

SU/19/70

May 29, 2019

**The Acting Chair's Summing Up
Republic of South Sudan—2019 Article IV Consultation
Executive Board Meeting 19/43
May 29, 2019**

Executive Directors agreed with the thrust of the staff appraisal. They commended the authorities for signing the revitalized peace agreement and stressed that achieving lasting peace will be critical to restoring macroeconomic stability and improving the population's living conditions. Directors observed, however, that the country is facing a deep economic and humanitarian crisis, and underscored the importance of decisively implementing key reforms to restore macroeconomic stability, strengthen economic buffers, improve governance, and rebuild credibility with the international community.

Directors welcomed the removal of domestic fuel subsidies, liberalization of the fuel market, and the authorities' efforts to reverse fiscal dominance by reducing central bank budgetary financing, which contributed to lowering inflation. These efforts notwithstanding, Directors concurred on the need to restore fiscal discipline and strengthen oil revenue and public financial management. They urged the authorities to implement the planned measures to discontinue contracting oil advances and to arrest off-budget transactions. Directors also encouraged non-oil revenue mobilization to underpin the needed fiscal consolidation over the medium-term while creating space for increased spending in education, health, infrastructure, and rural development. In this regard, they recommended to fast-track the operationalization of the newly-created National Revenue Authority.

Directors welcomed the authorities' intention to pursue a tight monetary policy, including by abstaining from providing credit to government, with the objectives to continue to lower inflation, gradually replenish international reserves, and remove distortions in the foreign exchange market. In this regard, Directors called for actions to liberalize the foreign exchange market and abolish the surrender requirements. They also concurred that the exchange rate should be market-determined, which would help address external imbalances and improve resilience to shocks.

Directors welcomed the Bank of South Sudan's commitment to strengthen financial stability, including by adopting a sound banking resolution framework and taking actions to address undercapitalization of banks that do not meet minimum capital requirements. Efforts to strengthen the AML/CFT framework were also encouraged.

Directors noted that additional reforms, including to improve governance, will be needed to foster more diverse, inclusive growth. They expressed concern about the lack of transparency of Nilepet's financial operations and called for a transparent audit to ensure that its planned investments in oil production and related activities are cost-effective and growth-enhancing. Directors stressed the importance of auditing the current stock of domestic arrears and developing a credible clearance strategy.

It is expected that the next Article IV consultation with the Republic of South Sudan will take place on the standard 12-month cycle.