

Development Initiatives: Africa Hub

South Sudan

Resources for poverty eradication:
A background paper

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November 2012

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Overview

This paper provides a general background on resources for poverty eradication in South Sudan. Specifically, it documents and analyses the Government of South Sudan's public expenditure and donor contributions to the education, health and agriculture sectors between 2006 and 2011. A better understanding of these resource flows will provide useful evidence to inform policy on the key priorities for poverty eradication in the country. This paper may be used by a wide range of stakeholders, including:

- Public officials, particularly those who are involved in resource allocation planning and tracking;
- Civil society organisations (CSOs) that are engaged in and advocate for better resource allocation;
- Organisations and individuals seeking accountability from their governments;
- Academics and researchers who wish to have a more detailed understanding of South Sudan's resource flows.

Due to significant limitations in both national and global financial information for the country, the analysis is based on raw data extracted from annual budgets and donor books acquired from the Ministry of Finance and the National Bureau of Statistics in South Sudan, as well as data from the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) and the African Development Indicators.

Box 1: South Sudan – quick facts

Population:	8.26 million – 48% female, 52% male (estimated 10.6 million in 2012)
Population density:	13/sq km
Population growth:	2.9%
GDP (2010):	US\$13.2 billion
GDP per capita (2010):	US\$1,546
GNI (2010):	US\$8.4 billion
GNI per capita:	US\$984
Poverty:	51% (national poverty line 2009)
Adult literacy:	27%
Infant mortality:	102/1,000 live births
Maternal mortality:	2,054/100,000 live births
Life expectancy:	42 years

Source: Development Initiatives based on GoSS Statistical Yearbooks 2009, 2010

Background

After decades of protracted civil war, South Sudan was declared independent from the Republic of Sudan on 9 July 2011 and became the world's newest nation, with a population of approximately 8.3 million people.¹ Its economy is largely under-developed, vulnerable to external shocks and overly dependent on oil revenues. For example, in 2010 trade in oil contributed nearly 100% of its gross domestic product

¹ It should be noted that a large proportion of the population of South Sudan are still refugees living in other countries. The population was estimated to have expanded to 10.6 million by July 2012 due to the return of refugees.

(GDP). The economy increasingly relies on imports of goods, services and capital (imports were 40% the value of GDP in 2010). Industry and infrastructure are largely under-developed and markets are not well organised.

Despite South Sudan having the highest GDP and gross national income (GNI) per capita in East Africa, more than half of its population is considered poor. According to the National Household Baseline Survey² conducted in 2009, approximately 4.2 million people, or 50.6% of the population (most of them women), live on less than US\$28 per month (the national poverty line). While this could imply that a large proportion of income is repatriated outside the country, it also gives an indication of the high levels of inequality that exist, with a large amount of income going to a small proportion of the population.

Summary of key findings

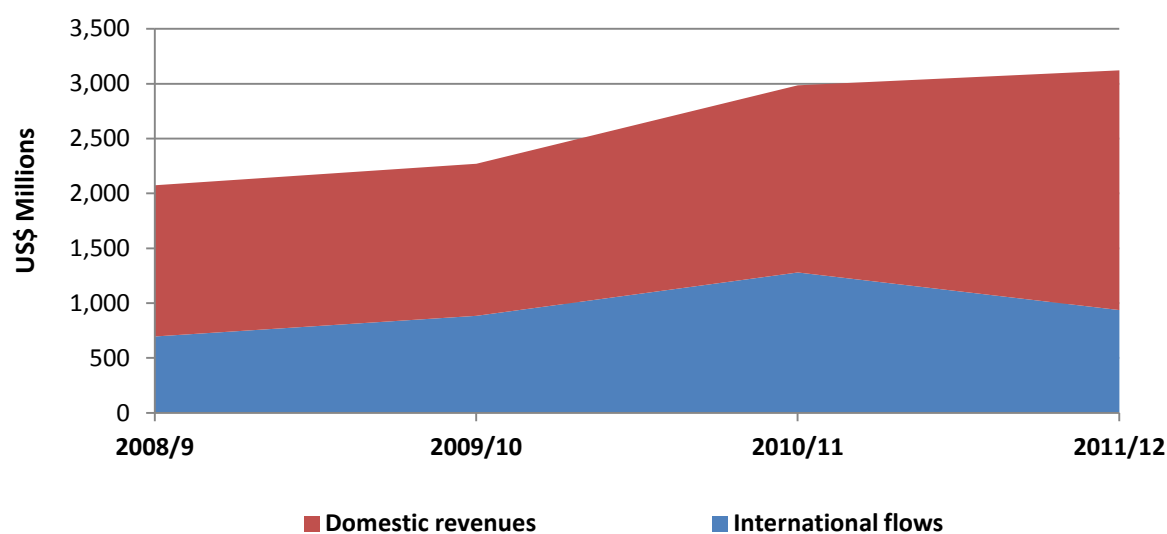
Since the signing of the Comprehensive Peace Agreement (CPA) in 2005, public expenditure in South Sudan has increased significantly. This is attributable mainly to the growth in state revenues accrued from the increasing exploitation of the country's vast oil reserves. However, this increase in revenues has not resulted in significant progress in human development indices, poverty reduction or overall economic growth. GDP growth still fluctuates and a large proportion of the population is still classed as poor. More specifically, analysis of public expenditure reveals four findings:

1. Expanding public revenues and spending trajectories;
2. Acute dependence on oil with ramifications for taxation and fiscal sustainability;
3. Under-funding of sectors considered to be pro-poor;
4. Challenges around harmonisation and alignment of resources to expenditure priorities.

1. Expanding public revenues and spending trajectories

Figure 1 shows the flow of domestic and external resources in South Sudan between 2008 and 2012. Over this period, both domestic and external resources steadily grew. Total revenues increased by 50%, from US\$2.08 billion in 2008 to US\$3.1 billion in 2011. Public spending increased in a similar fashion: the average total spending of domestic resources as a percentage of the country's GDP was 12.0% over the same period; however, it increased by 32% from 11.2% in 2008 to 14.8% in 2010.

² <http://ssnbs.org/publications/national-baseline-household-survey-2009.html>

Figure 1: Foreign aid (commitments) and domestic revenues

Source: Development Initiatives based on GoSS annual budgets and donor books

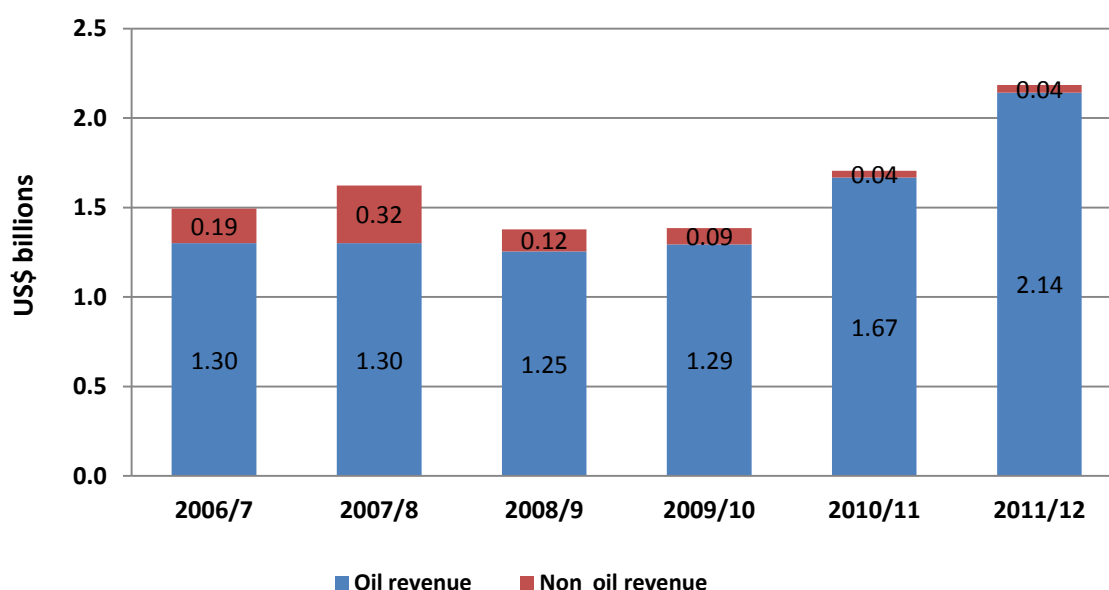
2. Acute dependence on oil with ramifications for taxation and fiscal sustainability

Between 2006 and 2011 South Sudan derived about 97.8% of its annual revenues from oil exploitation; despite efforts to generate more non-oil revenues through the improvement of the existing tax regime (see Figure 2). On average, tax and other non-oil revenues as a proportion of total national revenue were only about 2.6% in South Sudan, compared with 13.4% in Rwanda, 13.0% in Uganda and 17.2% in Kenya over the same period.

The dependence on oil has resulted in a less diverse economy, which is increasingly dependent on imports and vulnerable to external shocks due to volatile oil markets. This has severe implications for longer-term growth and public spending. Moreover, with over US\$4 billion worth of aid commitments and more than 97% of state revenues derived from oil, there is compelling evidence that abundant oil revenues, coupled with aid, could be impinging on domestic tax collection. Reliance on oil revenues could be undermining sound macro-economic management and effective institutional tax mechanisms, resulting in the country falling victim to the 'natural resource curse'.³

³ The term 'resource curse' refers to countries and regions with abundant natural resources but lower economic growth and development than peers that possess no or fewer natural resources. See Auty, R.M. (1994) 'Industrial policy reform in six large newly industrializing countries: The Resource Curse Thesis', *World Development*, Vol 22:1, January 1994, pp.11-26.

Figure 2: South Sudan domestic revenues



Source: Development Initiatives based on South Sudan National Bureau of Statistics

3. Under-funding of sectors considered to be pro-poor

While government revenues and expenditure have steadily expanded, investments in pro-poor sectors such as agriculture, health and education have not been commensurate. Between 2008 and 2012 state revenues expanded by 17.2%, yet total expenditure on agriculture, health and education as a proportion of total spending grew by only 11.7%. Collectively, agriculture, health and education received only 12.5% of total average spending, compared with security, which received 28.2%, infrastructure 16.9%, public administration 11.5% and justice, law and order 11.4%. Expenditure in all three sectors fell short of international standards and targets set by peer states. The unequal distribution of funds towards pro-poor sectors demonstrates challenges in terms of the prioritisation of resources. It could also be an indication that the GoSS is managing an already overstretched budget and experiencing challenges in balancing resource demands for state building with funding for poverty-related activities.

Figure 3: Education, health and agriculture expenditure

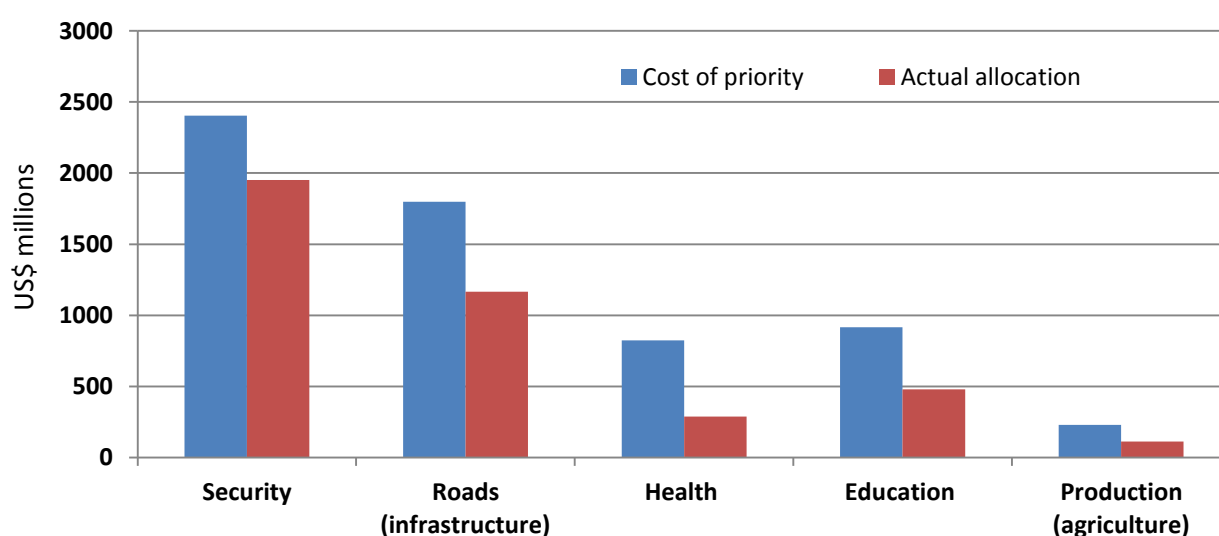


Source: Development Initiatives based on South Sudan National Bureau of Statistics

4. Challenges around harmonisation and alignment of resources to expenditure priorities

There are significant challenges around aligning resources with expenditure priorities. Budget allocations do not sufficiently reflect identified priorities, and donor commitments are not synchronised with these priorities (see Box 2: Government of South Sudan Expenditure Priorities, 2008–2011). For example, the education and health sectors, which are considered priority expenditure areas, received lower proportions of total spending (6.9% and 4.2% respectively) than public administration (11.5%) and rule of law (11.4%), which were not identified as priority sectors. The three sectors that received the largest proportions of official development assistance (ODA) were health (23.0%), social and humanitarian affairs (19.5%) and infrastructure (15.6%), whereas the top three budget sectors were security (28%), infrastructure (16.9%) and public administration (11.5%). This indicates a lack of harmonisation between the GoSS's expenditure priorities and those of donors.

Figure 4: Estimated cost of funding priority expenditures vs actual allocations



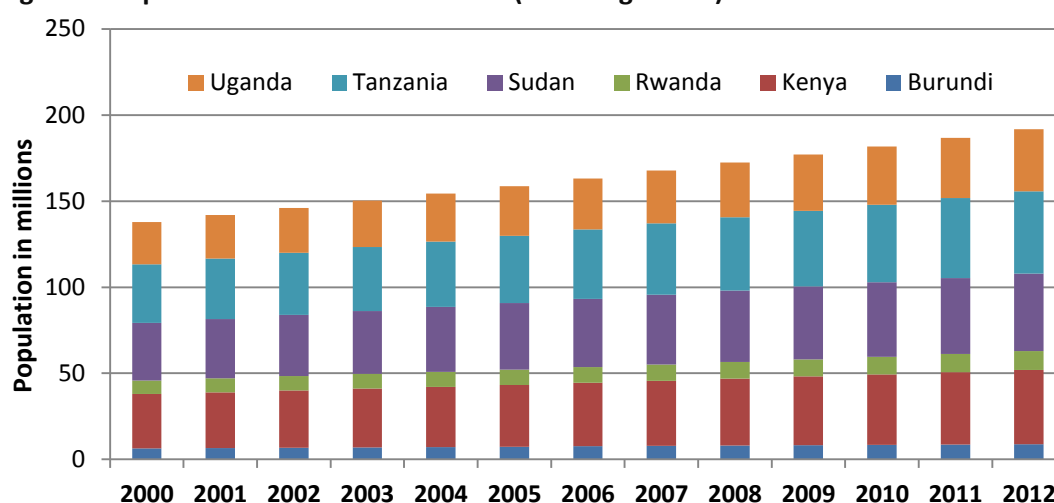
Source: Development Initiatives based on South Sudan National Bureau of Statistics, Ministry of Finance

Overall, the analysis in this paper indicates that different sources of funding (both national budgets and aid) are not sufficiently aligned to expenditure priorities, and are therefore probably not effectively addressing poverty issues.

Poverty indicators

Population

Figure 5: Population of East African states (including Sudan)



Source: Development Initiatives based on UNDESA

According to the fifth Sudan Population and Housing Census⁴ carried out in 2008, the population of South Sudan is approximately 8.3 million, of whom 4.0 million (48.2%) are female and 4.3 million (51.8%) are male. The majority of people live in rural areas, with only 17% (about 1.4 million) living in urban areas. Annual population growth stands at 2.9% and population density remains the lowest in East Africa – 13 people per square kilometre. About 72% of the population is aged below 30 years – 51% under 18 and 30% under ten. Therefore a large proportion of South Sudanese people are young, live in rural areas and are poor. Through the restoration of peace and improved development indicators, the population is likely to increase with the return of refugees and improvements in fertility and life expectancy. An increase in population will result in an increased demand for extra resources to deliver public goods, especially in rural South Sudan.

Table 1: Sub-national population breakdown

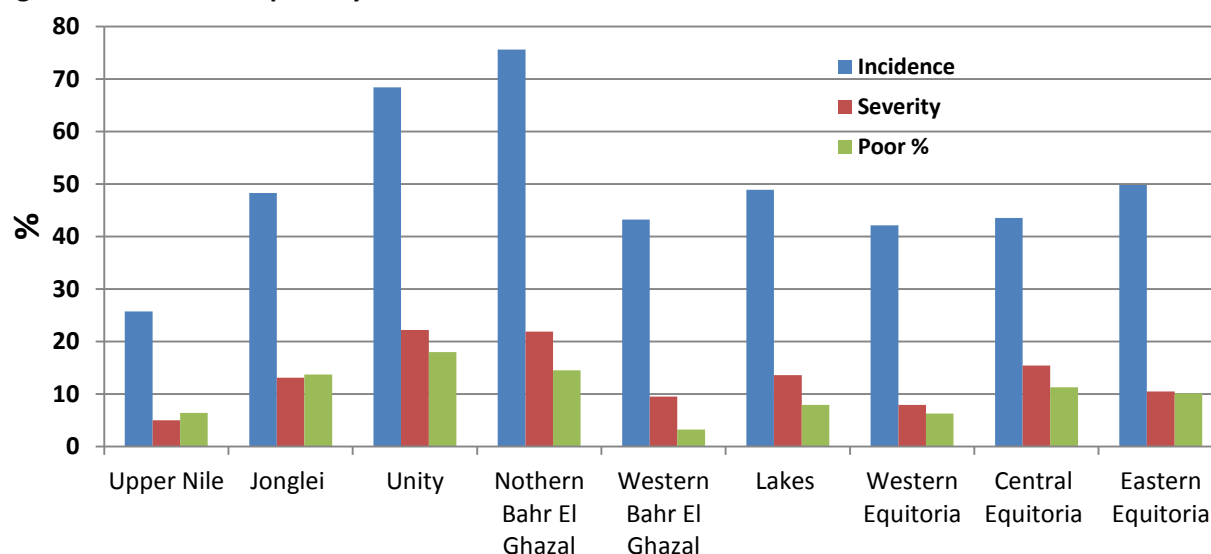
State	Urban	Rural	Total	Area (sq km)	Density %
South Sudan	1,405,186	6,855,304	8,260,490		13
Upper Nile	243,976	720,377	964,353	77,283	12
Jonglei	129,341	1,229,261	1,358,602	122,581	11
Unity	120,790	465,011	585,801	37,837	15
Warrap	84,887	888,041	972,928	45,567	21
Northern Bahr El Ghazal	55,398	665,500	720,898	30,543	24
Western Bahr El Ghazal	142,945	190,486	333,431	91,076	4
Lakes	65,033	630,697	695,730	43,595	16
Western Equatoria	100,034	518,995	619,029	79,343	8
Central Equatoria	382,362	721,195	1,103,557	43,033	26
Eastern Equatoria	80,420	825,741	906,161	73,472	12

Source: Development Initiatives based on GoSS annual budgets

⁴ http://southsudaninfo.net/wp-content/uploads/reference_library/reports/5th_sudan_census26_april_2009.pdf

Poverty and inequality

Figure 6: Sub-national poverty indices



Source: Development Initiatives based on South Sudan National Bureau of Statistics

According to the National Household Baseline Survey⁵ of 2009, more than half of the population of South Sudan is considered to be poor (50.6%), with women accounting for 51.6% of people who fall below the national poverty line of US\$28 per month. Nine out of ten poor people live in rural areas, which is significant given that 24.4% of urban but 55.4% of rural populations are considered poor. Poverty incidences vary across states: only a quarter of the population in Upper Nile are considered poor, compared with three-quarters in Northern Bahr El Ghazal. Children and elderly people have slightly higher indices of being poor.

Table 2: Sub-national poverty indices

	Incidence	Poverty Gap	Poverty Severity	Proportion of total population (%)	Proportion of total Poor %
South Sudan	50.6	23.7	14.3	100	100
Urban	24.4	8.8	4.6	15.6	7.5
Rural	55.4	26.5	16.1	84.4	92.5
Upper Nile	25.7	9.8	5.0	12.6	6.4
Jonglei	48.3	22.2	13.1	14.3	13.7
Unity	68.4	34.6	21.7	6.4	8.7
Warrap	64.2	34.1	22.2	14.2	18
Northern Bahr El Ghazal	75.6	36.8	21.9	9.7	14.5
Western Bahr El Ghazal	43.2	17.6	9.5	3.7	3.2
Lakes	48.9	22.6	13.6	8.1	7.9
Western Equatoria	42.1	15.5	7.9	7.6	6.3
Central Equatoria	43.5	22.5	15.4	13.1	11.3
Eastern Equatoria	49.8	19.8	10.5	10.2	10.1

Source: Development Initiatives based on South Sudan National Bureau of Statistics

⁵ <http://ssnbs.org/publications/national-baseline-household-survey-2009.html>

Inequality

Inequalities in income are high in South Sudan. The Gini co-efficient, a measure used to estimate inequality, is estimated at 45.5, illustrating a significant gap in consumption between those classed as poor and non-poor. The National Household Baseline Survey⁶ of 2009 indicates that consumption per person in the uppermost 90th deciles of the population was more than ten times that in the lowermost 10th deciles and that the average consumption of poor people was about 25% that of the non-poor. There also exist significant developmental disparities between urban and rural areas that are continuing to drive a shift of populations to urban areas and growth in the informal sector. While informal sector growth is crucial for the creation of employment and overall growth, this shift could be depriving rural areas of productive human capital and exacerbating poverty.

Table 3: Poverty indices in East Africa, 2009

Country	Life expectancy (years)	Under-five mortality rate (per 1,000 live births)	Adult literacy rate (% aged 15 and above)	Maternal mortality (per 100,000 live births)	Population below NPL
Kenya	54	52	62%	410	45.9
Tanzania	55	51	70%	454	33.4
Uganda	50	76	73%	435	24.5
Burundi	49	106	47%	866	66.9
Rwanda	52	62	77%	750	58.5
South Sudan	42	102	27%	2,054	50.6

Sources: Development Initiatives based on World Development Indicators (WDIs); South Sudan National Bureau of Statistics

While South Sudan does not yet feature in the UNDP's Human Development Index,⁷ the Household Health Survey (2006) and National Household Baseline Survey (2009) give an indication of trends in human development in the country. In 2009, infant mortality rates were 102 out of 1,000 live births, down from 131 in 2008, and lower than rates for Burundi (106). Under-five mortality rates dropped from 381 to 135 per 1,000 live births in the same period. These improvements could be attributable to a slight increase in expenditure in primary health care and the return of peace after the signing of the CPA. However, in 2009 maternal mortality was the highest in the world at 2,054 per 100,000 live births, and life expectancy was the lowest in East Africa at 42 years. Education and literacy levels were very low: only 27% of people over 15 years old were considered literate (compared with 77% in Rwanda, 73% in Uganda, 70% in Tanzania, 62% in Kenya and 47% in Burundi). Only 37% of the total population above six years old had attended school and the net enrolment rate was just 48%. These trends can be attributed to the long period of war, during which delivery of public goods and services was severely constrained. The indicators provide evidence for increasing ODA and domestic resource allocations to the health and education sectors.

⁶ <http://ssnbs.org/publications/national-baseline-household-survey-2009.html>

⁷ South Sudan is a newly formed state and there is limited disaggregated data in Sudan data.

Table 4: Poverty indicators in East Africa, 2011

Country/ region	Life expectancy at birth	Under-five mortality rate	Maternal mortality	Proportion of stunted children	Adult literacy rate	Access to improved water	GNI per capita	% Population below NPL		Human Development Index (HDI)		Multidimensional Poverty Index (MPI)	
	Years	(per 1,000 live births)*	(per 100,000 live births)**	(% of population)*	(% 15+)**	(% of population)**	(constant 2005 PPP US\$)	PPP US\$1.25 a day	NPL	Value	Rank	Value	% of population in multi-dimensional poverty
Kenya	57.1	84	488*	35.8	87.0	59	1,492	19.7	45.9	0.509	143	0.229	47.8
Tanzania	58.2	108	450	44.4	72.9	53	1,328	67.97	33.4	0.466	152	0.367	65.2
Uganda	54.1	128	98.9	38.7	73.	53.6	1,124	28.7	24.5	0.446	161	0.367	72.3
Rwanda	55.4	111	340 [#]	51.7	70.7	65	1,133	76.8	58.5	0.429	166	0.426	80.2
Burundi	50.4	166	800 [#]	63.1	66.56	72	368	81.3	66.9	0.316	185	0.53	84.5
South Sudan	42.0*	102*	2,054*	–	27.0*	55*	984**	–	51.0*	–	–	–	–
Ethiopia	59.3	104	350 [#]	50.7	29.8	44	971	39.0	38.9	0.363	174	0.56	88.6
Sub-Saharan Africa	54.4	129	500 [#]	42.9	61.6	61.1	1,966	–	–	0.463	–	–	–
World	69.8	58	210 [#]	–	80.9	88.4	10,082	–	–	0.682	–	–	–

Sources: Development Initiatives based on Human Development Report (HDR) (2011); WDI (2011)

* 2009 indicators

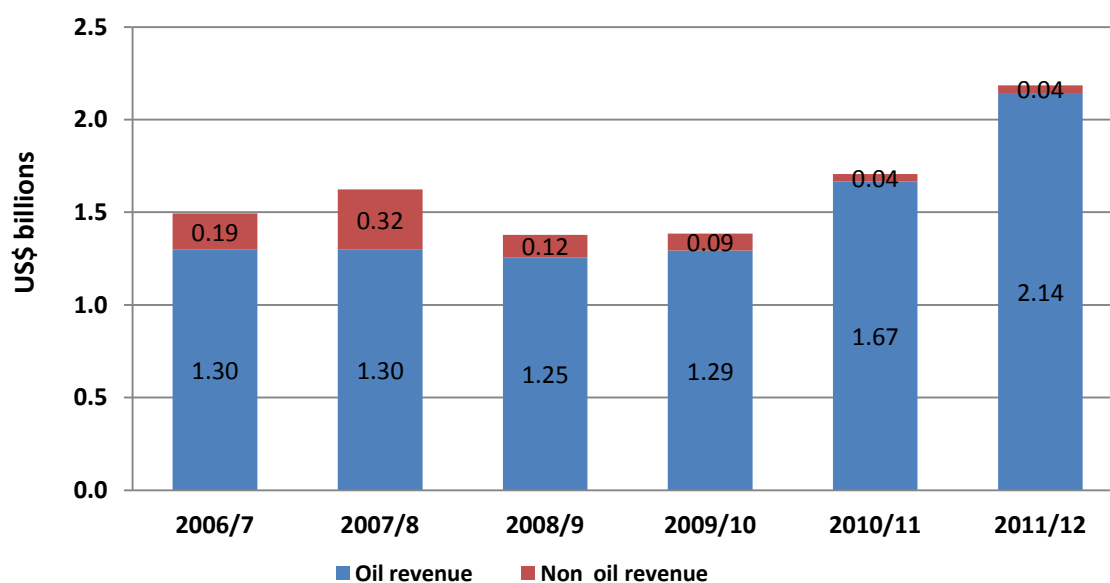
** 2010 indicators

[#] WDI modelled estimates.

Domestic resource flows

South Sudan has the fifth largest oil reserves in Africa, and the government draws a significant proportion of its revenue from oil exploitation. In 2010, while oil contributed about 97.8% of total state revenues, the share of tax and other non-oil revenues represented less than 2.3%. This compared with 13.4% tax contribution in Rwanda, 13.0% in Uganda and 17.2% in Kenya. As shown in Figure 7, the South Sudan economy is largely dependent on oil which has increased its vulnerability to external shocks transmitted by global oil markets.

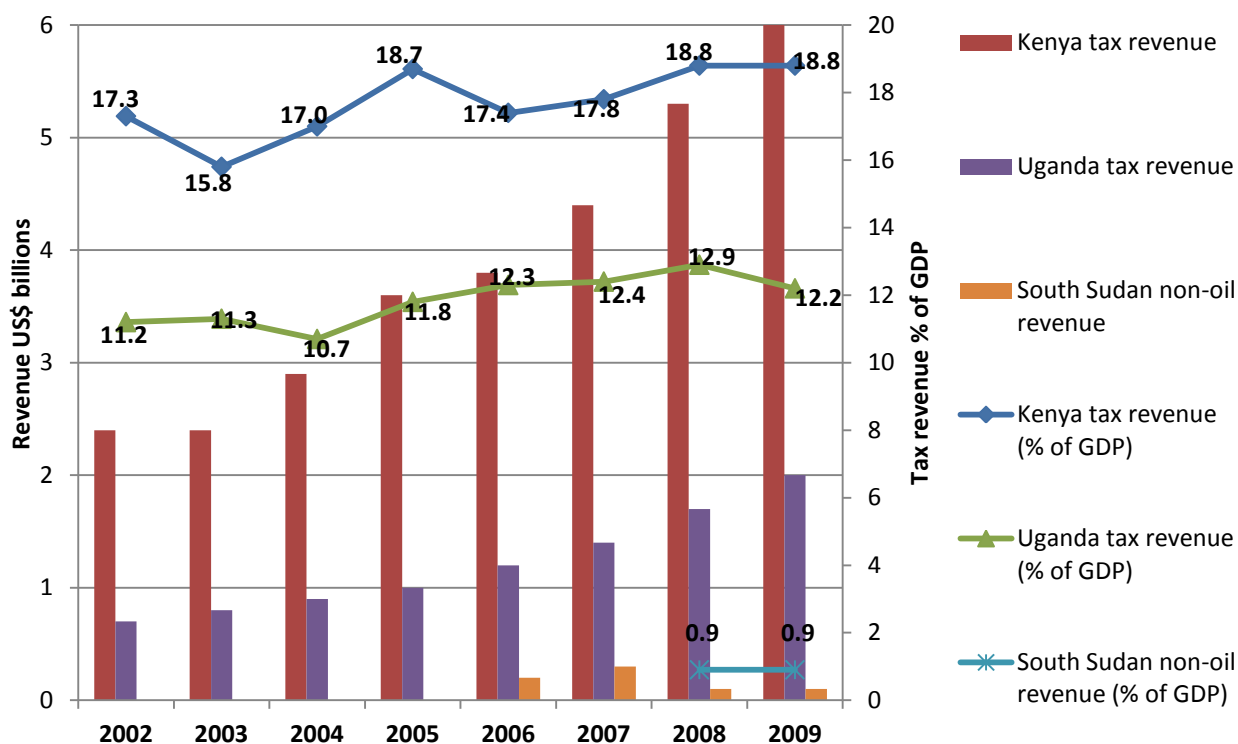
Figure 7: South Sudan domestic revenues



Source: Development Initiatives based on South Sudan National Bureau of Statistics

In 2006 oil revenues accounted for about 86% of total GoSS revenues; this fell to 80% in 2007 but then grew to 91% in 2008 and 93% in 2009, peaking at 98% in 2011. This increasing dominance of oil in the economy, despite its exhaustibility, poses significant challenges to macro-economic stability for South Sudan. So far, it has rendered the economy less diversified, increasingly dependent on imports (imports in 2010 were 40% the value of GDP) and vulnerable to volatile international markets. In fact, the International Monetary Fund has already projected that oil production will decrease by 10% by 2019, and that by 2029 around 50% of oil resources will be depleted if no new reserves are discovered.

Figure 8: Tax revenues – Kenya, Uganda and South Sudan, 2002–2009

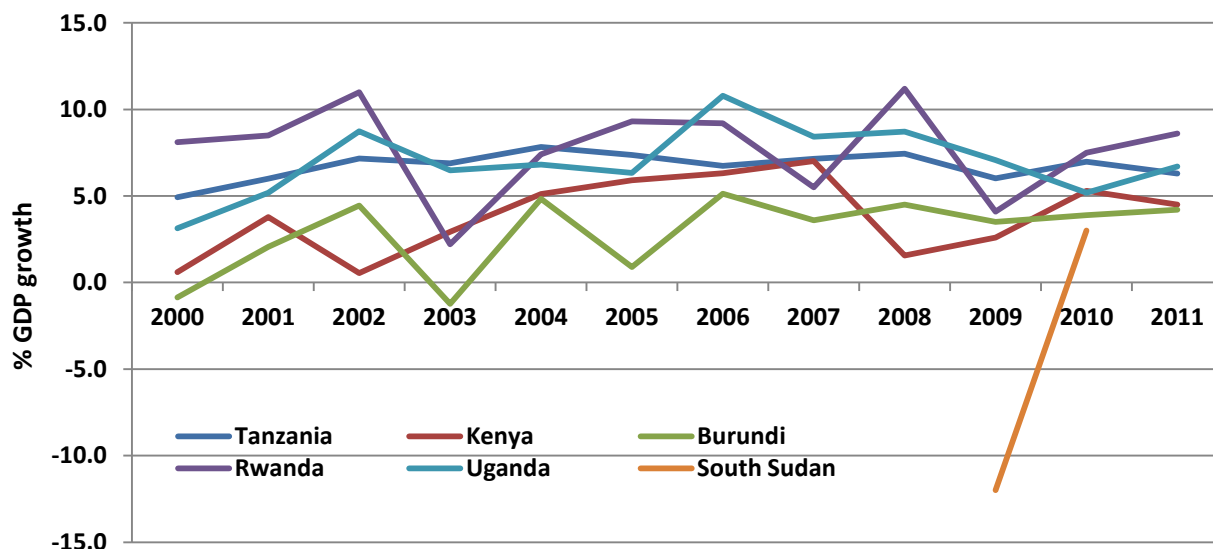


Source: Development Initiatives based on South Sudan National Bureau of Statistics; WDIs.

Note: Figures for South Sudan are non-oil revenue (not entirely tax revenue).

Tax revenues contribute a marginal share of total GoSS income. When compared with other East African countries, South Sudan's tax revenues represent the smallest proportion of total national revenues. Between 2006 and 2010, the government collected US\$732.4 million in non-oil revenues, compared with US\$6.8 billion in oil revenues and US\$4.4 billion in the form of aid commitments. The reasons for low levels of tax revenue could lie in the relatively small size of the economy, which is still in its infancy, as well as in poor efficiency and capacity in terms of institutions and tax administration mechanisms. However, it could also be a result of an increased reliance on oil revenues that is obstructing effective tax revenue collection. This trend risks depriving South Sudan of accountability mechanisms normally drawn from taxation and tax bargaining, and could impede effective monitoring of resource allocation and expenditure.

Figure 9: GDP growth rates for East African countries



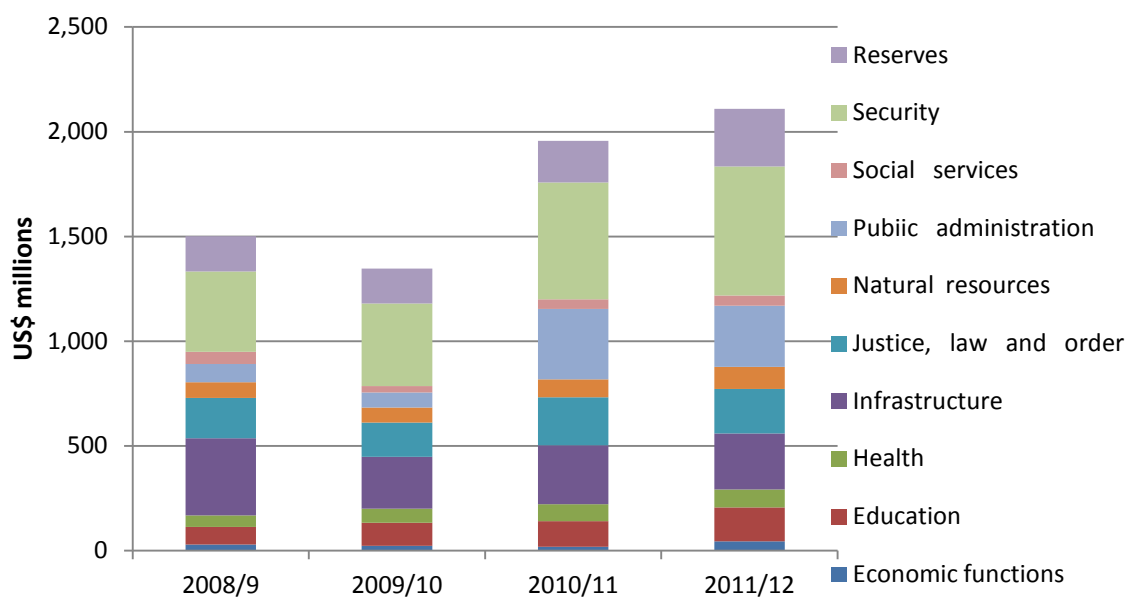
Source: Development Initiatives based on Africa Development Indicators; South Sudan National Bureau of Statistics.
 Note: South Sudan figures are nominal – the Finance Ministry cautions against using them to calculate economic growth.

As in other East African states, GDP growth rates fluctuated between 2008 and 2010. The first ever GDP calculation for South Sudan indicated growth of 22.5% from US\$10.8 billion in 2009 to US\$13.2 billion in 2010, after a slump of 19.1% from US\$13.6 billion in 2008, which coincided with the global financial crisis. In 2010, GDP and GNI per capita were US\$1,546 and US\$984 respectively. GNI per capita, though still the highest in the region, was smaller than GDP per capita due to the large proportion of oil revenues repatriated by foreign investors and the share taken up by the North Sudan government.

These figures depict a largely unstable macro-economic environment that cannot guarantee fiscal sustainability, steady public revenues or predictable public spending. Fluctuating GDP rates add to the instability of a fragile, conflict-affected state, faced with multiple resource demands for reconstruction, state building and poverty reduction. South Sudan must therefore streamline its management of oil and explore alternative, non-oil resource streams – such as agriculture – to ensure fiscal sustainability. With a small formal economy, low rates of tax collection and inefficient government institutions, it risks becoming an import-dependent country afflicted with the 'resource curse'.

Domestic resource expenditures

Public expenditure in South Sudan has grown significantly since the signing of the CPA in 2005. Budget estimates indicate that in 2011 the GoSS spent about US\$2.1 billion – representing an increase of 69.3% from US\$1.3 billion in 2006. Though average total spending as a proportion of the country's GDP between 2008 and 2010 was 12%, nominally it increased by 32% from 11.2% in 2008 to 14.8% in 2010. Expanding public expenditure is in line with expanding state revenues accrued from increased exploitation of the country's vast oil reserves, as well as with increased resource demands for state building and reconstruction following the civil war.

Figure 10: Expenditure of domestic revenues – distribution by sector

Source: Development Initiatives based on South Sudan National Bureau of Statistics

The majority of government revenues were spent on security, infrastructure and administration. On average, between 2008 and 2012, 28.2% was spent on security, 16.9% on infrastructure, 11.5% on public administration and 11.4% on justice, law and order. Notably pro-poor sectors such as education, health and agriculture received only marginal proportions of total state spending (6.9%, 4.2% and 1.7% respectively). Social services and economic functions received less than 3% of total spending.

Box 2: Government of South Sudan Expenditure Priorities 2008–2011

South Sudan's expenditure priorities were developed by a working group of seven state-level Budget Planning Committees representing all ten budget sectors. The group identified 54 priority activities, of which six priority expenditure areas were to have first call on budget resources between 2008 and 2011. These were:

1. Security
2. Roads
3. Primary health care
4. Basic education
5. Water
6. Production, to improve rural livelihoods and income.

Drivers of expenditure prioritisation included:

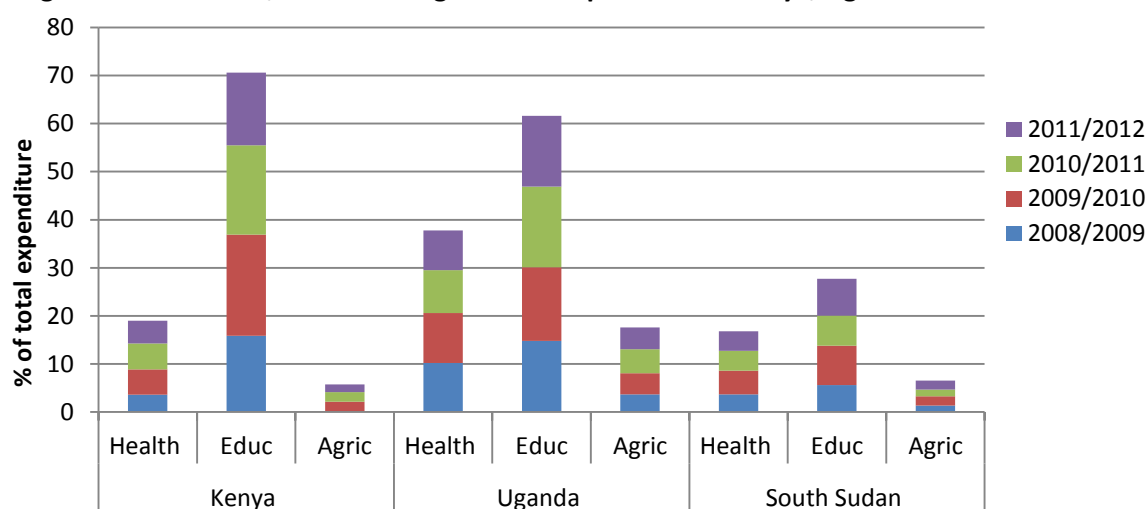
- Insecurity: conflict with the North; large population of irregular forces not disarmed/demobilised/integrated into formal state security apparatus;
- Lack of infrastructure after decades of war: need for improved infrastructure to facilitate state building and to drive economic restructuring and growth;
- High levels of poverty: very low indices in human development;
- Need to improve the scope and quality of service delivery.

Source: Development Initiatives based on GoSS Expenditure Priorities – Ministry of Finance

Sectors

This section analyses the expenditures of three sectors – education, health and agriculture – although comparisons and references to other sectors in the economy are also made. In general, while government revenues and overall expenditure have steadily increased in recent years, investments in these sectors have not followed suit. While state revenues expanded by 17.2% between 2008 and 2012, total expenditure on agriculture, education and health as a proportion of total spending grew by only 11.7%. The three sectors were identified as expenditure priorities⁸ and collectively received 12.5% of total average spending, compared with security, which received 28.2%. Conversely, public administration and justice, law and order, which were not considered priority sectors, reported higher outturns (11.5% and 11.4% respectively). Expenditure in all three sectors fell short of international standards and targets set by peer states.⁹

Figure 11: Education, health and agriculture expenditure – Kenya, Uganda and South Sudan



Sources: Development Initiatives based on WDIs; South Sudan National Bureau of Statistics

Education is the most funded sector in Kenya, Uganda and South Sudan. As shown in Figure 11, in the period 2008–2011 Kenya spent the largest proportion of total revenues on education, compared with Uganda and South Sudan. Agriculture spending was the lowest in all three countries. Over the same period, South Sudan's expenditure was the lowest across all three sectors; however, spending on education and health was significantly higher than on agriculture. Low spending on agriculture could have serious implications for agricultural development, food security and employment, considering that a large proportion of the population in East Africa relies on agriculture for its livelihood.

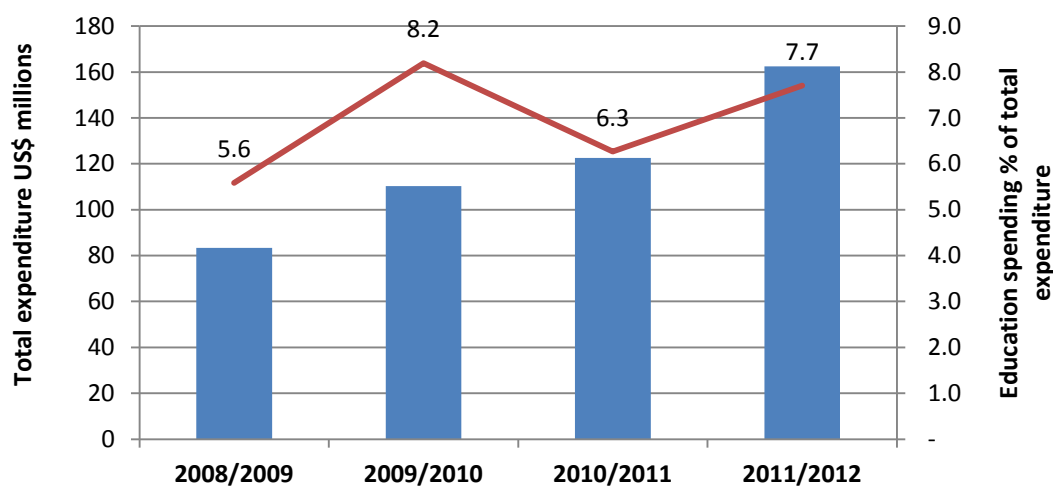
⁸ Government of South Sudan Expenditure Priorities 2008–2011. Online, available at: <http://bit.ly/Txg99a>

⁹ African Union heads of state pledged to commit at least 15% of all government spending on health in the Abuja Declaration of 2001 and the WHO recommends at least US\$44 per capita expenditure on health; African governments signed the Education For All programme of action and pledged to allocate at least 9% of total government money to the education sector; and African governments pledged at a summit in 2003 to raise the share of total state spending to the agriculture sector to at least 10%.

Education

Investments in education can generate human resources such as skills, knowledge and innovation, which are needed to drive the economy as well as improve human capital. In order to meet the Millennium Development Goals (MDGs) on universal primary education and to develop the human capital necessary to drive the relatively fragile and under-developed South Sudanese economy, significant proportions of public money need to be spent on establishing, improving and maintaining educational infrastructure and services. However, between 2008 and 2011, education spending's share of total government expenditure was not aligned with this need, and was on average only 8%. Education allocations have fluctuated between 5.6% in 2008, 8.2% in 2009, 6.3% in 2010 and 7.7% in 2011. In every year the figure was below the Education For All (EFA) programme of action¹⁰ target of at least 9% set by African heads of states and lower than in other East African countries. By contrast, Kenya and Uganda allocated on average 18.6% and 17.4% respectively for education sector expenditure in the same period.

Figure 12: Education sector spending as a proportion of total expenditure

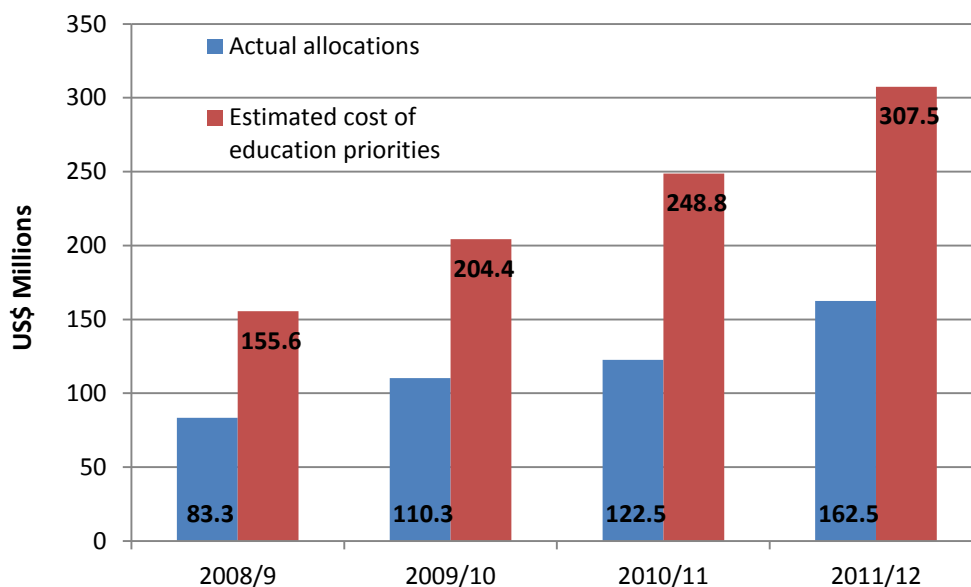


Source: Development Initiatives based on South Sudan National Bureau of Statistics

Low levels of investment in education are surprising, considering South Sudan's prevailing low literacy levels, poor access rates, inadequate educational infrastructure and potential increase in demand for schooling with the return of refugees. In 2009, for example, only 27% of the total population above 15 years old were considered to be literate (compared with 87% in Kenya, 73% in Uganda, 71% in Rwanda, 73% in Tanzania and 67% in Burundi). Only around 37% of the population above the age of six had ever attended school and the net intake rate to the first year of primary school as 14.6%¹¹. The pupil/teacher ratio was 52:1, the pupil classroom ratio was 129 children per classroom and the net enrolment rate stood at 48%. These figures illustrate and justify the need for increased spending in this sector.

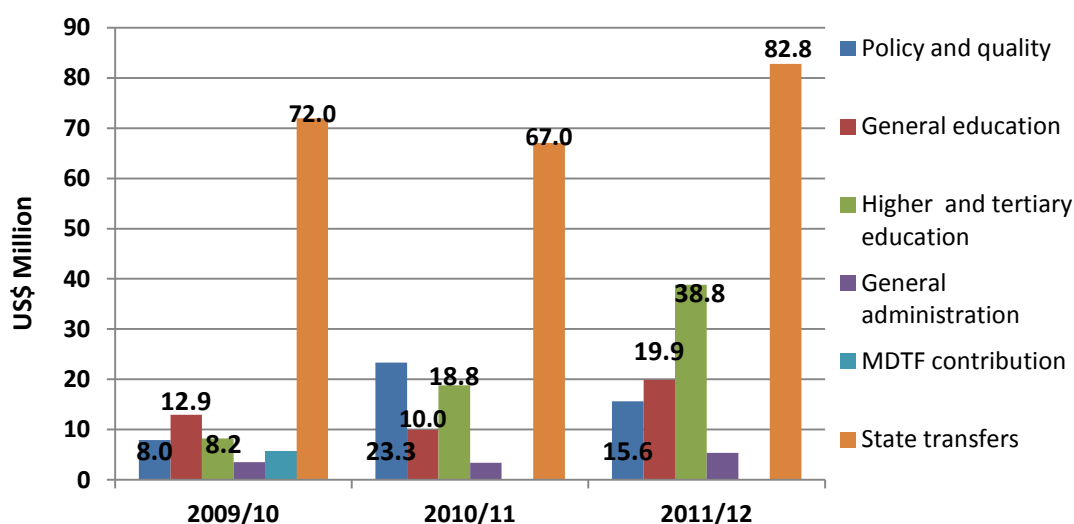
¹⁰ <http://www.unesco.org/new/en/education/themes/leading-the-international-agenda/education-for-all/>

¹¹ SSCSE (2010) Poverty in South Sudan: Estimates from NBHS 2009. Southern Sudan Center for Census Statistics and Evaluation

Figure 13: Estimated cost of education priorities vs actual allocations, 2008–2011

Sources: Development Initiatives based on South Sudan National Bureau of Statistics; Ministry of Finance

It is interesting to note that the GoSS highlighted the need to prioritise spending on primary education in its expenditure priorities for 2008–2011, yet this was not reflected in funding to the sector. Figure 13 shows the disparity between the estimated cost of funding priorities in the education sector and the actual allocations made. While the total cost of education priorities was estimated at US\$916.3 million, in 2008–2011 the sector received less than half of this in total allocations – US\$379.6 million. Nonetheless, it is important to note that overall allocations to the education sector increased in absolute terms in the same period, from US\$83.3 million in 2008 to US\$162.5 million in 2011, representing growth of 48.2%. This could be a positive indication of increasing appreciation of the need to spend more on education.

Figure 14: Education sub-sector expenditure

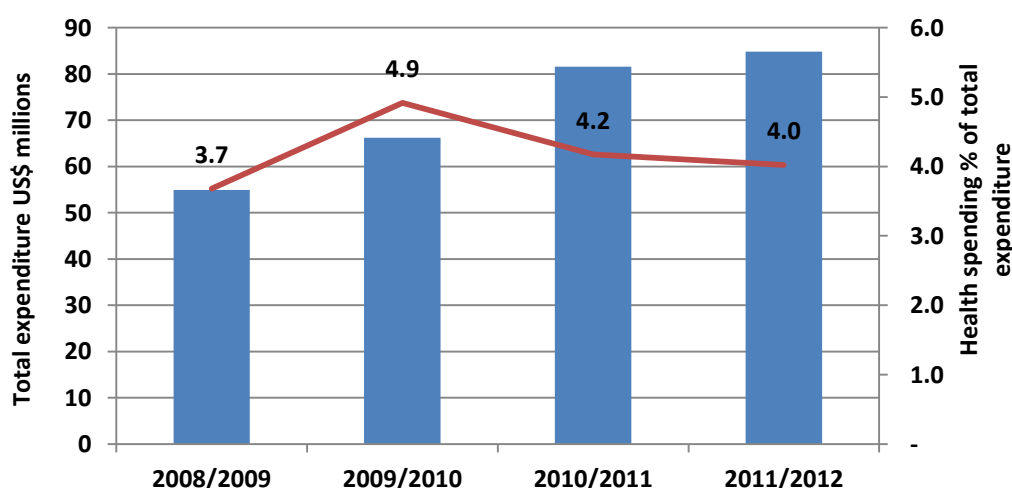
Source: Development Initiatives based on South Sudan National Bureau of Statistics. Note: General education (basic education) comprises early child development (ECD), primary, secondary, alternative and technical/vocational education.

A breakdown of educational sub-sectors shows that priority areas did not receive greater funding. For example, between 2009 and 2012 basic education, despite being an expenditure priority, received a smaller share of total education sector funding than either higher education or educational quality and policy issues. Basic (general) education received US\$42.8 million (10.8% of total spending), higher education US\$65.8 million (65.9%) and quality and policy issues US\$46.9 million (11.9%). Spending on higher education rose from US\$8.2 million in 2009 to US\$38.8 million in 2011, whereas spending on basic (general) education fluctuated, dipping by 22.5% in 2010. Between 2009 and 2011, total expenditure on basic education was about 35.0%. The largest proportion (56.1%) of funding to the education sector was transferred to the individual states. However, the data available does not clearly indicate what sub-sector expenditures this covers; these could range from salaries for personnel to actual development expenditure.

Health

Like education, aspects of the health sector were identified and prioritised for increased domestic spending in South Sudan. The GoSS recognised the challenges facing health-care service delivery and used them to justify the need for substantial investment in the sector. Health-care systems and delivery mechanisms were largely under-developed and inadequate following decades of civil war. The lack of properly trained health personnel and the limited health infrastructure had increased the cost of health care and had restricted access. However, despite these needs, government spending on the health sector has been marginal compared with other areas such as infrastructure, security and public administration. Between 2008 and 2011, the health sector consistently received only about 4% of total budget allocations and was one of the three least funded sectors (together with social services and agriculture).

Figure 15: Health sector spending as a proportion of total expenditure

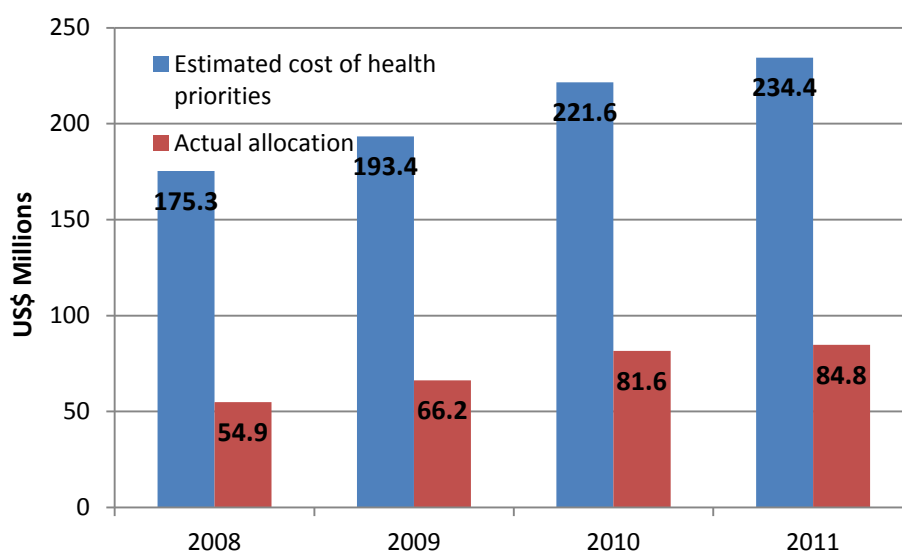


Source: Development Initiatives based on South Sudan National Bureau of Statistics

There was a significant increase (54.4%) in the absolute volume of allocations to the health sector, rising from US\$54.9 million in 2008 to US\$84.8 million in 2010. However, in proportional terms this represented a rise from 3.7% of total government spending in 2008 to 4.8% in 2009, which is well

below the 15% target set by African Union (AU) Heads of States in 2001 with the Abuja Declaration¹². By comparison, Uganda and Kenya spent about 11.0% and 4.9% respectively. Within the same period, South Sudan's per capita entitlement of the share of investment in health was equivalent to US\$8.70. This fell considerably short of the World Health Organization's minimum standard of the US\$44 per capita required to strengthen health-care systems and improve service provision in low-income countries. When the WHO requirement is computed with the population of South Sudan, the indication is that the government needed to have allocated no less than US\$365.20 in 2010, for example, yet only US\$81.60 was actually allocated. This raises questions about the government's commitment to the sector. It might also highlight the problems that the government is facing in balancing its budget constraints with the immense resource demands of state building.

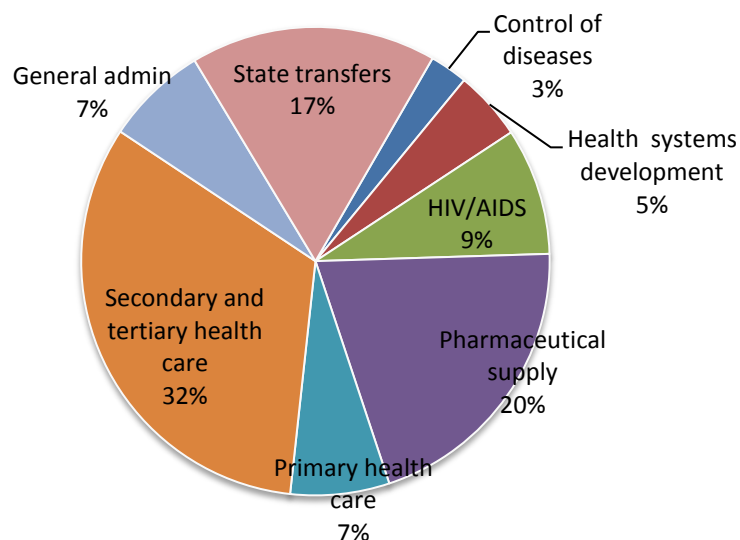
Figure 16: Estimated cost of health priorities vs actual allocations, 2008–2011



Source: Development Initiatives based on South Sudan National Bureau of Statistics; Ministry of Finance

A comparison of the estimated costs of prioritising health and the actual allocations made to this sector highlights a widening gap. The GoSS identified that the sector needed approximately US\$824.6 million between 2008 and 2011, yet only a quarter of these funds were actually allocated, amounting to US\$287.6 million. There seems to be a limited correlation between prioritisation, allocation and expenditure. While primary health care was indicated as the third most important expenditure priority, in reality the majority of health revenues were channelled to the provision of secondary and tertiary health-care services. Between 2008 and 2011, 7% was allocated for expenditure on primary health compared with 32% for secondary and tertiary health care and 20% for pharmaceutical supply, with 17% transferred to the states.

¹² OAU (2001) 'Abuja Declaration on HIV/AIDS, TB and other related infections' Organization of African Union. Online available at: http://www.un.org/ga/aids/pdf/abuja_declaration.pdf

Figure 17: Health sub-sector expenditure aggregates, 2008–2011

Source: Development Initiatives based on South Sudan National Bureau of Statistics

The remaining sub-sectors (including primary health care) received less than 10% of total sector allocations. This indicates significant challenges in strategic alignment of resources to finance priority sectors by the GoSS. Low levels of health expenditure will limit South Sudan's ability to achieve certain targets, such as increasing basic health service coverage to 50% of the population, reducing infant and maternal mortality rates by 25% and increasing routine vaccination coverage to 90%.

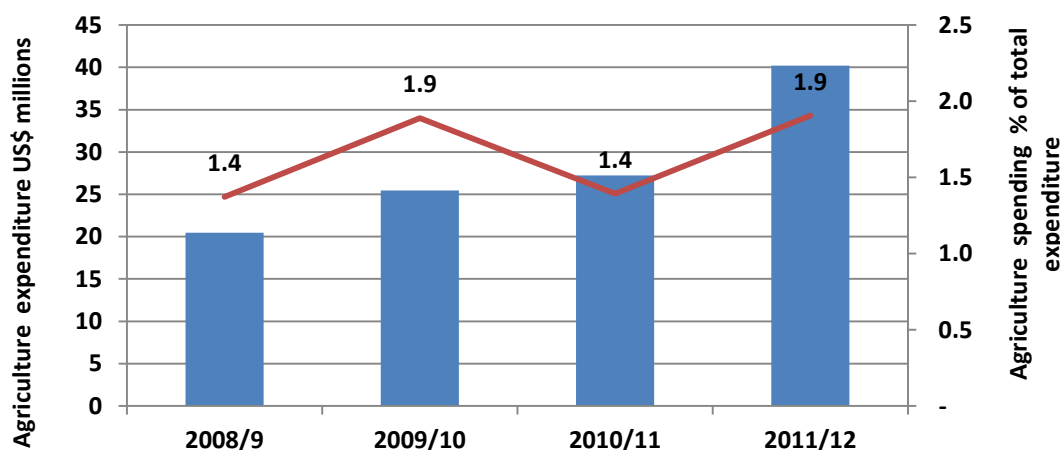
Agriculture

Nearly 90% of South Sudanese households depend on crop farming, animal husbandry, fishing or forestry for their livelihoods. Although the agriculture sector is thought to have more potential than oil, gas and minerals, it has remained largely under-developed and under-funded. According to the Ministry of Agriculture and Forestry¹³, South Sudan has about 47% arable land with six agriculture-friendly ecological zones, but only 5% is cultivated. The agricultural sector has not received significant attention either from government or from foreign investors and continues to be stifled by marked deficits in human and institutional capital, infrastructure (especially feeder roads), finance and technology. The sector experiences low yields resulting from lack of quality certified seeds, fertilisers, disease and pesticide control, effective mechanisation and research. Poor infrastructure prevents transportation of produce to markets, leading to large post-harvest losses and chronic food insecurity, especially for those unable to buy foodstuffs from the market. According to the Annual needs and livelihoods analysis¹⁴ carried out by the World Food Programme, more than half of the population were living in moderate or severe food insecurity in 2011/2012.

¹³ http://www.oaklandinstitute.org/sites/oaklandinstitute.org/files/SouthSudanAgribusinessPotential_Oct2011.pdf

¹⁴ <http://www.wfp.org/content/south-sudan-annual-needs-and-livelihoods-analysis-2010-2011-january-2011>

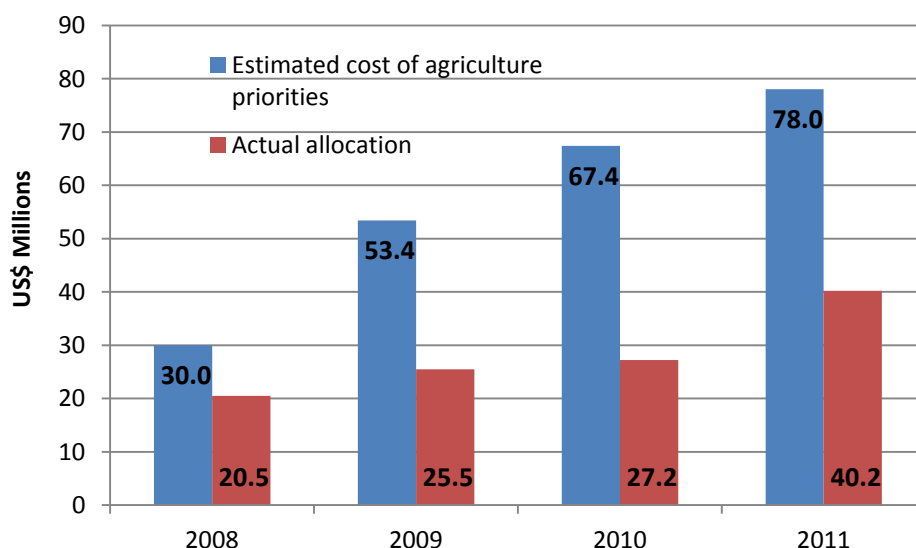
Figure 18: Agriculture sector spending as a proportion of total expenditure



Source: Development Initiatives based on South Sudan National Bureau of Statistics

In 2008 only 1.4% of overall government expenditure was allocated to agriculture, 1.9% in 2009, 1.4% in 2010 and 1.9% in 2011. Over the four years South Sudan spent on average about 1.7% on the sector while, in comparison, Kenya spent 2.5% and Uganda 4.3%. The agriculture sector was not highlighted as a priority sector by the GoSS, and it is not a stand-alone budget item or sector. Aspects of agriculture feature under the natural resources sector (representing about 28% of total spending) alongside other expenditure areas such as forestry, fisheries and animal resources. The natural resources sector itself received only 4.9% of total state resources between 2008 and 2012. What is referred to as the agriculture sector in this analysis is thus an arbitrary summation of spending on the agriculture and forestry, animal resources and fisheries sub-sectors within the broader natural resources sector.

Figure 19: Estimated cost of agriculture priorities vs actual allocations 2008–2011

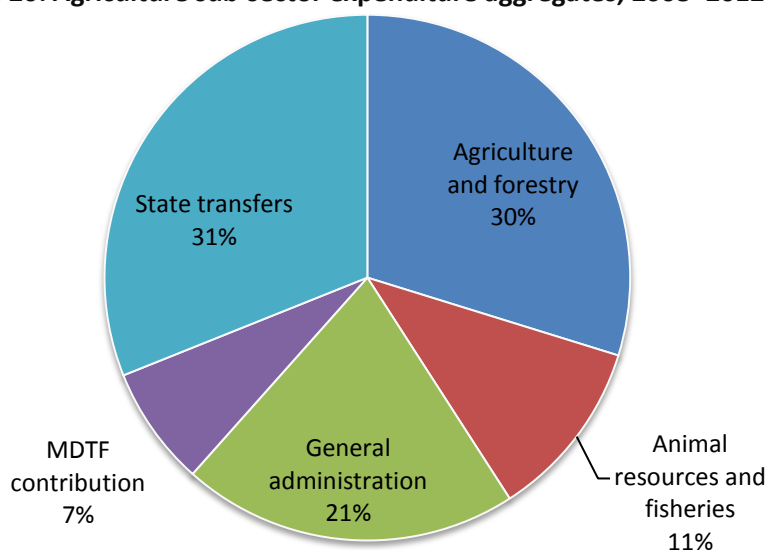


Source: Development Initiatives based on South Sudan National Bureau of Statistics; Ministry of Finance

Although agriculture was not identified as a priority expenditure area, production was – which focused on improving the livelihoods and incomes of rural farmers through disease control, increased market participation, better extension services, research and training, and improved

access to credit. The government's targets were to reduce food insecurity in rural households by 20%, assist at least 20% of agricultural, livestock and fish producers to access markets, and reduce the incidence of major animal and crop diseases by 50% by the end of 2011. However, in reality actual budget allocations have not provided substantive funding to support mainstream production in the agriculture, forestry, animal resources or fisheries sub-sectors. As illustrated in Figure 19, while the total cost of funding these priorities was estimated at US\$228.7 million between 2008 and 2012, actual allocations to agriculture-related areas of expenditure were less than 50% of this amount, at about US\$113.3 million. This further illustrates the disconnect between budget prioritisations and actual allocations of resources in GoSS budget processes, similar to those in the health and education sectors.

Figure 20: Agriculture sub-sector expenditure aggregates, 2008–2012



Source: Development Initiatives based on South Sudan National Bureau of Statistics

Besides transfers to individual states and contributions to the Multi-Donor Trust Fund (MDTF), a significant proportion of agriculture sector allocations (about 30% on average between 2008 and 2010) was committed to agriculture and forestry. General administration consumed about 21% of total agriculture allocations between 2008 and 2012.

In summary, allocations made to the agriculture sector have fallen way below the Comprehensive Africa Agriculture Development Programme (CAADP)¹⁵ and the Maputo Declaration¹⁶ target of committing at least 10% of total government spending to the agriculture sector. The average proportion of expenditure on agriculture was 1.7%, well below the CAADP's 10% target. Oil revenues could be impeding substantial investment in agriculture, resulting in it receiving less than 2% of average expenditure and the overall under-development of the sector.

¹⁵ <http://www.caadp.net/about-caadp.php>

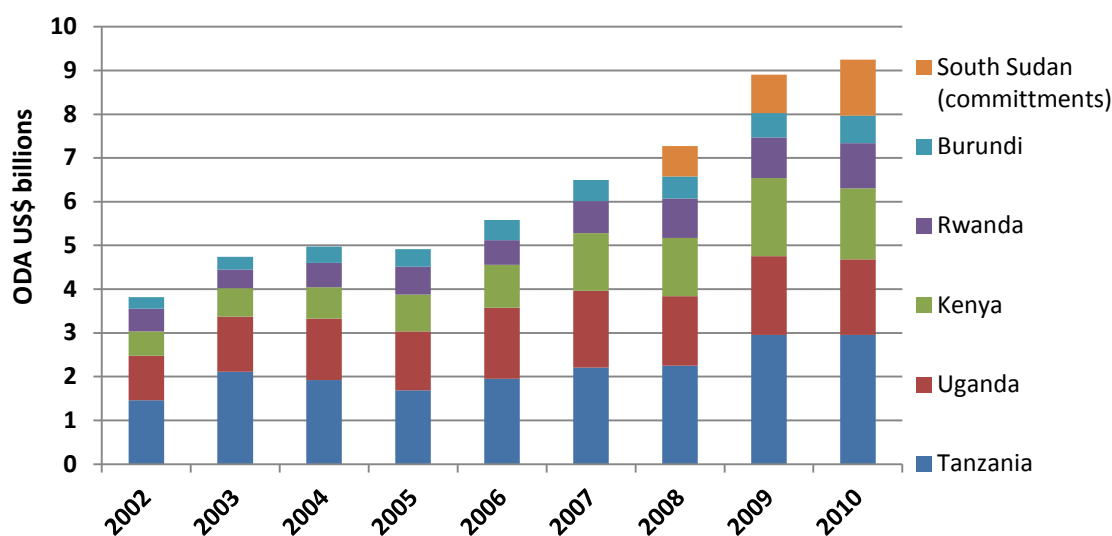
The CAADP's overall goal is to eliminate hunger and reduce poverty through agriculture. To do this, African governments have agreed to increase public investment in agriculture by a minimum of 10% of their national budgets and to raise agricultural productivity by at least 6%.

¹⁶ <http://bit.ly/TkLChf>

International resource flows

Official development assistance (ODA) represents an important source of financing for countries in East Africa. Tanzania is the largest recipient of aid in the region. Due to data challenges, South Sudan does not yet feature in the OECD DAC database, and so analysis of aid relies on data from the National Bureau of Statistics and the Ministry of Finance, extracted from annual budget estimates and donor books. South Sudan will feature as a recipient in the OECD DAC database in December 2012.

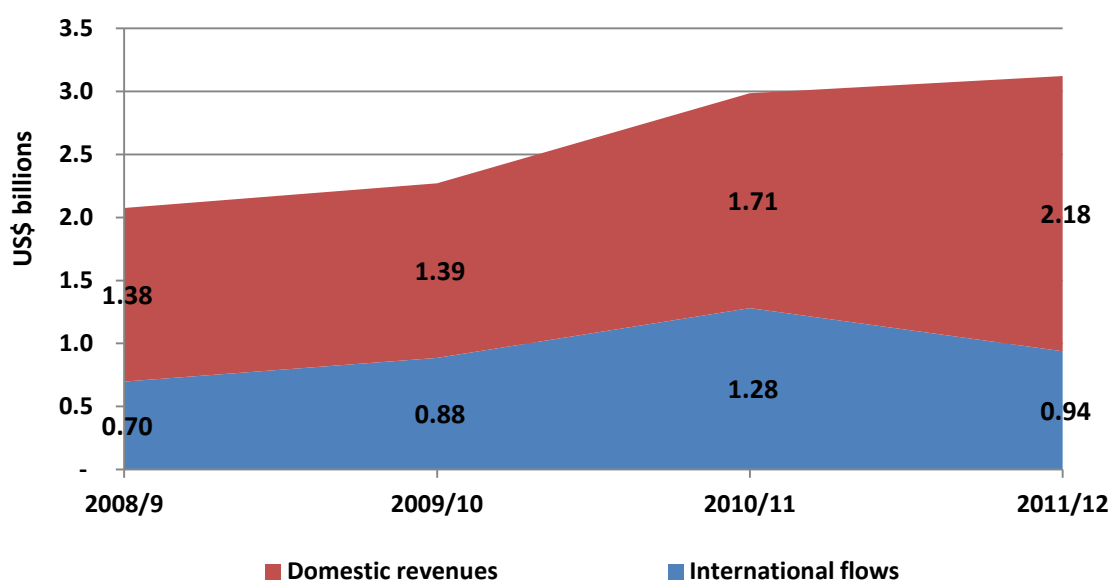
Figure 21: Official development assistance (ODA) to East Africa



Source: Development Initiatives based on OECD DAC and South Sudan National Bureau of Statistics data

ODA remains a significant component of state revenues in South Sudan. As can be seen in Figure 22, ODA flows increased from US\$696.5 million in 2008 to US\$1.3 billion in 2010, though they dropped to US\$937.2million in 2012. Between 2008 and 2011, US\$3.8 billion worth of commitments were made to South Sudan. This was equivalent to about 56.7% of the US\$6.7 billion worth of domestic revenues committed for expenditure on public policy in the same period. However, these figures are still very low compared with other East African states – Kenya, for example, received US\$4.7 billion, an increase of 23% in the same period (see Figure 21).

Figure 22: Foreign aid (commitments) and domestic revenues



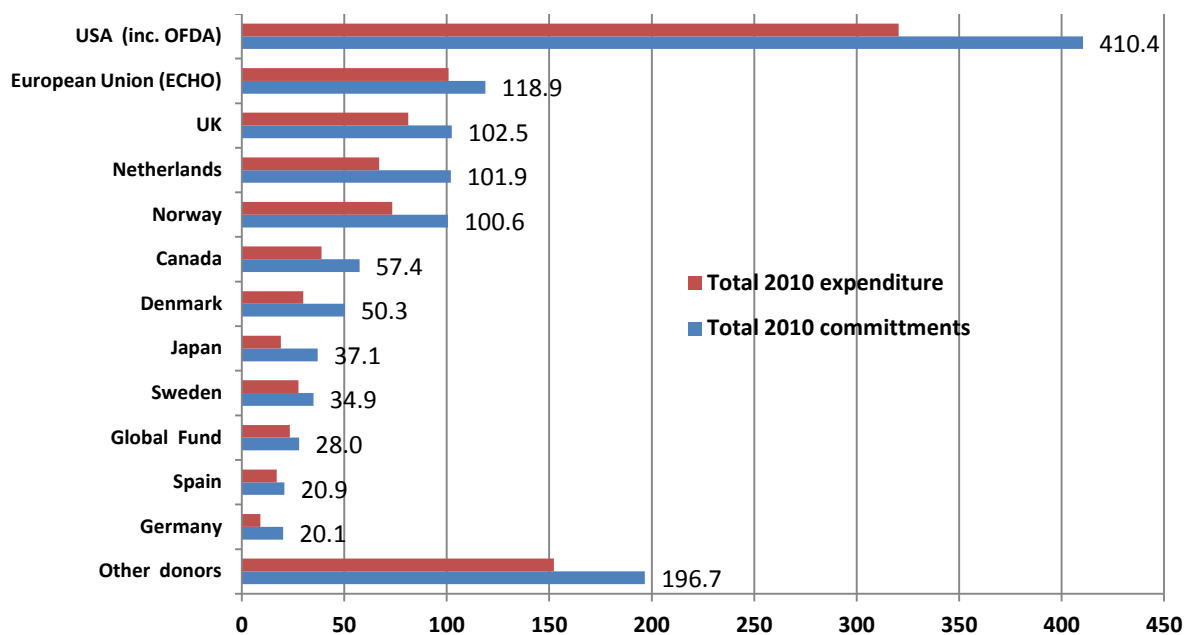
Source: Development Initiatives based on Government of South Sudan annual budgets and donor books

There are marked disparities between commitments and disbursements, which are sometimes up to 50% less, and donor priorities do not seem sufficiently synchronised with GoSS expenditure priorities and funding needs. In 2010, for example, 25% (US\$319.4 million) of total commitments were not disbursed as planned. This made it difficult to track the contribution of aid in actual public sector spending and to compare this with domestic revenue expenditure in similar sectors.

The United States is the largest bilateral donor, although multilateral funding is increasingly becoming a favoured means of aid delivery. Between 2008 and 2011, the majority of aid to South Sudan was from the US (US\$420 million), followed by the European Union (EU), United Kingdom, the Netherlands and Norway. US aid was initially focused on the implementation of the CPA (2005) and humanitarian support for quality health care and nutrition¹⁷. The Transition Strategy, 2011–2013¹⁷ indicates that US aid is now centred on enhancement of agri-based economic growth, basic education, potable water and infrastructure. While this demonstrates the role of Western economies in the reconstruction and rebuilding of South Sudan, it could also be linked to geopolitical and economic interests in the country (especially in terms of oil revenues).

¹⁷ http://pdf.usaid.gov/pdf_docs/PDACR770.pdf

Figure 23: Top aid donors to South Sudan

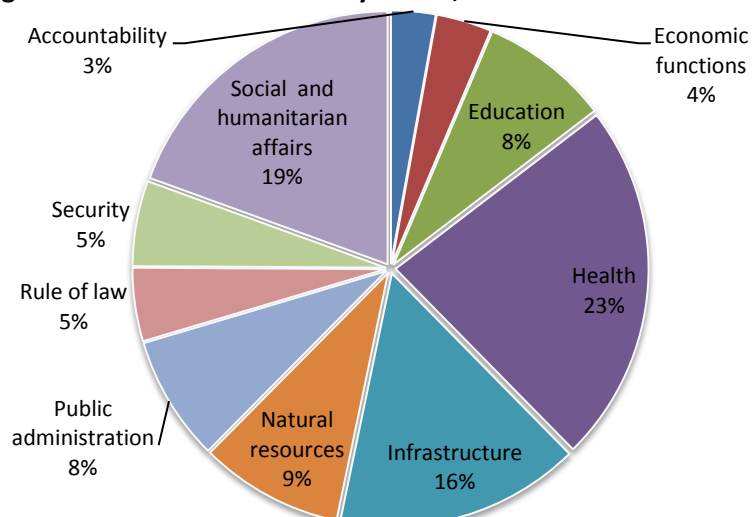


Source: Development Initiatives based on South Sudan National Bureau of Statistics data

Sectors

Between 2008 and 2011, the three sectors receiving the largest proportions of aid were health (23%), social and humanitarian affairs (19%) and infrastructure (16%).¹⁸ Interestingly, security (5%), public administration (8%) and rule of law (5%), which received substantial amounts of government budget resources, were some of the least funded sectors. This further supports the argument that donor priorities are not sufficiently harmonised with government expenditure priorities and funding needs. However, infrastructure expenditure does seem to be synchronised in both budget and aid allocations: for example, this sector received 15.6% of the total between 2008 and 2011 (third largest recipient sector) and 16.9% of budget funding (second largest sector).

¹⁸ For further information on South Sudan as a humanitarian aid recipient, see report by the Global Humanitarian Assistance programme, 'Aid in Transition: South Sudan', <http://www.globalhumanitarianassistance.org/wp-content/uploads/2011/07/gha-aid-in-transition-South-Sudan.pdf>, and the Sudan country profile, <http://www.globalhumanitarianassistance.org/countryprofile/sudan>.

Figure 24: ODA – distribution by sector, 2008–2011

Source: Development Initiatives based on South Sudan National Bureau of Statistics data

Education

Between 2008 and 2011, ODA commitments to the education sector amounted to US\$209 million, approximately 8.2% of total ODA; this dropped by 15% in 2009 and further by 19% in 2010. This may be attributable to the phasing out of the Multi-Donor Trust Fund, which provided a large proportion of ODA to education but was wound up in June 2012.

Table 5: Top donors – education sector

Education (US\$ millions)	Total expenditure		Total commitments	
	2010	2010	2010	2011
US	17.1	25.1	25.1	23.7
United Nations Children's Fund	10.6	12.3	12.3	20.6
Basic Services Fund	7.5	11.1	11.1	10.6
Multi-Donor Trust Fund	4.4	6.7	6.7	9.0
Denmark	4.4	6.5	6.5	0.7
World Food Programme	3.5	25.4	25.4	10.8
UK	0.0	0.0	0.0	17.7
Other donors	9.6	21.9	21.9	19.8
Total	57.0	108.9	108.9	112.8

Source: Development Initiatives based on South Sudan National Bureau of Statistics donor books

The US was the largest bilateral donor to the education sector, making around US\$17.1 million worth of actual disbursements in 2010. Other key donors were mainly multilaterals and pooled funds, and included the Basic Services Fund (BSF), UNICEF and the Multi-Donor Trust Fund (MDTF). A total of 20 donors contributed funds to the education sector between 2006 and 2011, illustrating the fragmented nature of aid coordination and support. The MDTF and the BSF, which largely support the education sector, are both set to terminate by the end of 2012, which raises significant challenges for education funding in the future. Unlike the health sector, where the Health Pooled Fund has already indicated that it will assume part of the funding covered by these to funds upon their termination, the transition is still not clear for education.

Health

A significant proportion of South Sudan's health sector expenditure is covered by ODA. The health sector received the largest proportion of ODA between 2008 and 2010 – amounting to around 23.0% cumulatively and at least 18.6% on average annually. The majority of donors channelled support through multilateral institutions and pooled funds. These included the Global Fund, the World Health Organization (WHO), the BSF, the Common Humanitarian Fund (CHF) and the MDTF. The US is the only bilateral donor to make significant ODA contributions to health. Between 2008 and 2010, total commitments for the health sector were US\$585.1 million, nearly US\$382.3 million more than actual budget allocations for the sector in the same period. In 2010 alone, US\$178.6 million worth of ODA was spent on health, while the GoSS, by contrast, spent less than 50% (US\$81.6 million) of domestic resources on the sector. However, per capita ODA in the health sector was US\$9.90 in 2008, US\$8.80 in 2009 and US\$6.90 in 2010. This highlights a declining trend in the amount of ODA that is being spent per person on health in South Sudan.

Table 6: Top donors – health sector

Health (US\$ millions)	Total expenditure	Total commitments	
	2010	2010	2011
Multi-Donor Trust Fund	45.9	61.9	25.2
US	29.1	37.3	32.5
Common Humanitarian Fund	25.5	25.5	13.6
Global Fund	23.4	28.0	28.5
World Health Organization	19.7	19.7	21.3
Basic Services Fund	16.7	21.0	23.1
Other	18.3	26.4	33.4
Total	178.6	219.9	177.5

Source: Development Initiatives based on South Sudan National Bureau of Statistics data

Agriculture

There is limited data to show the proportion of ODA spent on the agriculture sector in South Sudan. This is partly due to the structuring of the country's budget – agriculture is not disaggregated as a stand-alone sector. Agriculture expenditure can be traced under the natural resources sector, and the following analysis relies on data on this sector (which includes agriculture and forestry and animals and fisheries) to provide an indication of ODA to agriculture.

Notably, the largest donations to the agriculture sector came from the EU, the US and from pooled funds, mainly the MDTF and the CHF. Generally, ODA flows to the agriculture sector (compared with the health and education sectors) were very low. Between 2008 and 2010, the natural resources sector, within which agriculture sector expenditures fall, received only 9.2% of total ODA. Commitments were 8.7% in 2008, 11.2% in 2009 and 7.6% in 2010. This mirrors the trends in domestic resource allocation and demonstrates that the agriculture sector has been largely underfunded by both government and donors. This poses a challenge to the development of the sector, which is crucial in ensuring food security, diversifying the economy (away from over-reliance on oil) and providing employment. A more harmonised approach needs to be adopted between donors and the GoSS to ensure that more resources are prioritised for this sector in the future.

Table 7: Top donors – agriculture sector

Natural resources (proxy for agriculture)	Total expenditure	Total commitments	
	2010	2010	2011
European Union	19.2	19.0	9.7
US (Including Office of Foreign Disaster Assistance (OFDA))	17.7	37.6	30.9
Multi-Donor Trust Fund	16.2	17.3	0.8
Common Humanitarian Fund	10.3	10.3	3.1
Canada	2.9	3.6	9.9
World Bank	2.6	5.0	2.7
Netherlands	0.0	0.1	4.0
Other	3.9	7.9	5.0
Total	72.9	101.0	66.2

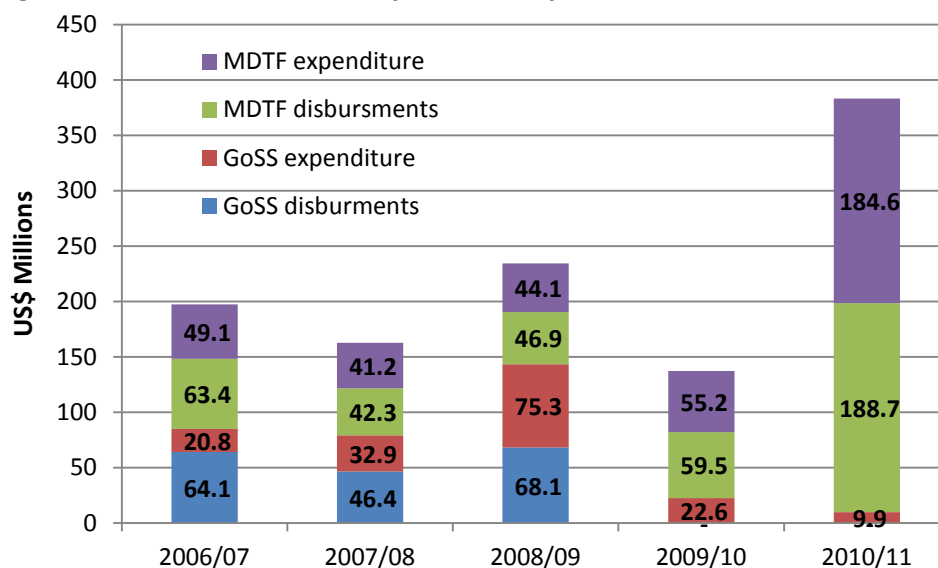
Source: Development Initiatives based on South Sudan National Bureau of Statistics data

Pooled funds

Besides the conventional bilateral and multilateral models, ODA has been delivered to South Sudan through pooled funds such as the Multi-Donor Trust Fund (MDTF), the Capacity Building Trust Fund (CBTF), the Basic Services Fund (BSF), the Sudan Recovery Fund (SRF) and the Common Humanitarian Fund (CHF). The latter four are more limited in scope and resources than the MDTF, which focuses on a narrower range of interventions and sectors.

The Multi-Donor Trust Fund (MDTF)¹⁹, managed by the World Bank, is a pooled fund established in 2005 to be the main financing vehicle for donors to channel funding towards the reconstruction and development of South Sudan. The fund aims to help the poorest people and to bring about lasting peace, while ensuring government ownership, transparency and accountability in spending. It funds initiatives in infrastructure, health, water and sanitation, and accountability. From its inception in 2005 to its closure in June 2012, the MDTF managed around US\$700 million worth of funds, of which US\$200 million was contributed by the GoSS, the largest single contributor to date. Key bilateral donors include Canada, Denmark, Finland, Germany, Iceland, Italy, Norway, Spain, Sweden and the UK. The largest multilateral contributors were the World Bank and the EU.

¹⁹ <http://www.mdtfss.org/>

Figure 25: Disbursements and expenditures by the MDTF and GoSS contributions, 2006–2010

Source: Development Initiatives based on World Bank Multi-Donor Trust Fund data

The Common Humanitarian Fund (CHF)²⁰, administered by UNDP's Multi-Partner Trust Fund Office, is a pooled funding mechanism established in 2005 for humanitarian activities in Sudan. It is intended to enhance the targeting of funds to the most critical humanitarian needs, encourage early donor contributions and enable a rapid response to unforeseen circumstances. It funds humanitarian projects implemented by UN agencies (the Humanitarian Coordinator is responsible for overall management of the fund). By the end of 2010 it had disbursed US\$734.3 million.

The Basic Services Fund (BSF)²¹ was established in 2005 primarily to support the expansion of primary education, primary health care and water and sanitation services to communities recovering from conflict. It has received around US\$40 million worth of contributions to date. The main donors are the UK (DFID), the Netherlands, Norway, Sweden (Sida) and the European Union. The Health Pooled Fund is anticipated to take over part of the BSF's funding responsibility, which is planned to terminate in 2012.

The Health Pooled Fund (HPF) is due to commence in the last quarter of 2012 and will provide support to basic health services and strengthen health systems in South Sudan. DFID (the lead donor), Sida, the Canadian International Development Agency (CIDA), AusAid and the EC have made provisional commitments to fund a budget amounting to around US\$238million over five years.

²⁰ <http://www.unocha.org/sudan/humanitarian-financing/common-humanitarian-fund>

²¹ <http://www.bsf-south-sudan.org/>

Recommendations

1. South Sudan's public revenue and spending trajectories are expanding, but there are significant challenges in terms of harmonisation and alignment of resources to expenditure priorities. Economic growth and revenues generated from oil are not being channelled to address poverty issues. The country still has the lowest life expectancy at birth and highest maternal mortality rate in the region. Key priority areas, budget allocation and spending are not effectively linked to poverty reduction outcomes, and greater emphasis should be placed on funding according to need.
2. The prominence of oil in the South Sudanese economy poses significant challenges to long-term fiscal sustainability – resulting in a less diverse economy, increasing dependency on imports and vulnerability to external shocks. Over-reliance on oil could have a negative effect on alternative revenue sources available in the country, thereby undermining sound macro-economic management and effective taxation and having significant implications for governance and accountability. South Sudan must streamline management of its oil sector and must explore alternative non-oil resource streams to ensure fiscal sustainability.
3. Sectors considered to be pro-poor, such as agriculture, health and education, are significantly under-funded. Despite government revenues and expenditure steadily expanding, there are limited investments in these sectors. Though managing a seemingly already overstretched budget, the government of South Sudan must institute mechanisms to ensure effective balancing of resource demands for state building with funding for poverty-related activities.

Appendix 1: Methodology, notes and definitions

The analysis for this paper relies heavily on budget estimates (used as a proxy for expenditure data) extracted from South Sudan's annual budgets from 2006 to 2011. There are a number of challenges with the data, such as incomplete datasets and lack of aggregated information for sub-sector budgets. Therefore budget estimates were used at the sub-sector level as they were more complete, consistent and disaggregated. South Sudan does not currently feature in the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) list of aid recipients, so ODA data was extracted from donor books produced by South Sudan's Ministry of Finance. Reporting on actual aid expenditure at project level is fairly minimal, therefore references to aid cover commitments and estimations/projections of expenditure. Other data sources include the World Bank's World Development Indicators and the Africa Economic Outlook.

About us

Development Initiatives (DI) has been working with governments, multilateral organisations and NGOs since 1992. Its core programmes – **Global Humanitarian Assistance**, **aidinfo**, **budget4change** – focus on analysing, interpreting and improving information about resources for poverty elimination with the aim of making it more transparent and accessible.

The African hub, based in Nairobi, Kenya provides a regional perspective to DI's work on eradicating poverty. The hub sees better information as being a fundamental tool to improve policies and influence the allocation of resources to address chronic and extreme poverty in the region. Our work concentrates on four broad themes: open data, aid and budget effectiveness and social protection.

In order to achieve our goal of eradicating poverty, the hub provides high-quality analysis on resource flows; enhances the capacity of key stakeholders to access, analyse, use and understand information on resources; forms partnerships and engages with like-minded organisations working on similar issues; and influences policy to incorporate and prioritise chronic poverty objectives.

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