PROJECT MEMO

FISCAL DECENTRALISATION IN SOUTH SUDAN

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IN BRIEF

- Overly centralised spending can inhibit an efficient allocation of government services
- This report is a response to government interest in understanding the introduction of fiscal federalism and how it can also contribute to stability and prosperity
- The report found that there is scope for a more efficient allocation of resources across states that may also reduce tensions

Centralised spending and inappropriate rules for distributing revenues to sub-national levels of government can aggravate conflict. South Sudan has seen lively debate about the potential for fiscal decentralisation as a way for different communities to have greater authority and control, and so reduce inter-regional frictions. The government recognises the frustration and discontent that can result from centralised spending and has requested support in understanding the role that fiscal federalism could play in promoting stability and regional prosperity. IGC South Sudan responded to government interest by highlighting core issues in the literature and focusing the analysis on some of the more key areas. The report also provided support in some technical aspects of fiscal decentralisation.

The project surveyed the literature and identified key issues for South Sudan to consider in the move to a more efficient and politically cohesive decentralised model, primarily how to structure transfers and revenue collection, and how to implement this effectively with limited capacity at the local level. The report also identified areas in which decentralisation could be most effectively implemented and highlighted how the context in South Sudan affects 'standard understandings' of the process of fiscal decentralisation, such as the risk of efficiency gains being outweighed by a low capacity environment, especially at the local level.

The report found that fiscal decentralisation carries the opportunity to allow for a more efficient allocation of resources across districts with heterogeneous preferences. It also allows for the opportunity to create district-level ownership and capacities. The report suggested that the government should consider how fiscal decentralisation pairs with revenue collection from the district-level and highlighted this as a potential avenue for reform. The report also warned that fiscal decentralisation will not be a panacea for many of the problems, which in some cases are political.

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