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GRAY/21/926

March 29, 2021

**Statement by Ms. Shortino, Ms. Senich, and Mr. Gudicello on Republic of South Sudan  
(Preliminary)  
Executive Board Meeting 21/34  
March 30, 2021**

We want to thank staff for their report and Ms. Mannathoko and Mr. Garang for their Buff statement. As staff note, South Sudan faces an urgent balance of payments need caused by a combined shock from the pandemic, lower oil prices, and devastating floods. However, we are highly concerned about the lack of transparency regarding the use of funds from the previous Rapid Credit Facility (RCF) and insufficient public financial management safeguards. We understand the authorities released information documenting the COVID-related expenditures over the weekend. Given ongoing concerns with transparency and accountability of government spending, **until the authorities can complete the quarterly audit related to IMF financing as referenced in the Letter of Intent, our chair wishes to be recorded as abstaining on the request for a new RCF.**

Regarding South Sudan's Staff-Monitored Program (SMP), we agree with the SMP's focus on governance, improved social spending, and exchange rate reform, which we have previously identified as top priorities to restore macroeconomic stability, rebuild credibility with the donor community, and tap into concessional lending. We also note the integration of technical assistance and capacity development in the program documents. **We encourage the authorities to move quickly to implement the reforms in the program.**

**We agree that fiscal sustainability and transparency will provide a necessary anchor for macroeconomic stability.** We welcome the authorities' commitment to refrain from non-concessional borrowing. We would encourage staff and the authorities to apply a high degree of scrutiny to any project that would require non-concessional borrowing and abstain from any opaque sources of financing. South Sudan's weak social safety net and very low spending on health and education have been long-standing problems even before the COVID-19 pandemic and the devastating floods of 2020. We welcome the authorities' commitment to prioritize health and education spending but are concerned that the military

and security services continue to take up substantial shares of official government resources that may not be reflected in the official budget. *Could staff provide more detail on how the authorities' plan to increase priority social spending and to demonstrate transparency on military and security spending?* We encourage authorities and development partners to share best practices on beneficiary registration and program roll out as they develop the World Bank supported cash-transfer program.

**We commend the authorities for taking action to phase out restrictions on foreign exchange.** We note that the authorities plan to use half of the RCF to bolster reserves and welcome their intention to work with staff on developing a strategy to use oil revenue to further accumulate reserves. We note the political risks in reforming the exchange rate system and encourage the authorities to implement plans to protect vulnerable households that may be affected by a shift in the official rate. We welcome IMF technical assistance and capacity development in this area. *Could staff provide more information on the percentage of import transactions are taking place at the official and parallel rates?*