP.

3.5 Risks and Mitigation Measures

There are a number of risks for the SSDP which may affect the CSP objectives:

(i) The short-term macroeconomic and social challenges to address prior to the full resumption of oil exports. The effectiveness of the GRSS's austerity measures and the strong donor coordination will help mitigate this risk.

(ii) Weak institutional capacity at all levels of government. This can be mitigated by the various capacity building initiatives of DPs, including the Bank.

(iii) Relations with Sudan have remained tense as evidenced by military confrontations and the impasse over oil negotiations in the recent past. The mediation of the AUHIP and the international community is crucial to prevent resurgence of war to ensure the viability of the two states.

IV. CONCLUSIONS AND RECOMMENDATIONS

4.1 **Conclusions:** South Sudan is faced with the daunting challenge of consolidating sustainable peace and stability to embark on the difficult task of State building with very unfavourable initial conditions, particularly in terms of capacity and basic infrastructure. The deadlock in the negotiations with Sudan and the shutdown of oil pipelines have had short-term negative impact on economic and social conditions and the country's drive for decent development.

4.2 The medium term prospects are favourable, given the recent agreements signed with Sudan and the expected the expected resumption of oil production and revenues. South Sudan will need to improve the management of oil resources, diversify its economy, promote inclusive growth, build the requisite institutional capacity, create internal cohesion and improve its relations with Sudan with whom it shares a common destiny.

4.3 Development partners and the Bank have a unique and unprecedented opportunity to draw lessons from the past and make the right coordinated choices and decisions in this new State in a relatively short time. The Bank strategy and program of activities articulated in this I-CSP aim to achieve this goal of state building through capacity building, aid coordination and infrastructure development. A coordinated and concerted effort is also required on the part of the international community to sustain efforts at peace and state building.

4.4 **Recommendation:** The Boards of Directors are invited to approve the Interim Country Strategy Paper (I-CSP) proposed for South Sudan covering the period 2012-2014.

Annex 1: CSP Results Framework Monitoring Matrix

	RBCSP Outcomes for the Country				Bank Operational Priorities and Performance		
	RBCSP Outcomes (Pillar) that the Bank expects to achieve through its interventions	**Indicators for monitoring achievement of RBCSP Outcomes**	**End of RBCSP Period Target (2014)**	**Achievement at end of RBCSP Period (2014)**	**Bank deliverables (outputs) from operations (projects and programs)**	**Number of Projects; Name of Project**	**Status of achievement of Bank deliverables at end of RBCSP period (% of achievement)**
CSP Pillar 1: State Building through Capacity and Infrastructure Developments (quick-win infrastructure projects)							
Transport	Improved access Reduced travel time Reduced transport cost Increased transport services Increased economic growth	Travelling time to main roads and seaports Travel time Transport fares for passengers and cost per ton-km Volume of passengers and goods transported GDP & household income	Reduction by 2% Reduction 40% Reduction by 5% Increase in average by 15% Average 5%	Reduced travelling time to main roads and seaports Reduced travel time on improved infrastructure Reduced transport costs Increased volume of passengers and goods transported Improved income	Construction of Juba-Torit-Kapoeta-Nadapal Road to paved standard (improve national connectivity, regional integration and access to Mombasa and Djibouti sea ports); Kapoeta-Boma road project study (improve national connectivity, regional integration and access to Djibouti sea ports)	Juba-Torit-Kapoeta-Nadapal Road project; Feasibility studies and detailed engineering design of Kapoeta-Boma;	10% 100%
Power sector	Improved access to electricity	Number of households connected to the grid	4% (access 2% in 2011)	13,000 new customers connected	Immediate support in generation, transmission and distribution system construction and rehabilitations of distribution system was identified	Rapid Fulla small Hydropower Project	20 %
	Increase installed capacity	Power supply capacity in MW	67% Capacity increase	Increased generation capacity by 40 MW	Transmission line construction	132 KV 70 km transmission line project	20%
	Reduced electricity costs	% decrease in end user electricity tariffs	5% reduction	Substitution of expensive diesel with cheaper hydro power	Increased transmission efficiency and and integration of Fula	Rapid Fulla small Hydropower Project	20%
	Increased in diversity of energy mix	% increase in renewable energy in the electricity system	20% increase from cleaner energy sources	Net avoided tons carbon emissions equivalent per year	Technical assistance for study for RE potential in South Sudan	Transaction Advisory services	40%
CSP Pillar 1: State Building through Capacity and Infrastructure Developments (capacity building in PFM and aid coordination)							

	RBCSP Outcomes for the Country				Bank Operational Priorities and Performance		
	RBCSP Outcomes (Pillar) that the Bank expects to achieve through its interventions	**Indicators for monitoring achievement of RBCSP Outcomes**	**End of RBCSP Period Target (2014)**	**Achievement at end of RBCSP Period (2014)**	**Bank deliverables (outputs) from operations (projects and programs)**	**Number of Projects; Name of Project**	**Status of achievement of Bank deliverables at end of RBCSP period (% of achievement)**
Technical assistance to the AUHIP	Conditions for sustainable peace and stability are created	- Signing of the Comprehensive Peace Agreement between Sudan and South Sudan - Framework for Implementation of Agreement established	- Comprehensive Agreement signed - Agreement implemented satisfactorily - Peaceful Sudan and South Sudan	- Reviews and Progress Report undertaken satisfactorily	- Technical Assistance to the AUHIP - Dialogue Activities with Sudan and South Sudan		100%
Building capacity in public financial management	Enhanced transparency and accountability in use of public finance management systems	- Aggregate revenue outturns compared to original approved budget -Stock and monitoring of expenditure payment arrears -Public access to key fiscal information -Effectiveness in collection of tax revenues	- At least 2 people from each of the government institutions within all 10 states enrolled by 2012 (620 people - 25% of women) - 20 civil servants (25% of women) obtaining certification in PFM	Improvement in public finance management, and resource mobilization	Capacity of the University of Juba strengthened to provide training to civil servants in PFM	Project support to the university of Juba	80%
Building capacity in aid coordination and management	Improved aid coordination and management	Meetings of the GRSS Donor Forum after the implementation of the South Sudan Aid Coordination Mechanism, 2011. -Roll out of the Aid Information Management system (AIMS). -% of staff in Aid Coordination and Management Unit (ACMU) with training in aid and debt management	At least four meetings of GRSS Donor Forum each years, starting 2013 - Four (4) rounds of aid reporting published in accessible format. -All 5 staff trained in aid and debt management and in the use in Aid management Information Systems (AIMS) - At least 96 man-months consultancy services provided	Training provided to Ministry of Finance and Economic Planning , internal audit, customs, accountant general and auditor general in PFM.	Capacity of Ministry of Finance and Economic Planning , internal audit, customs, accountant general and auditor general enhanced in PFM. The capacity of the aid coordination unit in the Ministry of Finance and Economic Planning enhanced.	Institutional support to public finance management and aid coordination (PFAID)	50%

	RBCSP Outcomes for the Country				Bank Operational Priorities and Performance		
	RBCSP Outcomes (Pillar) that the Bank expects to achieve through its interventions	**Indicators for monitoring achievement of RBCSP Outcomes**	**End of RBCSP Period Target (2014)**	**Achievement at end of RBCSP Period (2014)**	**Bank deliverables (outputs) from operations (projects and programs)**	**Number of Projects; Name of Project**	**Status of achievement of Bank deliverables at end of RBCSP period (% of achievement)**
CSP Pillar 1: State Building through Capacity and Infrastructure Developments (capacity building in infrastructure))							
Building capacity in infrastructure (ICT, transport, energy, water and sanitation)	Improved management and implementation of infrastructure projects	Improvement in the quality of infrastructure Infrastructure is well maintained.	Capacity building and TA provided to ministries and departments concerned with infrastructure	All infrastructure projects implemented as designed.	Pipeline developed in infrastructure, improved legal and regulatory capacity for PPP, in particular restructuring and strengthening the institutional framework of quasi-state enterprises on a pilot basis, capacity building and TA provided in project implementation support in line ministries, capacity building provided in infrastructure (energy, ICT, transport, water and sanitation) and cross cutting issues, including M&E.	Multi sector program of human and institutional capacity	50%

Annex 2: South Sudan :Selected Socio-economic Indicators				
Indicator	**South Sudan**	**Low Income Countries**	**Low middle Income Countries**	**Sub-Saharan Africa**
Population				
Population (millions)	8,615	2,352	2,475	743
Gross national income per capita	1,050	585	1,923	746
Population density (persons per sq.km	13	83	63	31
Incidence of poverty				
National average	50.6	-	-	41.1
Urban average	24.4	-	-	-
Rural average	55.4	-	-	-
Demographic indicators				
Total fertility (births per women)	6.2	3.6	2.1	5.3
Crude birth rate (per 1,000 people)	46	29	16	40
Crude death rate (per 1,000 people)	11	10	7	17
Life expectancy	59	59	71	47
Education				
Adult literacy rate				
Female	16	50	93	53
Male	40	71	85	70
Net primary enrolment ratio (%)	48	78	93	66
Ratio of girls to boys in primary school (%)	59	87	99	86
Students per teacher	52	42	22	48
Health Status				
Under-five mortality rate (per 1,000)	135	114	39	163
Infant mortality rate (per 1,000)	102	75	31	96
Underweight children under five years (%)	34	-	13	30
Maternal maternity rate (per 100,000 live births)	2,054	684	163	921
HIV/AIDS (%)	3.1			
Access to improved water and sanitation				
Percentage of population with access to improved water	31	75	82	56
Percentage of population with improved sanitation	15	38	57	37
Source: World bank, World Development Indicators, various issues, key indicators for South Sudan, February 2011.				

Annex 3
Donor Interventions in South Sudan- Commitments

	Accountability	Economic Functions	Education	Health	Infrastructure	Natural Resources	Public Administration	Rule of Law	Security	Social Humanitarian	Total
Bilateral	27	34	77	48	190	71	43	29	65	140	722
Australia		0.5									0.5
Bill Gates Foundation				1.5							1.5
Canada			0.8	4.1	1.4	3.3		0.9	1.0	7.1	18.6
Denmark				0.5						4.8	5.3
France			0.3	0.0	2.9	0.2					3.4
Germany					0.8	0.9	4.0		1.3	2.3	9.3
Italy			1.1								1.1
Japan	0.5		0.7	0.6	116.5	7.4	1.3				126.9
Netherlands		2.9			2.2	20.7					25.7
Norway	7.2	8.5	2.8	5.0		1.2				12.0	36.7
Spain			2.0			1.6					3.6
Sweden	0.5	2.9							1.8		5.2
Switzerland					1.1	0.4			0.0	0.8	2.3
UK	1.2		38.5	1.0		3.4	2.3	2.6		0.1	49.1
USA	17.2	18.9	30.3	35.3	65.1	32.3	35.5	25.3	60.6	112.5	433.0
Multilateral	16	14	27	72	40	86	55	35	17	91	453
African Development Bank	4.9	1.8					2.6				9.3
European Union	0.3		12.8	4.0	30.3	47.7	6.0	14.5	2.3	5.5	123.1
Global Fund				35.4							35.4
UN Development Programme	7.5	6.5				3.2	46.3	20.2	14.4	0.7	99.0
UN High Commissioner for Refugees								0.8		7.2	8.0
UN Population Fund	3.0			12.2						8.7	23.9
World Bank	0.1	5.4			9.5						15.0
World Food Programme			13.8	9.2		35.5				69.1	127.6
World Health Organization				11.2							11.2
Pooled Fund	4	0	8	50	55	9	5	8	1	5	144

Key: 0 . 5 : Commitments under USD 20m per Annum
21.0 : Commitments over USD 20 m per Annum

Annex 4: South Sudan: Progress Towards the Millennium Development Goals		
Goals	**Progress Made/Status**	**Comment**
Goal 1: Eradicate poverty and hunger	Chronic hunger was reduced from 48 to 33 per cent between 1995 and 2004. However 50.6 per cent of the population lives below the national poverty line.	50.6 per cent of the population lives below the national poverty line. The SSDP aims to reduce this to 46 per cent by 2013. One key initiative is social cash transfers, which the Government intends to provide to at least 20 per cent of households.
Goal 2: Achieve universal primary education	Net enrolment in primary school was 46 per cent in 2010, but far fewer children complete all eight years. The qualified teacher to children ratio stands at 1:117	The South Sudan Development Plan sets a target of 65 per cent enrolment in the next three years
Goal 3: Promote gender equality and empower women	Girls make up only 36.9 per cent of primary school enrolment (2009) and about 20 per cent more men than females were reported to be literate both amongst adults and youth. 34 per cent of all seats in the South Sudan Legislative Assembly are held by women, which should help ensure the promotion of gender equality in government policies	Getting girls into school not only improves their chances of securing livelihoods, but impacts on the health, nutrition and education of their children and can reduce early marriages and unsustainable population growth
Goal 4: Reduce child mortality	The under-five mortality rate decreased from 250 (per 1000 live births) in 2001 to 135 in 2006. Under the South Sudan Development Plan, the target is to reduce this rate by as much as 20 per cent in rural areas.	This priority will build on South Sudan's success to date in cutting the transmission of deadly diseases and expanding vaccination coverage. UNDP is providing support to health systems, including improvement of facilities, staff capacity and monitoring and evaluation systems
Goal 5: Improve maternal health	South Sudan has the highest maternal mortality rate in the world – 2,054 per 100,000 live births. This is an astronomical figure representing 1 in 7 chances of a woman dying during her lifetime from pregnancy related causes. Currently, there is only one qualified midwife per 30,000 people.	UNDP and UNFPA are supporting capacity building initiatives which include the deployment of international medical professionals to mentor and train midwives.
Goal 6: Combat HIV/AIDS, malaria and other diseases	Although there is limited information on HIV/AIDS in South Sudan, reports show yearly increases in the prevalence rate and limited knowledge among the population about prevention. HIV prevalence among population aged 15-24 years was 3.1 in 2006. In South Sudan, malaria is considered hyper-endemic	UNDP is managing the Global Fund for Aids, Tuberculosis and Malaria in South Sudan which is providing organizational and technical support including surveillance studies and prevention and treatment programs.
Goal 7: Ensure environmental sustainability	Access levels to safe water and sanitation rose from 47 per cent in 2006 to 67.7 per cent in 2010 and from 6.4 per cent in 2006 to 14.6 per cent in 2010 respectively	UNDP's new project, Protected Areas Network Management, will be helping to establish a network of protected areas to safeguard South Sudan's significant biodiversity
Goal 8: Develop a global partnership for development (access to foreign markets, debt relief and increased grant)	Progress on this goal will be crucial to reduce dependence on oil for foreign exchange and on imports for many basic necessities, to achieve debt relief and to improve access to foreign markets	

Annex 5: On-going Activities/Interventions in South Sudan			
Project/Activity	**Amount**	**Window or Source of Financing**	**Status**
Institutional Capacity Building Programme for Poverty Reduction and Good Governance (ICBPPRGG). Seventy per cent of project activities are concentrated in South Sudan. About 67% of the resources have been disbursed	UA9 million	ADF grant	Expected to be closed by December 2012.
Support to the preparation of the South Integrated Fiduciary Assessment (SSIFA). The Bank has provided USD72,000 to finance the cost of preparing the SSIFA	USD72,000	Enhanced Bank Group Strategic and Technical Engagement in Sudan	The SSIFA has been finalized
Assistance to the University of Juba to train civil servants in public finance management	USD482,350	Governance Trust Fund	Letter of Agreement has been signed in March 2012. Conditions for first disbursement have been met.
Support to the African Union High Level Implementation Panel (AUHIP)-The Bank has provided consultants to enhance the capacity of the AUHIP in advising on post-referendum issues such as debt, oil, currency and general economic framework	USD372,141	Enhanced Bank Group Strategic and Technical Engagement in Sudan	On-going
Support to the preparation of the National Development Plan-This includes provision of inputs into drafting and finalization of the SSDP and active participation in the conferences and consultations; advising on the identification and design and implementation of high priority programmes and projects; and developing an action plan form infrastructure development for the decade ahead using data and information from assessments.	Technical inputs and mission costs	Enhanced Bank Group Strategic and Technical Engagement in Sudan	The Plan has been finalized and it is being implemented though its implementation has been constrained by austerity measures arising from the closure of the oil pipelines.
Assessments in agriculture and infrastructure sub-sectors, followed by the preparation of the Infrastructure Action Plan (IAP)	USD321,000	Enhanced Strategic and Technical Engagement in Sudan	Assessments have been completed. A validation workshop was held in September 2011. A validation workshop on the infrastructure action plan was held in July 2012 and it is now being finalized now being finalized
Website for partnership and for capacity building		Technical Inputs	The website has been established and handed over to the GRSS.
A series of analytical studies are being undertaken including Poverty Situation and Prospects in South Sudan: Investing in Education and Non-Oil Activities, political economy analysis, poverty and inequality analysis, cross border trade and regional integration.	USD312,000	Enhanced Strategic and Technical Engagement in Sudan	On-going
Establishment of a CV Registry on South Sudanese in the diaspora	Technical inputs	N/A	The registry has been established to attract South Sudanese in the diaspora to come back and work for the government

Annex 6: Potential Non Lending Program			
	Name of Activity	**Description**	**Estimated Cost**
Transport	i) Multinational: Kapoeta-Boma-Raad (≈ 270 km) road; missing link of the Djibouti Corridor **ii)** Transport Master Plan iii) Juba-Mundri-Yambio (420 km) iv) TA & capacity building	i) Feasibility and detailed engineering design, OSBP and trade and transport facilitation studies **ii)** National Transport Master Plan iii) Feasibility and detailed engineering design of Juba-Mundri-Yambio (420 km) iv) TA & capacity building for South Sudan Roads Authority (SSRA) and South Sudan Civil Aviation Authority (SSCA)	i) USD2m ii) USD2m iii) USD5m iv) USD1.5m
Water & Sanitation	i) Rural Water schemes for Conflict resolution operation (design studies & capacity building ii) Water supply schemes and sanitation for emerging towns. iii) Institutional support	i) Feasibility study and detailed designs, O & M framework, hygiene and sanitation promotion ii) Strategic plan, feasibility study and detailed design **iii)** Donor coordination for the sector (TA), institutional restructuring, support to M & E, and support to sector NGO coordination.	I) USD 2.2m ii) USD2.8m iii) USD1.2m
ICT	**i)** Institutional and capacity building support to Ministry of Telecommunications & Postal services ii) ICT Capacity Building in selected core Ministries	i) Establishment of a regulatory regime TA & capacity building) ii) Feasibility study on ICT skills needs and capacity building	i) USD1.3m ii) USD0.2 m
Regional Integration	Diagnostic Study on Regional Integration and Trade	Establishment of a trade capacity building work program aimed at strengthening human and institutional capacity on regional integration and trade	USD1.5 m
Private Sector	i) PPP Policy and Governance ii) Strengthening power and telecom State-corporations iii) Creation of an ICT backbone trust fund	i) PPP unit in charge of policy formulation, detailed planning, legislation and regulation drafting, project promotion and resource coordination ii) Reinforcement of the State quasi-corporations in charge of utilities (legal, financial, governance) in order to position these corporations as trusted business partners for the private sector iii) An 'ICT backbone trust fund' that would finance the deployment of an optic fibre network along the roads that are currently under construction	i) USD1.5 m ii) USD3m iii) TBD

Annex 7: References

Abebe Shimeles and Audrey Verdier –Chouchane, Poverty Situation and Prospects in South Sudan: Investing in Education and Non-Oil Activities

A study on South Sudan's competitiveness and an assessment of the country's cross border trade with neighbouring countries, July 2012

Ben Leo, Economic Implications and Challenges of South Sudanese Secession, Centre for Global Development

Proposal for Establishing a Field Office in South Sudan, African Development Bank, December 2012

South Sudan Medium Term Capacity Development Strategy, May 2011.

South Sudan, Core Governance Functions

South Sudan National Development Plan, 2011-2013

South Sudan Growth Strategy, 2010-2012.

South Sudan, Country Governance Profile, 2010

South Sudan Infrastructure Action Plan, African Development Bank, July 2012

Sudan Country Brief, 2010/2011, African Development Bank

Sudan, Information Note, February 2011African Development Bank.

Sudan: Addendum to the Country Brief, 2010-2011, African Development Bank

Sudan and South Sudan: Macroeconomic Prospects for Economic Cooperation, December 2011. African Development Bank,

The Political Economy of South Sudan: A Scoping Analytical Study, OSFU, African Development Bank, October 2011

United Nations Development Assistance Framework, South Sudan, January 2012.

.

Annex 8: Map of South Sudan