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March 13, 2017

**Statement by Ms. Barron and Ms. Lelang on Republic of South Sudan
(Preliminary)
Executive Board Meeting
March 15, 2017**

We thank staff for their comprehensive report on the Republic of South Sudan, Mr. Mkwezalamba and Mr. Nakunyada for their informative Buff statement and the staff representative for his update on the food security situation and refugee crisis. The Republic of South Sudan is faced with the daunting challenge of restoring political and economic stability after three long years of external shocks and civil conflicts. We also note from the statement by the staff representative that, since the report was finalized, famine has been declared in two counties and could be declared in others and that the refugee crisis has worsened. We are encouraged by the recent shift in the authorities' policy strategy to embark upon a strong macroeconomic adjustment program. Implementing the report's recommendations will require inclusive political leadership, perseverance from authorities to implement a set of well-calibrated macroeconomic policies and to secure assistance from multiple international institutions to aid Sudan's recovery. **We broadly agree with the staff's country appraisal and economic policy recommendations.** We also emphasize the following.

We agree that restoring fiscal discipline is the surest way to reduce monetary expansion, stabilize domestic prices and restore external stability. We welcome the South Sudanese initiative for an all-inclusive national political dialogue and commitment to restoring macroeconomic stability by agreeing to revise the budget to eliminate the financing gap, avoid any new borrowing from the central bank and start to implement reforms to public financial management. We also welcome staff's tightly targeted set of recommendations that recognizes the significant capacity constraints and focuses on near-term remediation.

We agree with the ongoing reforms undertaken in the financial and monetary sector. We welcome the authorities' progress made towards building of capital buffers to cushion banks from vulnerabilities emerging from capital inadequacy. In particular, raising of the minimum capital requirements for both foreign and domestic banks, finalizing the legislative

framework for non-compliant banks and under-capitalized institutions. We are also encouraged by the authorities' initiatives to enforce reserve requirements to strength monetary policy including discontinued recourse to central bank borrowing to bridge budget deficits. We encourage authorities to remain steadfast in implementing these reforms.

Securing international multilateral institutions' support remains critical to Sudan's recovery. In addition, we note that aid agencies have been able to deliver assistance to victims of drought but reportedly only for a short period of time. *We would welcome staff's view on the willingness and capacity of donors to engage with South Sudan, on the disarmament demobilization and reintegration (DDR) program as well as to assist South Sudan in building the capacity needed to restore macroeconomic stability.*