

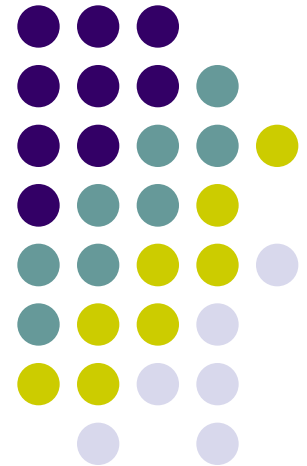
FIGHTING CORRUPTION IN A FRAGILE STATE

THE AFRICAN DEVELOPMENT BANK'S EXPERIENCE IN
SOUTHERN SUDAN

DAC CONFERENCE ON ADDRESSING CORRUPTION IN
FRAGILE STATES

Presentation by Damoni Kitabire
Lead Economist, Governance and Financial Management Department, AfDB

17th October 2007



INTRODUCTION



- ❖ THE CPA, SIGNED JANUARY 2005, ENDED 20 YEARS OF WAR BETWEEN THE DOMINANTLY ARAB NORTH AND BLACK AFRICAN/CHRISTIAN SOUTH
- ❖ THE PEACE AGREEMENT LAID DOWN WEALTH AND POWER SHARING ARRANGEMENTS BETWEEN THE NATIONAL GOVERNMENT AND THE SEMI-AUTONOMOUS GOVERNMENT OF SOUTHERN SUDAN (GOSS).
- ❖ GOSS HAD ACCESS TO SIGNIFICANT REVENUES (\$1BN+ PER ANNUM) FROM OIL FROM DAY ONE
- ❖ THE CPA ALSO PROVIDES FOR A REFERENDUM IN 2011, IN WHICH THE SOUTHERNERS CAN VOTE FOR SELF-DETERMINATION

GOVERNANCE ENVIRONMENT

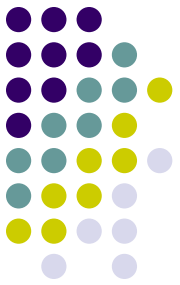


❖ ABSENCE OF A LEGAL FRAMEWORK

- PFM LAW
- PROCUREMENT LAW
- REVENUE LAW
- ETC

❖ GOSS INDICATED THAT IN THE ABSENCE OF NEW LAWS, ‘EXISTING LAWS’ WOULD APPLY, BUT THERE WAS LACK OF CLARITY – SPLM LAWS, SHARIA LAWS, OLD COLONIAL LAWS ARE ALL STILL IN EXISTENCE

CAPACITY CONSTRAINT



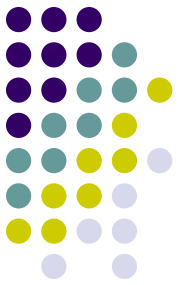
- ❖ THE GOVERNMENT OF SOUTHERN SUDAN HAD TO START ITSELF FROM SCRATCH
- ❖ APPOINTMENTS BEGAN FROM THE TOP DOWN, WITH MINISTERS FIRST, FOLLOWED BY UNDER SECRETARIES
- ❖ DIRECTORS WERE ONLY APPOINTED AFTER A YEAR
- ❖ WEAK CAPACITY FOR PLANNING
- ❖ EVEN WEAKER CAPACITY FOR BUDGET PREPARATION AND EXECUTION
- ❖ NO AUDIT CAPACITY
- ❖ GENERAL ADMINISTRATIVE SYSTEMS ABSENT

RESULTS



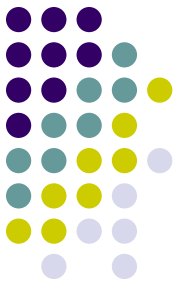
- ❖ LARGEST PORTION OF THE BUDGET ALLOCATED TO THE ARMY
- ❖ MINIMAL ADHERENCE TO PROCUREMENT PROCEDURES
- ❖ ZERO ADHERENCE TO THE FEW EXTANT PROVISIONS IN THE CONSTITUTION ON PFM
- ❖ VERY LARGE LAGS IN PRODUCTION OF DATA ON EXPENDITURE
- ❖ COMPLICATIONS OF EXPENDITURE MANAGEMENT IN A FEDERAL SYSTEM (EVEN LESS FM CAPACITY AT STATE LEVEL THAN AT GOSS LEVEL)

OUTCOMES IN 2006



- ❖ LARGE SOLE SOURCE CONTRACTS
- ❖ LARGE CONTRACTS OUTSIDE OF THE BUDGET
- ❖ POSSIBLE GHOST WORKERS
- ❖ GOVT OFFICIALS AND MINISTERS ACTING AS SUPPLIERS TO GOVT
- ❖ SELF-AWARDED ALLOWANCES BY SOME SPENDING AGENCIES
- ❖ OVER \$200M SPENT ON VEHICLES
- ❖ CHRONIC RUNDOWN OF THE RESERVE
- ❖ HUGE UNATTRIBUTED EXPENDITURES
- ❖ NO SOLID DATA ON EXPENDITURE UNTIL 2007
- ❖ NO SUBMISSION OF ACCOUNTABILITIES

PRESIDENTIAL DIRECTIVES



- SENIOR OFFICIALS OF THE MINISTRY OF FINANCE SUSPENDED, INVESTIGATED & CHARGED
- MINISTER OF FINANCE DISMISSED
- COMMITTEE ESTABLISHED TO REVIEW 2006 CONTRACTS
- COMMITTEE REPORT NOW FINALISED, BUT FINDINGS NOT MADE PUBLIC

DEVELOPMENTS IN 2007



- ❖ ATTEMPTS TO DRAFT PFM ACT, IMPROVE PAYMENT PROCEDURES, CHECK PAYROLLS, AND BAN SUPPLIERS FROM HAVING ACCESS TO MOFEP,
- ❖ LAG IN EXPENDITURE DATA STILL TOO GREAT TO TRACK EXPENDITURES PROPERLY
- ❖ POLITICAL DIRECTIVES ON SPENDING CONTINUE
- ❖ SPENDING APPROVALS ARE STILL MADE AT POLITICAL, RATHER THAN TECHNICAL LEVEL
- ❖ CONTINUING LACK OF TRANSPARENCY IN PAYMENT PRIORITISATION, CASH MANAGEMENT & BANKING
- ❖ BUDGET EXECUTION VERY WEAK
- ❖ NO SUBMISSION OF ACCOUNTABILITIES

ASSISTANCE



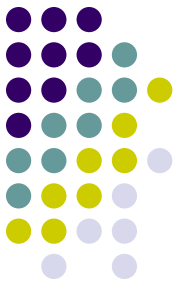
- ❖ CAPACITY ISSUE PARAMOUNT – WEAKNESSES ARE BOTH AT POLITICAL & TECHNICAL LEVEL
- ❖ AFDB INVOLVED IN THE DRAFTING OF THE PFM ACT
- ❖ OTHER LAWS BEING DRAFTED (PUBLIC SERVICE, REVENUE ETC)
- ❖ PROCUREMENT CONTRACTED TO CROWN AGENTS, ACCOUNTING TO KPMG, AUDIT TO PFK
- ❖ UNDP HELPING WITH PLANNING & BUDGETING
- ❖ WB & USAID HELPING WITH PUBLIC FINANCIAL MANAGEMENT

REFLECTIONS



- LEGAL FRAMEWORKS ARE ONLY OF USE IF THEY ARE APPLIED PROPERLY, THEREFORE CAPACITY BUILDING IS PARAMOUNT
- CAPACITY BUILDING PERHAPS MOST IMPORTANT AT POLITICAL LEVEL? POLITICAL DIRECTIVES WHICH OVERRIDE LEGAL FRAMEWORKS CAN CONTINUE TO UNDERMINE TECHNICAL EXECUTION OF PFM
- CONTRACTING-IN CAPACITY (PROCUREMENT, ACCOUNTING, AUDIT) IS USEFUL, BUT NOT A MAGIC SOLUTION
- PROBLEMS IN TIMELY EXPENDITURE TRACKING HAVE PERSISTED EVEN THOUGH KPMG IS MANAGING GOSS ACCOUNTS, AS THE CONTRACT WAS TOO NARROWLY DEFINED TO MEET GOSS NEEDS (GOSS DID NOT HAVE THE CAPACITY TO KNOW WHAT IT NEEDED..)
- CROWN AGENTS CAN PROCURE ON BEHALF OF GOSS, BUT CANNOT BE RESPONSIBLE FOR INSTILLING COMMITMENT CONTROL – THIS IS A GOSS FUNCTION, AND ITS IMPORTANCE IS NOT YET FULLY UNDERSTOOD

CONCLUSION



- COMBINATION OF WEAK/NON-EXISTENCE CAPACITY, ABSENCE OF LEGAL FRAMEWORKS AND SUBSTANTIAL INFLOW OF MONEY (\$1BN+ PER ANNUM) PROVIDES AN ENABLING ENVIRONMENT FOR CORRUPTION
- (MIS)APPROPRIATION OF FUNDS MAY BE SEEN AS AN ‘ENTITLEMENT’ BY THOSE WHO STRUGGLED FOR 20 YEARS (‘PAY-BACK’)
- ‘CONFLICT OF INTEREST’ MAY NOT EVEN BE PERCEIVED AS A PROBLEM
- RATIONALE FOR COMPETITIVE PROCUREMENT, AS OPPOSED TO SOLE-SOURCE DEALS, IS NOT YET ACCEPTED/UNDERSTOOD IN MANY QUARTERS
- **OUTCOME:** A FEW BENEFIT, SERVICE DELIVERY SUFFERS, AND ULTIMATELY, CAPACITY TO IMPLEMENT THE CPA IS UNDERMINED
- **KEY QUESTION:** DOES GOSS HAVE THE POLITICAL WILL/COMMITMENT/CAPACITY TO UNDERSTAND AND COMBAT CORRUPTION?