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March 13, 2017

Statement by Mr. McDonald and Ms. Pollard on Republic of South Sudan
(Preliminary)
Executive Board Meeting
March 15, 2017

South Sudan's economy is in shambles after years of civil war that has left tens of thousands dead and displaced millions from their homes. International reserves have been depleted, the banking sector is crumbling, inflation is unsustainably high, and the South Sudanese pound has depreciated severely against the U.S. dollar. The economy is in a deep recession and risks to the outlook are substantial. The authorities have accumulated vast arrears and burdened a young state with unsustainable debt, while the actions of South Sudan's leaders have sown the seeds for a famine that will lead to even more loss of life. In this regard, we call on the authorities to support the immediate and unfettered access of humanitarian workers to those in need.

The August 2015 peace agreement held tremendous promise but has since fractured. We note President Kiir's call for a broad-based and inclusive national dialogue and stress the importance of moving forward to heal the wounds of ethnic conflict and lay the foundation for sustainable peace, improved economic performance, and the rebuilding of South Sudan's institutions. Staff's report in Annex II on *Achieving the Peace Dividend* is especially informative and we urge the authorities to carefully consider the recommendations and key takeaways, particularly regarding the need to break the cycle of entrenched interests and ensure any peace dividends are broadly shared. We welcome the statement in Mr. Mkwezalamba's and Mr. Nakunyada's buff that the authorities are optimistic that the national dialogue will foster a consensus necessary to bring lasting peace and stability.

We broadly agree with staff's analysis and recommendations. We note recent positive steps taken by the authorities to help restore macroeconomic stability, namely the decision to liberalize the exchange rate and lower central bank financing of the fiscal deficit. The new budget also lays out a much-needed course-correction on fiscal policy and we are pleased to see that the authorities are working on measures to eliminate the remaining financing gap as external support is unlikely as long as the conflict continues. The focus on basic and quickly achievable public financial management reform measures is appropriate and necessary to enhance transparency, integrity, and restore confidence. We urge the authorities to continue these positive efforts but underscore that absent resolution of the ongoing conflict and a clear commitment to improved governance, the impact of these positive steps will be limited.

We thank staff for a completing a thorough report under challenging circumstances.