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

We thank staff for its report and Mr. Mkwezalamba and Mr. Nakunyada for their informative Buff statement. We mostly concur with staff's policy recommendations. South Sudan faces tremendous economic and political challenges. Achieving a sufficient political inclusiveness to bring the peace process back on track is an absolute prerequisite for stabilizing the economic situation and solving the humanitarian crisis. Against this background, we welcome the authorities' initiative for an all-inclusive national dialogue as well as their commitment to address the economic crisis.

As staff rightly accentuates, reinstating fiscal discipline is paramount to restoring macroeconomic stability. We therefore urge the authorities to pursue their planned fiscal adjustment and to consider additional measures to close a budgeted external financing gap. In this context, we fully agree with staff that government priorities should shift from security to development spending on infrastructure and human resources. Given that South Sudan is in debt distress and vulnerabilities are very likely to persist, we concur with staff that the authorities should seek financing on most concessional terms going forward.

Decisive action on the fiscal front will enable monetary authorities to prevent further monetary expansion thereby stabilizing domestic prices. Reducing inflation requires an elimination of BSS direct lending to the government and instead a greater reliance on market financing through Treasury bills. Tighter fiscal and monetary conditions are also necessary in order to support the much-needed gradual build-up of foreign exchange reserves.

We commend the authorities for their exchange reforms which helped to eliminate the large overvaluation of the official exchange rate and lowered the spread to the parallel market. In light of large risks to external stability and almost depleted foreign reserves, we agree to the proposed decision on exchange restrictions, maintained under Article XIV Section 2, but encourage the authorities to remove them as soon as conditions permit.