

**FOR
AGENDA**

EBS/13/90
Supplement 1

June 26, 2013

To: Members of the Executive Board

From: The Secretary

Subject: **Republic of South Sudan—Request for Disbursement Under the Rapid Credit Facility and Staff-Monitored Program—Informational Annex**

The attached informational annex is being issued as a supplement to the paper on the Republic of South Sudan's request for a disbursement under the Rapid Credit Facility and Staff-Monitored Program, (EBS/13/90, 6/26/13), which is tentatively scheduled for discussion on **Wednesday, July 10, 2013**. Unless an objection from the authorities of the Republic of South Sudan is received prior to the conclusion of the Board's consideration, the document will be published. Any requests for modifications for publication are expected to be received two days before the Board concludes its consideration.

Questions may be referred to Mr. Gelbard (ext. 34418), Ms. Saxena (ext. 38728), and Mr. Issoufou (ext. 36341) in AFR.

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REPUBLIC OF SOUTH SUDAN

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY AND STAFF-MONITORED PROGRAM— INFORMATIONAL ANNEX

June 25, 2013

Prepared By

Staff of the International Monetary Fund in Consultation
with staff from the World Bank and the African Development
Bank

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SOUTH SUDAN: RELATIONS WITH THE FUND

(As of May 31, 2013)

Membership status. Joined on April 18, 2012.

General Resources Account	<u>SDR Million</u>	<u>% Quota</u>
Quota	123.00	100.00
Fund holdings of currency	93.48	76.00
Reserve Tranche Position	29.52	24.00
SDR Department	<u>SDR Million</u>	<u>% Allocation</u>
Net cumulative allocation	105.41	100.00
Holdings	76.24	72.33

Outstanding Purchases and Loans

None

Latest Financial Arrangements

None

Projected Payments to Fund (SDR million; based on current use of resources and present holdings of SDRs)¹

	Forthcoming				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Principal					
Charges/interest	0.02	0.02	0.02	0.02	0.02
Total	<u>0.02</u>	<u>0.02</u>	<u>0.02</u>	<u>0.02</u>	<u>0.02</u>

Safeguards assessments

The authorities are undertaking measures to strengthen central bank safeguards based on a roadmap provided by staff to facilitate completion of a safeguards assessment that could take place in early 2014.

¹ When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Exchange rate arrangement

South Sudan introduced its own currency (the South Sudanese Pound) upon independence in July 2011. In September 2011, the Bank of South Sudan pegged the exchange rate at 2.95 SSP per U.S. dollar (in accordance to the central bank law, the de jure exchange rate arrangement is a conventional peg against the U.S. dollar). Rationing of foreign exchange has led to a parallel market where the exchange rate trades at a premium compared to the official rate. Staff is planning to conduct a comprehensive assessment of South Sudan's exchange system to be carried out during the forthcoming Article IV consultation to identify measures subject to the Fund's jurisdiction and assess the exchange rate regime.

Article IV consultation

The Article IV consultation discussions are expected to take place in July-August 2013.

Capacity Development

IMF technical assistance and training has been scaled up significantly since independence and, in October 2012, the Fund launched a three-year dedicated capacity building program supported by a multi-donor trust fund. South Sudan is not yet a member of the East Africa Technical Assistance Center.

A. Headquarters missions and short-term experts: July 2011-May 2013

Department	Time of Delivery	Purpose
FAD	August 2011	Priority measures to reform the nonoil tax system.
FAD	August 2011	Rebuilding tax and customs administration.
FAD	August 2011	Priority Reforms in Public financial Management.
STA	November-December 2011	Monetary and Financial Statistics.
MCM	November 2011	Central bank organization and technical assistance needs assessment.
MCM	December 2011	Improving reserves' management.
MCM	May 2012	Reserves' management and funding options.
MCM	June 2012	Foreign exchange issues and liquidity monitoring framework.

MCM	August 2012	Assessment of Supervisory Capacity.
FAD	August-September 2012	Public Financial Management reform: implementation and Action Plan.
FAD	September-October 2012	Non-oil revenue administration (follow-up mission).
ICD/AFR	October 2012	Financial Programming and Planning Course
STA	January 2013	Monetary and Financial Statistics.
MCM	February 2013	Foreign exchange market liberalization.
FAD	February-March 2013	Revenue Administration (follow-up mission).
MCM	March 2013	Payments' system
STA	March 2013	External sector statistics
LEG	April 2013	AML-CFT diagnostic and reform agenda.
MCM	May 2013	Foreign exchange market liberalization.

B. Long-term advisors

Department	Period of Delivery	Purpose
STA	February 2012-January 2014	Monetary and financial statistics
MCM	March 2012-September 2013	Central Bank Organization
MCM	June 2012-December 2013	Foreign reserves' management
AFR	February 2013-January 2014	Macroeconomic framework
MCM	May 2013-April 2014	Central bank accounting
MCM	May 2013-April 2014	Banking supervision

Statistics

Despite several gaps, the quality of economic data is generally adequate for surveillance and program monitoring. With the exception of consumer price index and exchange rate data, other macroeconomic data have shortcomings in terms of quality, periodicity, and timeliness.

Real sector

- Price indices—A monthly Consumer Price Index (CPI) covering Juba, Wau, and Malakal is compiled, based on the 2009-10 Household Budget Survey. Import price indices are not yet available, and would require substantial investment in source data development (i.e., infrastructure at customs). Monthly CPI is available on the National Bureau of Statistics (NBS) Website.
- GDP/GNP/National Income—The NBS is compiling GDP at current and constant (2009) prices from the expenditure side. Preliminary estimates on income (mainly profits to direct investors in the oil sector) allows for the estimation of GNI. Work on a production-based GDP has started, but will require, inter-alia, benchmark surveys in agriculture. National accounts data are available on the NBS Website.

Fiscal sector

- Gross external debt— At the time of its secession from Sudan, South Sudan had no official external debt. Some external public debt has been accumulated in recent months and information about these contracts has been shared with Fund staff. However, official debt statistics are not yet available. Data on private debt (except for banks) are also unavailable.
- Revenue, expenditure, balance and composition of financing—Cash revenue and expenditure data (using both an economic and functional classification) are available for the central government but not for local governments or states.² However, the data are highly aggregated and are not currently in line with GFSM 2011 classification standards.

Monetary sector

- Foreign reserves—Data on central bank holdings and sales and purchases of foreign exchange are available on a daily basis from the central bank.
- Exchange rates—Data on the bid and ask exchange rates vis-à-vis the U.S. dollar applied by the central bank, and on the exchange rate prevailing in the parallel market, are available on a daily basis from the central bank.

² Technical assistance is scheduled to be provided to support reforms in this area.

- Consolidated balance sheet of commercial banks—A consolidated survey of the balance sheet of commercial banks is compiled on a monthly basis by the central bank.
- Balance sheet of the central bank and reserve money, including international reserve assets and liability of the monetary authorities—Until July 2011, the BSS was operating as a branch of the Central Bank of Sudan and information on its balance sheet and financial situation was incomplete, although it has recently been strengthened with technical assistance provided by the Fund and other donors. The BSS has now reconciled most of its foreign currency accounts and manual records, and has begun transmitting its monthly survey to IMF staff.
- Interest rates— Only interest rates on deposits for some banks are available.

External sector

- As the agency responsible for compiling external sector statistics, the BSS has initiated work on collecting source data, but has not yet disseminated a full balance of payments. For estimating GDP by expenditure, the NBS compiles components of the current account but the quality of the data is weak owing to limited capacity and the lack of source data, primarily on imports of goods and services. There are reliable estimates for oil exports based on volume and price data; oil is by far the most important export item. However, data on goods imports are scant due to the absence of customs-based data. Partial information from official sources on income and current transfers is available. Data on cross-border transactions conducted through the domestic banking system are collected by the BSS' international transactions reporting system. However, cross-border transactions are also conducted through nonbank channels. International investment position (IIP) statistics are not compiled. Data on direct investment flows and positions are limited in scope. Data on banks' foreign assets and liabilities and on reserve assets are available.

Data Standards and Quality

- A General Data Dissemination System (GDDS) mission to South Sudan is tentatively scheduled for September 2013.

Resident Representative

Mr. Joseph Karangwa was appointed as the Fund's Resident Advisor to South Sudan in September 2011. Mr. Karangwa became the Fund's Resident Representative when South Sudan became an IMF member in April 2012.

SOUTH SUDAN: JOINT BANK-FUND WORK PROGRAM

(April 2013 – October 2014)

Title	Products	Timing of Missions	Target Board Date
A. Mutual Information on Relevant Work Program			
Bank work program in next 12 months	Lending		
	Social Safety Net project	June 2013	June 2013
	Policy Development Credit	June 2013	October 2013
	Statistical Capacity Dev. project	July 2013	July 2014
	Capacity Development		
	Capacity development on Oil Revenue management for Ministry of Finance and Ministry of Petroleum and Parliamentary Economic Committees		
	Analytical Work		
	Trade Policy notes	September 2013	
	Governance Review	October 2014	
Jobs and Livelihoods report	October 2014		
Bi-Annual Economic briefs	November 2013 – April 2015		
Fund work program in next 12 months	Policy Advice		
	1. RCF/SMP	April 2013	July 2013
	2. Article IV consultation	July/August 2013	October 2013
	3. Staff visit	November 2013	N/A
	3. First review under SMP	February 2014	N/A

	Capacity Development		
	1. Public Financial Management	September 2013; December 2013	N/A
	2. Tax and customs administration	June 2013; December 2013; September 2013; February 2014 and April 2014	N/A
	3. Fiscal statistics/GFSM 2001	July 2013; April 2014	N/A
	4. Foreign Reserves' Management	July 2013	N/A
	5. Banking Supervision	December 2013	N/A
	6. Monetary and foreign exchange operations	May 2013; June 2013	N/A
	7. Anti-Money Laundering	September 2013; December 2013 and April 2014	N/A
	8. Balance of Payments Statistics	January 2014	N/A
	9. National accounts statistics	August 2013	N/A
	10. General Data Dissemination System	September 2013	N/A
	11. Macroeconomic framework, monetary and financial statistics; central bank organization; monetary operations, foreign reserves' management, banking supervision; and central bank accounting and auditing.	Long-term advisors	N/A
B. Sharing of Work Program Inputs			
From Bank to Fund staff	Memos for Bank missions and back to office debriefs, draft internal assessments of fragility, business climate, CPIA, public expenditure review, civil service reform, and other relevant structural reforms.		
From Fund to Bank staff	Macroeconomic framework, briefing memoranda, policy notes, back-to-office reports, and staff reports.		

Republic of South Sudan: Table of Common Indicators Required for Surveillance
(As of end-May 2013)¹

	Date of latest observation	Date received	Frequency of Data	Frequency of Reporting	Frequency of publication
Exchange Rates	Current	Current	D	D	M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ²	April 2013	May 2013	M	M	N/A
Reserve/Base Money	April 2013	May 2013	M	M	N/A
Broad Money	March 2013	May 2013	M	M	N/A
Central Bank Balance Sheet	April 2013	May 2013	M	M	N/A
Consolidated Balance Sheet of the Banking System	March 2013	May 2013	M	M	N/A
Interest Rates	N/A	N/A	N/A	N/A	N/A
Consumer Price Index	April 2013	May 2013	M	M	M
Revenue, Expenditure, Balance and Composition of Financing—General Government ³	March 2013	May 2013	M	M	N/A
External Current Account Balance	2011	June 2012	A	A	N/A
Exports and Imports of Goods and Services	2011	June 2012	A	A	N/A
GDP/GNP	2012	May 2013	A	A	N/A
Domestic government debt	March 2013	April 2013	M	M	N/A
Gross External Debt	March 2013	April 2013	N/A	N/A	N/A
International Investment Position	N/A	N/A	N/A	N/A	N/A

¹ Daily (D); Monthly (M); Quarterly (Q); Annually (A); Not Available (N/A).

² Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.

³ Data on composition of financing not yet available from the Treasury.

WORLD BANK OPERATIONS IN SOUTH SUDAN

(As of June 2, 2013)

Introduction

The World Bank's first Interim Strategy Note (ISN) for South Sudan, developed jointly with the International Finance Corporation (IFC), covers the period FY13-FY14, and aims to validate key elements for a longer-term strategic framework for a durable and consistent partnership with South Sudan, to be articulated in a subsequent strategy. Drawing on an analysis of South Sudan's main stresses, guidance from the 2011 World Development Report on Conflict, Security and Development, the Government of the Republic of South Sudan's (GRSS) South Sudan Development Plan (SSDP) and the 'New Deal' of the g7+ states, the overarching focus of the Bank's program in South Sudan is to help the country move from fragility to stability by beginning to lay the foundations for effective and accountable institutions that use the country's own resources to respond to its citizens' needs and promote economic opportunities and improve livelihoods. The institution building focus of the ISN is articulated in two program clusters: (i) improving economic management and governance for effective local service delivery, and (ii) expanding productive employment opportunities.

Ongoing Operations

The current Bank Portfolio in South Sudan consists of five projects, three of which are financed from the South Sudan Transitional Trust Fund (SSTTF) created by the World Bank Group (WBG), pending South Sudan's membership in the WBG, through a transfer of US\$75 million from IBRD surplus.³ All three projects strike a balance between delivery of quick impact and building institutional capability. The South Sudan Rural Roads Project (US\$38 million)⁴ is focusing on labor-based upgrading and maintenance of rural roads and building state and national capacity for rural infrastructure management. The South Sudan Health Rapid Results Project⁵ (US\$28 million) supports an innovative mechanism to support GRSS finance performance-based contracts for delivery of high impact primary health services in two remote states, while building the institutional capability of the Ministry of Health in coordination of services and monitoring and evaluation. The Private Sector Development Project⁶ (US\$9 million) aims to provide grants to micro-finance providers and promote entrepreneurship while strengthening the regulatory framework and South Sudan's Business Forum. The Emergency Food Crisis Response project, funded from the Global Food Price Crisis Response Program (GFRP) provides assistance to South Sudan in mitigating the impacts of the continuing food crisis. The initial grant of US\$10.2 million is fully disbursed and an additional financing of US\$ 7.5 million was approved recently by GFRP.

³ *Memorandum to the Executive Directors on the Establishment of a South Sudan Transitional Trust Fund, and the Proposed transfer of IBRD Surplus to the SSTTF*, World Bank, May 25, 2011.

⁴ *South Sudan Rural Roads Project* (IDA/SecM 2012-0237; Report 65330).

⁵ *South Sudan Health Rapid Results Project* (IDA/SecM 2012 – 0203; Report 67535).

⁶ *South Sudan Private Sector Development Project* (IDA/SecM 2012-0002; Report 65802).

An indicative IDA16 allocation for FY13 and FY14 has been set at a total of US\$131 million. The first IDA project – Local Governance and Service Delivery project – in the amount of US\$50 million was approved in March 2013. A grant from the State-and Peace-Building Fund (SPF) will assist the MoFEP with fiscal policy rules that recognizes South Sudan's dependence on oil revenues and assist the national Legislative Assembly to carry out its oversight responsibilities as they pertain to oil revenues; it will help improve the capacity and efficiency of the Ministry of Petroleum and Mining (MoPM) to manage South Sudan's oil resources. An extensive analytical work and technical assistance is complementing the Bank's lending.

Pipeline Operations FY 2013-2014

The Bank's planned support for FY 2013 is to provide IDA financing in the amount of US\$ 71 million for two interventions; namely; Local Governance and Service Delivery Project (\$50 million) and a Safety Net and Skills Development Project (\$21 million).

The plan for FY 2014 includes three interventions, one of which is in the infrastructure sector: (i) The South Sudan-Eastern Africa Regional Transport and Trade Facilitation Program (\$50 million IDA for Phase I) will contribute to the construction and maintenance of an important core highway from the Kenya border to Juba that would serve as a gateway to the central and north-western parts of South Sudan. It will leverage additional regional resources from IDA and potential financing partners, including China, the Saudi Fund, African Development Bank, European Union, DFID and others. The operation will also provide support for the ICT Sector. (ii) A budget support operation (\$10 million minimum, to be co-financed with the IMF and the African Development Bank) to consolidate critical reforms in the areas of economic governance and accountability, is also planned in FY14. (iii) The Bank will continue to work with the National Bureau of Statistics, and together with DFID, UNDP, and other donors, provide a Statistical Capacity Development Credit in FY14 to help the government carry out poverty surveys, produce reliable GDP estimates, monitor progress on the millennium development goals (MDGs), and build the essential foundation for an evidence-based decision making culture in South Sudan. The lending portfolio will be supplemented by analytical work and TA.

Indicative World Bank/IFC Program

I N S T I T U T I O N B U I L D I N G	CLUSTER I:			
	Economic management and governance for effective local service delivery			
	FOCUS AREAS	Knowledge Activities	Lending Activities	Partnerships
	Macro and budget management, poverty analysis	Macro-economic monitoring; Economic Briefs; Debt Management TA; PER, SPF grant on Oil Revenue Management; Poverty Assessment; Poverty Notes; High Frequency Household Survey TA	Statistical Capacity Development Project (US\$8m); Development Policy Operation (US\$10) ⁷ .	IMF; AfDB; Norway
	PFM, anti-corruption	CIFA implementation; procurement TA; StAR Initiative		IMF; USAID; UNDP; CIDA; DFID
	Capacity building and decentralized service delivery	Capacity Assessment of MoFEP; Governance Review	Local Governance and Service Delivery Project (US\$50m)	Danida; ODI, SIDA;
	Oversight institutions and Demand for Good Governance	Media & Parliamentary Training; Policy Development Forum		
	CLUSTER II:			
	Support for Productive employment and livelihood opportunities			
	FOCUS AREAS	Knowledge Activities	Lending Activities	Partnerships
	Economic diversification & regional integration	Inclusive Growth CEM, Trade Report; IFC Investment Climate TA	IFC microfinance	WTO, AfDB
	Jobs & Livelihoods	Job & Livelihoods Report, Livelihoods and skills for ex-combatants	Social Safety Net and Skills Development Project (US\$21m), IFC Pharmaceutical PPP	TDRP; KfW To be determined
Roads, ICT	Strategic Prioritization of Transport Investments; Road Maintenance TA; ICT TA	Juba-Kenya Highway (US\$50m)	Government of Kenya, The Saudi Fund, EU; AfDB; (tbd)	
Gender – all lending and knowledge will be gender-sensitive	BNPP grant on Women’s Access to rights an resources; LOGiCA TF on gender-based violence			

⁷ The DPO would be part of a coordinated approach with the IMF, which is in line with the proposal for access under the Rapid Credit Facility.

AFRICAN DEVELOPMENT BANK OPERATIONS IN SOUTH SUDAN

(As of May 30, 2013)

Introduction

The African Development Bank Group first strategy for South Sudan is articulated in the Interim Country Strategy Paper (I-CSP) 2012-2014, approved by the Boards of Directors in October 2012. The I-CSP is aligned to the South Sudan Development Plan (SSDP) 2011 to 2013, which has now been extended to 2016. The-CSP is articulated around one main pillar: “State Building through Capacity Building and Infrastructural Development”. The particular emphasis is on creating the conditions for promoting peace, stability and state building, through assisting the country in human and institutional capacity building in public finance management, aid coordination and implementing infrastructural programs as well as quick-win infrastructure projects with rapid impact on improving peace, security, livelihood and the investment climate.

Ongoing Operations

The current Bank Portfolio in South Sudan consists of three projects supporting institutional and human capacity development in public financial management system reforms and aid coordination: These are (i) Institutional Capacity Building for Poverty Reduction and Good Governance Project, approved in 2007 for UA9.6 million in grant, with activities both in Sudan and South Sudan;⁸ (ii) Support to the University of Juba, signed in February 2012 through a grant of USD482,350 under the Governance Trust Fund; and, (iii) Public Finance Management and Aid Coordination project, approved in December 2012 through a grant of the Fragile State Facility (FSF) for USD 7.3 million.

Pipeline Operations for FY 2013-2014.

The Bank’s planned support for FY 2013 is to provide grant amounting to UA33 million for four interventions; namely; Technical Assistance for the Development of the Transport Sector, Direct Budget Support program (to be co-financed with the IMF and the World Bank), Small towns’ water supply and sanitation study and Juba Electricity Distribution System Rehabilitation and Expansion project. All the four operations are expected to be considered for Board approval before end of 2013.

The plan for FY 2014 include two major interventions in the infrastructure sector, these are: The Fula Rapid Hydroelectric Power project, which is designed as a Public-Private Partnership project will receive up to UA 13.5 million from the private sector window of the Bank as well as Juba-Kapoeta Road Upgrading project on Kampala- Juba- Addis- Djibouti Corridor from the ADF country allocation and the Regional/multination window. The planned allocation for these two projects is about UA 75.5 million (to be confirmed).

⁸ The UA is equivalent to the SDR.

AfDB Funded Operations in South Sudan as of May 2013

Project Name	Amount Approved (Million Unit of Account)	Description/purpose
Institutional Capacity Building for Poverty Reduction and Good Governance	6.48	The objective is to strengthen the capacity of key institutions to implement macroeconomic reforms and good governance practices for poverty reduction. The project has supported the training of more than 1120 state officials in budgeting and planning, public finance management, and accounting. The first Household Baseline Survey has been conducted and a Human Resource Training Center with capacity of 50-60 trainees has been constructed and equipped. The project has disbursed UA 4.5 Million and will be closed on 30 th June 2013. Financing: African Development Fund (ADF)
Public Finance Management and Aid Coordination	4.8	The objectives are to (i) build and enhance transparency and accountability in the use of public resources through training, skills transfer (ii) improve aid coordination; and, (iii) enhance the operational effectiveness of beneficiary institutions by providing basic office equipment. The project was approved in December 2012 and yet to be declared effective as the recruitment of project staffs is still ongoing. Financing: Fragile States Facility (FSF)
University of Juba Capacity Enhancement	0.48	The project intends to enhance the capacity of the University of Juba to provide training in auditing, fiduciary management, and resource mobilization, with a view to ultimately enhancing capacities of public sector officials and service delivery, Financing: Governance Trust Fund

Indicative Pipeline Operations (2013-2014)

	Project	Indicative Amount (Million Units of Account)	Source	Status/Stage	Board Consideration
1	Technical Assistance for the Development of the Transport Sector*	6.9	ADF	PCN completed	Nov 2013
2	Direct Budget Support program*	6.6	ADF		TBD (2013)
3	Small towns' water supply and sanitation study*	2.5	ADF	ToR is ready.	Aug 2013
4	Juba Electricity Distribution System Rehabilitation and Expansion project	17.0	ADF	Pre-Appraisal	Dec 2013
5	Fula Rapid Hydroelectric Power project	13.5	ADB	PCN completed	2014
6	Juba-Kapoeta Road Upgrading project on Kampala- Juba- Addis-Djibouti Corridor (co-financing)	62.0	ADF & Regional	Preparation stage	2014

Note: Projects planned for FY 2013 and to be financed from ADF Sources, pending completion of the final stages of the membership process of South Sudan (ratification and payment of the first subscription).