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March 26, 2021

**Statement by Mr. Moreno and Mr. Rojas Ramirez on Republic of South Sudan
(Preliminary)
Executive Board Meeting
March 30, 2021**

South Sudan faces the challenge of restoring the path to macro-financial stability and inclusive growth initiated after the 2018 revitalized peace agreement under improved political stability. The country has been severely hit by oil price decline, the COVID-19 pandemic, and natural disasters including the worst floods in 60 years. We welcome the authorities' request for the Rapid Credit Facility (RCF) and Staff-Monitored Program (SMP) and thank staff for the insightful report and Ms. Mannathoko and Mr. Garang for their Buff statement.

Strengthening the external position is essential for macro-financial stability and to restore policy credibility. We deem the proposed reserve monetary targeting approach consistent with South Sudan's low level of reserves and weak policy standing. We welcome the government's decision to halt monetary financing of the deficit and overdraft facilities. South Sudan Central Bank's (BOSS) rebuilding of international reserves and external buffers is a key contribution of the proposed RCF (about half of the disbursement, US\$87 out of US\$176 million). We encourage the authorities to implement a mechanism for further reserve accumulation, repaying external debt, and rebuilding the Oil Revenue Stabilization Account. It will be necessary for IMF CD to lend assistance in liquidity forecasting and monetary policy instruments. We welcome the authority's commitment to FX market reforms to eliminate economic distortions, reduce rent-seeking, and support economic diversification.

On the fiscal side, it will be important to strengthen fiscal discipline once the pandemic is abated, eventually, to move to an Extended Credit Facility (ECF). We welcome revenue mobilization measures, improving tax collection and modernizing the National Revenue Authority. On the spending side, we support measures prioritizing timely payment of wages and adequate funding of social and priority spending. We acknowledge the authorities' commitment to maintaining debt sustainability, limiting external borrowing to finance critical

infrastructure, COVID-related spending, and consulting with the IMF before contracting any non-concessional borrowing.

We praise the authorities' commitment to the R-ARCSS, granting peace and political stability. It is essential to advance with reforms, boosting governance and strengthening anticorruption and transparency practices. We encourage authorities to implement PMF, the Treasury Single Account (TSA), and strengthening the social safety nets throughout the SMP.