



THE SUDD INSTITUTE

RESEARCH FOR A PEACEFUL, JUST AND PROSPEROUS SOUTH SUDAN

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Weekly Review

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Key Milestones on South Sudan's Engagement with the International Monetary Fund

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1. Introduction

On November 17, 2022, the South Sudanese authorities reached a staff-level agreement with the IMF to conclude the third and final review of a Staff-Monitored Program (SMP) and on key economic policies supporting a disbursement under the New Food Shock Window (FSW) of the Rapid Credit Facility (RCF) for about US\$112 million, combining that with a 9-month Program Monitoring with Board Involvement (PMB).¹ The support under the FSW is intended to address food insecurity, boost social spending, and augment reserves, whereas the PMB will support economic policies aimed at maintaining macroeconomic stability and ensuring debt sustainability.

Before the report goes to the IMF Board for consideration, the authorities will be expected to implement several reforms to strengthen governance and improve transparency. According to the IMF recent staff press release, “These include publishing budget execution reports; publishing the results of a stock-take of South Sudan’s external debt; publishing the Auditor General’s report on the second RCF disbursement and starting to address its findings and recommendations; as well as strengthening the process for contracting external debt and issuing sovereign guarantees.” This mission is a continuation of a long series of relationship-building between South Sudan and the IMF since 2012. An inquisitorial mind might ask what events could characterize such bilateral relations. To shed light on such bilateral relations, the overview raises two related questions: (i) What are the milestones between South Sudan and the IMF? (ii) which areas require improvement to move the ball further?

¹ IMF. (2022, November 22). IMF Reaches Staff-Level Agreement with the Republic of South Sudan on the Third Review of the Staff-Monitored Program, a Rapid Credit Facility through the Food Shock Window and Program Monitoring with Board Involvement. [IMF Reaches Staff-Level Agreement with the Republic of South Sudan on the Third Review of the Staff-Monitored Program, a Rapid Credit Facility through the Food Shock Window and Program Monitoring with Board Involvement](#)

South Sudan joined the International Monetary Fund (IMF) and World Bank (WB) on April 18, 2012. Upon becoming 188th IMF Member, it immediately assumed full benefits and obligations of the membership. These include paying its subscription in Special Drawing Rights (SDRs),² voting on certain decisions through its representative on the IMF Executive Board, conducting Article IV consultations,³ receiving policy advice, and accessing the use of Fund resources, among others.

It must be stressed that the internal political conflict which lasted from 2013 through 2018 did slow down South Sudan's engagement with the IMF, thereby interrupting some of the activities, including the timely conduct of Article IV consultations and the ability to access Fund's financial resources. Yet, starting with the signing of the historic Agreement on the Resolution of the Conflict in South Sudan (R-ARCSS), the country has returned to its reengagement path. This is evidenced by the first Rapid Credit Facility (RCF-1) disbursement under the emergency financing window during the pandemic in November 2020 and the second disbursement under the emergency financing window (RCF-2) in March 2021. Since then, the country has picked up its speed pertaining to reforms and engagement with the IMF and is working toward a full-fledged program under the Extended Credit Facility (ECF) arrangement. This will hinge on satisfactory performance under the Staff-Monitored Program (SMP), which was approved on March 30, 2021, and the just concluded PMB on November 17, 2022.

Therefore, key milestones pertaining to South Sudan's engagement with the IMF include its membership, several Article IV consultations, the adoption of the Public Financial Management Reform Strategy (PFMRS) and subsequent establishment of the PFM Oversight Committee, including the active Secretariat, access to emergency financing, and receipt of general allocation of SDRs, among others. Through its partnership with Troika and engagement with the IMF, South Sudan saw the timely adoption of PFMRS and the establishment of the Public Financial Management structures. The PFM Oversight Committee has proven a useful avenue through which Troika and partners can provide policy advice to the country on its PFM reform agenda.

This Review highlights key milestones on South Sudan's engagement with the International Monetary Fund. The rest of the Review proceeds in sections as follows: Section 2 outlines key milestones, Section 3 covers key actors, and Section 4 points to areas needing improvements. Section 5 concludes the Review.

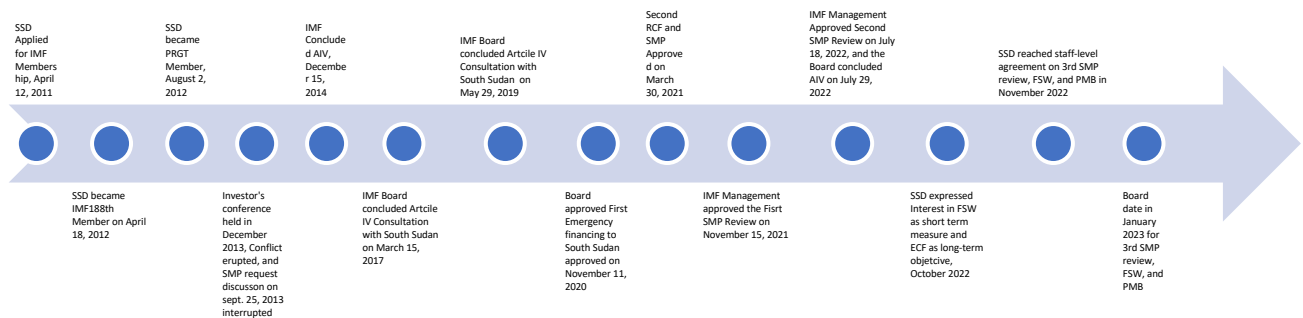
2. A Snapshot of South Sudan's Key Milestones in Dealing with the IMF

² Williamson, J. (2009). Understanding Special Drawing Rights (SDRs) (No. PB09-11). Washington, DC: Peterson Institute for International Economics.

³ Mussa, M. (1997). IMF surveillance. *The American Economic Review*, 87(2), 28-31. Note that under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, staff prepares a report, which forms the basis for discussion by the Executive Board.

2.1 Event Tree

Figure 1: South Sudan’s Engagement with the IMF, 2011-Present



Source: Author’s construction 2022. Key: SSD stands for South Sudan;

Figure 1 represents key event dates such as various Article IV Consultations, initiation of PFM Reforms; disbursements under emergency financing window, approval of the SMP, first and second reviews of the SMP; conclusion of the third and final review, and staff-level agreement on requests for the New Food Shock Window, and PMB towards the ECF in an event timeline.

2.2 Select Descriptions of the Events

Membership and Quota Subscription

Upon joining the Fund on April 18, 2012, South Sudan paid a quota subscription. While the negotiations for the 14th General Review of Quotas (GRQ) were completed in 2010, they took effect in 2016. Therefore, South Sudan’s quota share was affected though it joined the IMF after 2010 when the quotas were doubled in 2016 under the 14th GRQ. It paid its quota share increase, bringing the total quota currently to SDR 246 million (equivalent to about US\$324 million).

Early Attempts to Engage the Fund through the SMP and RCF

In addition to hosting one of its biggest investor’s conferences in Juba in 2013, South Sudan did also discuss steps to secure an SMP and RCF with the Fund in September 11-15, 2013. However, on December 15, 2013, the political crisis interrupted these early engagements. The request for an SMP was revived later in 2020 following the formation of the Revitalized Government of National Unity (RTGoNU) in February 2020 and the onset of the COVID-19 pandemic.

Ongoing Plans

South Sudan came to appreciate the potency of the PFM reforms, which culminated into establishing the Oversight Committee and related structures in 2020.⁴ Going forward, it continues to deepen its engagement with the Fund and other international financial institutions (IFIs) through regular surveillance exercises, the SMP, PMB, and had expressed an interest in a future ECF to anchor its medium-term policies.

Further, South Sudan remains among the heavy technical assistance (TA) users in the region and in this regard, the authorities have and continue to appreciate and coordinate TA activities as they are a big part of its relations with the IMF. The IMF provided and continue to field TA to select South Sudan ministries and agencies, including the Ministry of Finance and Planning (MoFP), Bank of South Sudan (BoSS), National Revenue Authority (NRA), and National Bureau of Statistic (NBS), and more.

3. The Role of Human Agency on South Sudan’s Reengagement with the IFIs

The engagement of South Sudan with IFIs has been made possible because of persistent and focused efforts from a lot of actors, including select government agencies, top country’s leadership, parliament, private sector, research institutions, and civil society. For brevity, we list the following actors as key in advancing the case of South Sudan with the IFIs, especially the IMF:

- **The Citizens**—agitating for policy prudence and efficient service delivery
- **President**—providing leadership and supporting economic team to deepen engagement with the Fund and other IFIs, including the World Bank
- **Government**— Authorizing the economic team to engage meaningfully with partners
- **Revitalized Transitional Legislative Assembly**—Demanding transparency and accountability over the use of scarce public resources
- **Ministry of Finance and Planning and Central Bank of South Sudan**— acting as fiscal agent to the Fund and custodian of government finances while representing South Sudan in such negotiations resulting into improved relations and use of Fund resources
- **Ebony Center through its Virtual Economic and Social Transformation (VEST) Team**—advising the President, consecutive ministers of Finance, and economic team, as well as bringing their prior experience to bear on such negotiations with the IMF starting in 2020 during the first negotiation of the RCF
- **Donor community**—Demanding accountability, transparency, and prudent policies, as a conduit to safeguard scarce resources and rebuild credibility with development partners
- **Others**— These involve South Sudan’s friends in the IMF Management, at the Executive Board, and among staff who left no stone unturned to see South Sudan reengaging.

⁴ Garang, J. A. (2020). It takes a Village to Raise a Child: South Sudan’s Reengagement Strategy with Key International Financial Institutions. Sudd Weekly Reviews. Retrieved: [Microsoft Word - IFIS_SSD_JAG.docx \(suddinstitute.org\)](#)

4. Areas Requiring Improvement to Deepen Engagement with IFIs

While many things are priorities in South Sudan, key outstanding issues relate to economic matters. The priority list should include the need to ensure prudent debt management; transparent oil management; and a prudent fiscal and monetary policy. Specifically, efforts must be made to avoid central bank overdraft and monetization of the deficit, ensure better communication to the market, promote PFM reforms, diversify the economy, and undertake inclusive policies, including by promoting financial inclusion, with implications to contribute toward sustainable peace and poverty reduction. The issues referenced above are the most important part of this document. It reasons to stress that some of those reforms are important commitments under the SMP, FSW, PMB, and other future programs. In this context, successful implementation of these reforms would build up trust with the international community, which would open a door for the country to receive more concessional financing while enshrining policy discipline.

In a sense, one area in which South Sudan could do so immediately (and which would greatly improve engagement with IFIs) is by returning to regular publications of oil production and sales data as well as of budget implementation reports to increase the transparency in the use of oil revenue and improving data quality and availability across the board.

5. Concluding Remarks

South Sudan has come from a very far place, and it should go somewhere if right policies are sustained. The country has a lot to gain if it works with its key partners, especially the IFIs and Troika. Going forward, focus should be on ensuring transparency, strengthening the efficiency of government spending, and improving data quality.

About Sudd Institute

The Sudd Institute is an independent research organization that conducts and facilitates policy relevant research and training to inform public policy and practice, to create opportunities for discussion and debate, and to improve analytical capacity in South Sudan. The Sudd Institute's intention is to significantly improve the quality, impact, and accountability of local, national, and international policy- and decision-making in South Sudan in order to promote a more peaceful, just and prosperous society.

Author's Biography

James Alic Garang is a co-founder and scholar at The Sudd Institute. His areas of interest include macroeconomics, development economics, financial sector, and financial inclusion. He has in the past participated in host of academic and professional undertakings, including internships at the African Development Bank in Tunisia (2009-2010), as a lead evaluator on the Banking Sector during the "Comprehensive Evaluation of the Government of South Sudan, 2006-2010", a consultant with the World Bank (2013-2014), and a board member serving on a number of charitable organizations and academic affiliations. A former

McNair Scholar, and a member of Omicron Delta Epsilon, James holds a PhD in Economics from the University of Massachusetts, Amherst. A former Deputy Dean of Faculty of Economic & Social Studies at Upper Nile University and a Senior Economist with the Ebony Center for Strategic Studies, he is currently a Senior Advisor to the Executive Director at the IMF Executive Board in Washington, DC.