INTERNATIONAL MONETARY FUND

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REPUBLIC OF SOUTH SUDAN

November 2021

FIRST REVIEW UNDER THE STAFF-MONITORED PROGRAM—PRESS RELEASE; AND STAFF REPORT

In the context of the Staff-Monitored Program review, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's information and consideration on October 26, 2021, following discussions that ended on August 27, 2021, with the officials of the Republic of South Sudan on economic developments and policies underpinning the IMF arrangements under the Staff-Monitored Program review. Based on information available at the time of these discussions, the Staff Report was completed on October 21, 2021.
- A **Debt Sustainability Analysis Update** prepared by the Staffs of the IMF and the International Development Association (IDA).

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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PR21/334

IMF Management Approves the Completion of the First Review of the Staff-Monitored Program with the Republic of South Sudan

- *IMF staff commends the authorities for implementing key economic reforms supported by the Staff-Monitored Program (SMP) that have stabilized the exchange rate, contributed to a significant decline in inflation, and unified the exchange rates in the market.*
- *It will be important to make sustained progress under the SMP, especially by deepening public financial management (PFM) and other governance reforms that are essential for efficient use of public funds and building the foundations for strong and inclusive growth.*

Washington, DC – November 15, 2021: The Management of the IMF approved on October 18, 2021 the completion of the first review under the SMP for South Sudan. The SMP, which was approved on March 30, 2021, supports the authorities' program of reforms that are aimed at strengthening governance and helping create the conditions for strong and inclusive growth by restoring fiscal discipline, implementing a rules-based monetary policy framework, and eliminating distortions in the foreign exchange market.

South Sudan's near-term outlook is for moderate economic recovery. Real GDP growth for FY2021/22 is projected at 1 percent, boosted by higher oil prices. A national vaccination campaign has made some progress distributing COVID-19 vaccines, supported by the World Bank and COVAX. However, so far only a small share of the population has been vaccinated. As such, increasing the share of the population vaccinated is critical to mitigating risks of new pandemic variants and waves that could have devastating implications for lives and livelihoods.

A foreign exchange (FX) reform introduced at the beginning of the SMP sought to liberalize FX markets and eliminate the large distortion from a significant premium of the exchange rate in the parallel market relative to the official rate. The faster-than-expected completion of this goal constitutes a notable success with tangible benefits. Supported by two disbursements under the Rapid Credit Facility (in November 2020 and March 2021) and higher global oil prices, the macroeconomic stabilization and FX market reforms have contributed to an appreciation of the market exchange rate. The appreciation has translated into a significant decline in inflation, with domestic prices (including those for food) falling slightly in recent months.

Economic governance remains weak following years of civil conflict. This includes large oil advances and other non-concessional loans and guarantees outside the budgetary process which are indicative of weaknesses in central control over debt contracting and management. In this respect, it is a promising first step that PFM reforms have been initiated, including those aimed at improving cash management, strengthening spending controls, starting the implementation of the Treasury Single Account, discontinuing the use of nontransparent oil advances for budget financing, starting the publication of budget implementation updates, and initiating reforms to strengthen the Anti-Money Laundering/Combating Financing of Terrorism

(AML/CFT) framework. Going forward, the authorities and IMF staff agreed to establish a robust debt management framework and tackle a legacy of non-concessional external debt. In addition, the authorities expressed commitment that no new debts should be incurred without the approval of the newly established Loan Committee, the Cabinet of Ministers, and the National Assembly, and no new oil advances would be contracted.

The recent publication of the audit by the Auditor General on the use of the first f RCF funds disbursed in November 2020 marks an important step towards greater fiscal transparency and accountability in the use of public resources. An effective follow-up by the appropriate institutions on the findings of the audit will be essential.

INTERNATIONAL MONETARY FUND

REPUBLIC OF SOUTH SUDAN

FIRST REVIEW UNDER THE STAFF-MONITORED PROGRAM

October 21, 2021

EXECUTIVE SUMMARY

Context. A 9-month Staff Monitored Program (SMP) combined with a disbursement under the Rapid Credit Facility (RCF) of 50 percent of quota (about US$174 million) was approved on March 30, 2021 to address BOP challenges and build a track record towards an upper credit tranche financial arrangement. This followed a disbursement under the RCF in November 2020 of 15 percent of quota (about US$52 million), which was the first-ever financial disbursement from the Fund to South Sudan. Progress has continued in implementing the revitalized peace agreement of 2018: following the formation of a unity government in February 2020 and the appointment of state governors in June 2020, the national parliament was sworn into office in August 2021. The humanitarian situation remains dire, with about 60 percent of the population facing high levels of acute food insecurity.

SMP review. The review focused on reforms aimed at sustaining the recent gains in macroeconomic stability and exchange rate unification and continuing governance reforms. Performance under the SMP has been broadly satisfactory. The economic reforms implemented under the SMP, supported by the RCF disbursements and the strong recovery of oil prices, have helped ease the adverse impact of the pandemic and address a history of weak macroeconomic governance: the exchange rate has stabilized, the price level has started to decline, and the government has substantially reduced salary arrears. The authorities had implemented in early September the reforms targeted under all end-June structural benchmarks. However, two end-June quantitative targets were missed: the ceiling on cash deficit of the central government and the ceiling on contracting or guaranteeing non-concessional borrowing.

Staff's view. Staff supports the authorities' request for completing the first review of the SMP on the basis of the policies outlined in the attached Memorandum of Economic and Financial Policies. In particular, the draft budget for FY2021/22 refrains from monetary financing of the deficit and contracting new non-concessional loans, the Bank of South Sudan (BOSS) is committed to continued prudent monetary and exchange rate policies in support of price and exchange rate stability, and the authorities are taking further steps to advance governance reforms. In addition, the authorities have taken remedial measures related to the two missed quantitative targets. The main downside risk to the program remains a potential return to hostilities due to very difficult humanitarian and economic conditions. On the upside, peace dividends could prove higher than expected.

Approved By
Catherine Pattillo (AFR) and Guillaume Chabert (SPR)

An IMF team, consisting of Mr. Niko Hobdari (Head), Ms. Elaine Abomwesigwa, Mr. Ayman Alfi, Ms. Ursula Wiriadinata, Mr. Ron Yamada, Mr. Robert Zymek, (all AFR), Mr. Tohid Atashbar (SPR), and Mr. Hoth Chany (IMF Acting Resident Representative, office in Juba) held discussions with Minister of Finance and Planning, Hon. Athian Ding Athian; Central Bank Governor, Mr. Dier Tong Ngor; and other senior government officials by teleconference during August 16–27, 2021. Mr. Garang (OED) participated in policy discussions. Executive Director, Ms. Ita Mannathoko and Alternate Executive Director, Mr. Osana Jackson Odonye (all OED) joined the opening and closing meetings. Mr. Rogelio Celaya, Mr. Fernando Morán Arce, Ms. Jillian Power, and Mr. Jacques Treilly (all AFR) contributed to the preparation of this report.

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CONTEXT

1. The political reforms and the peace-building process have continued albeit with some delays. Following the formation of the unity government in February 2020 and the appointment of all ten state governors in June 2020, President Kiir announced in May 2021 the reconstitution of the national parliament and the start of the process of drafting the final Constitution. The national parliament was inaugurated on August 31, 2021.

2. A 9-month SMP combined with a second disbursement under the RCF was approved on March 30, 2021. This second RCF was for 50 percent of quota (about US$174 million) and followed an RCF disbursement in November 2020 for 15 percent of quota (about US$52 million), which was the first-ever financial disbursement from the Fund to South Sudan. The SMP has three main pillars: restoring fiscal discipline, removing distortions in the FX market, and strengthening governance.

3. The RCF disbursements and the strong recovery of oil prices have helped ease the adverse impact of the pandemic and improve some aspects of macroeconomic governance, but the humanitarian situation remains dire. The stabilization of the exchange rate in recent months has anchored consumer prices (see below). In addition, the fiscal space created by the RCF disbursements has allowed the authorities to substantially reduce salary arrears. Nevertheless, the humanitarian situation remains dire. About 60 percent of the population is at high levels of acute food insecurity, which were further aggravated by historic flooding in August 2020.

RECENT DEVELOPMENTS

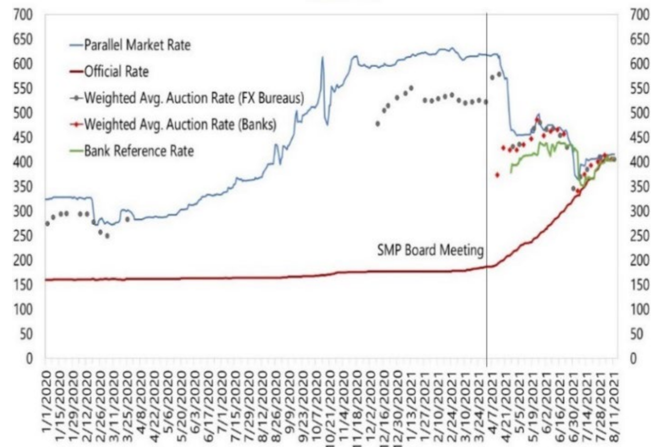
4. The government has maintained fiscal discipline. Oil revenue in recent months has exceeded the projections at the time of SMP approval due to the faster-than-expected oil price recovery. Non-oil revenue has also increased significantly—to an average of about SSP 6 billion per month in the last quarter of FY2020/21, compared to about SSP 3.5 billion earlier in the year. The higher revenue, together with the resources made available by the second RCF, have allowed the government to remain current on salary payments and reduce salary arrears from 5 months at end-March to 1 month at end-June 2021.[1] The payment of such arrears is the main poverty-reducing instrument currently available to the authorities in the absence of significant budget-funded transfer mechanisms and against the background of a large government payroll with low average wages, including in the health and education sectors. The government has also continued its policy of no new monetary financing of the deficit.

5. The FX reforms introduced under the SMP have achieved convergence of the exchange rates, eliminating the previously large distortions in the FX market (Text Figure 1). At the

[1] The authorities converted most of the US$52 million of the first RCF disbursement at the official exchange rate and used the proceeds to clear two months of wage and salary arrears. Three additional months of salary arrears were paid from the second RCF disbursement and the FX gain from the auctioned disbursements, reducing the outstanding salary arrears to one month as of end-June 2021.

beginning of the SMP on March 30, 2021, the exchange rate in the parallel market was about 618 SSP/US$, compared to an official exchange rate of about 184 SSP/US$, a premium of over 200 percent. The FX reforms that were introduced as prior action for the SMP included: (i) opening FX auctions to banks (in addition to FX bureaus that resumed in December 2020); (ii) allowing commercial banks to buy and sell FX at the market rates; and (iii) adjusting the official exchange gradually until it converged with the market rates. These reforms have led to convergence of the different exchange rates in the market since mid-August. Following such convergence, the official exchange rate was discontinued and replaced with a reference rate based on rates prevailing in the market (MEFP ¶14). The FX reforms, combined with monetary discipline and an oil price recovery that has boosted FX liquidity, have also led to a significant appreciation of the exchange rate in the parallel market—to 409 SSP/US$ as of August 30, 2021 (an appreciation of about 1/3). As of September 1, 2020, the spread between the reference and parallel rates was around 0.6 percent. The spread between the reference and auction rates was around 1.2 percent as per the last auction on September 13, 2021.

Text Figure 1. Republic of South Sudan: Exchange Rates (SSP/USD)



Source: South Sudanese Authorities

6. The appreciation of the exchange rate in the parallel market has contributed to a significant decline in inflation and has stabilized domestic prices. The 12-month inflation rate in Juba[2] fell to 23 percent in July 2021, from 94 percent in January 2021. Staff analysis suggests that monetary discipline contributed to the exchange-rate appreciation; adjusted for exchange rate changes, reserve money contracted by over 3 percent at end-July 2021 relative to end-March 2021 (Annex I). In turn, the appreciation of the SSP has been exerting downward pressure on prices, as South Sudan is highly import-dependent. The price of the representative food consumption basket in Juba (which makes up 55 percent of the overall consumption basket) peaked in April and has declined by 14 percent since. Staff analysis using alternative data sources confirms a decline in food prices in Juba and other states in recent months. It also suggests that the exchange-rate appreciation has helped insulate South Sudan against the concurrent rise in global food prices. Indeed, had it not been for the exchange rate appreciation since end-March, food prices in South Sudan would have increased significantly instead of declining (Annex II).

7. The Cabinet approved in September a draft FY2021/22 budget that is based on conservative revenue assumptions and refrains from monetary financing of the deficit and

[2] The aggregate CPI compiled by authorities combines data from Juba with data from two other large cities, Malakal and Wau. Since Juba makes up about half of the aggregate index and price information has been collected more reliably in the capital over time, the staff analysis focuses on the Juba index. However, the price data from other regions show similar patterns to those in Juba.

contracting new non-concessional external debt (Text Table 1 and Table 2).[3] While the draft budget targets a significant improvement in the overall fiscal deficit as a share of GDP (from an estimated deficit of 7 percent of GDP in FY2020/21 to a surplus of 2.6 percent of GDP in FY2021/22), this is mostly due to the recovery of oil revenues from higher international oil prices and the reduction of Transitional Financial Agreement (TFA) payments to Sudan (see ¶12) and thus does not pose a drag on domestic demand and growth. Indeed, net of TFA payments, government spending in FY2021/22 is about 45 percent higher in real terms relative to FY2020/21.

Text Table 1. Republic of South Sudan: Fiscal Operations of the Central Government

	Billion of SSP				% GDP(SSP)				% Total Expenditure			
	20/21	21/22	21/22	21/22	20/21	21/22	21/22	21/22	20/21	21/22	21/22	21/22
	RCF-2	RCF-2	New Budget	Current MF	RCF-2	RCF-2	New Budget	Current MF	RCF-2	RCF-2	New Budget	Current MF
Total revenue and grants	**274**	**489**	**602**	**662**	**24.5**	**31.1**	**26.9**	**29.6**				
Oil revenues[1]	234	426	544	590	21.0	27.1	24.3	26.4				
Non-oil tax revenue	40	63	58	72	3.6	4.0	2.6	3.2				
Total expenditure	**308**	**520**	**646**	**604**	**27.5**	**33.1**	**28.9**	**27.0**	**100.0**	**100.0**	**100.0**	**100.0**
Current expenditure	260	441	526	504	23.2	28.1	23.5	22.6	84.4	84.9	81.5	83.4
Salaries	50	82	123	123	4.5	5.2	5.5	5.5	16.3	15.7	19.0	20.4
Operating expenses	57	94	78	78	5.1	6.0	3.5	3.5	18.6	18.1	12.0	12.9
Interest	14	14	2	47	1.3	0.9	0.1	2.1	4.6	2.8	0.3	7.8
Oil-sector-related domestic transfers	12	27	24	34	1.1	1.7	1.1	1.5	3.8	5.2	3.7	5.6
Transfers to Sudan	91	160	245	168	8.1	10.2	11.0	7.5	29.5	30.7	38.0	27.8
Other expenses	36	65	54	54	3.2	4.1	2.4	2.4	11.6	12.4	8.4	8.9
Net acquisition of non-financial assets	48	79	119	92	4.3	5.0	5.3	4.1	15.6	15.1	18.5	15.2
Covid-19 Fund	0	0	0	8	0.0	0.0	0.0	0.4	0.0	0.0	0.0	1.3
Overall balance (cash)	**-34**	**-31**	**-44**	**58**	**-3.0**	**-2.0**	**-1.9**	**2.6**	**-10.9**	**-6.0**	**-6.7**	**9.5**
Memorandum items:												
Oil production (millions of barrels)	60	62	56	57								
SSD Oil Price (USD)	48	55	60	63								
FX Official (SSP/USD)	233	286	400	400								

[1] Everything else the same, the lower official exchange rate in the latest budget translates to a lower oil revenues in SSP.

Sources: South Sudanese authorities; and IMF staff estimates and projections.

- **Revenue.** The oil price assumptions are slightly lower than the WEO's GAS assumptions (60 US$ vs. 63 US$ per barrel). Non-oil revenue projections are also conservative relative to the trend collection in recent months (an average of 4.8 bn SSP per month vs. an average of 6.0 bn SSP per month in Q4FY20/21). This is welcome as one of the main problems of South Sudan's budgets in the past were overly optimistic revenue projections, leading to expenditure arrears, monetary financing, and/or ad-hoc cuts in approved spending.

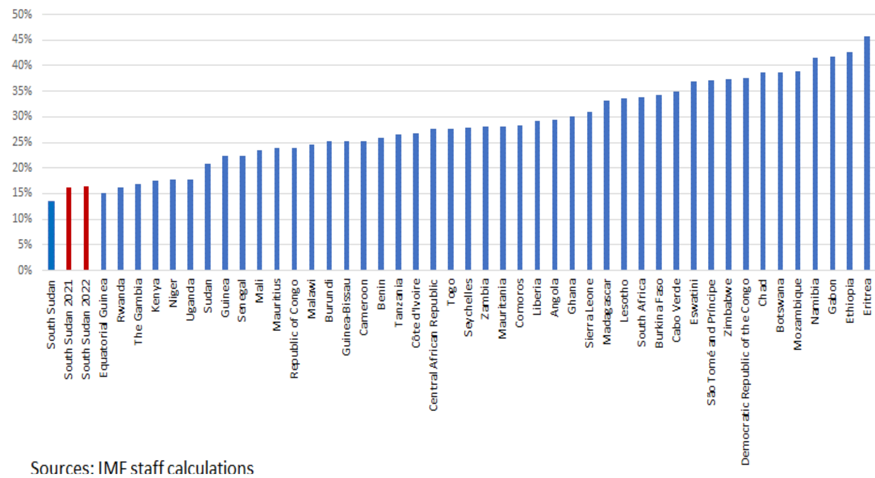
- **Expenditure.** The draft budget increases significantly allocations for social spending relative to FY2020/21 albeit from a very low base (MEFP ¶11): education spending rises from US$134 million (8 percent of total expenditure) to US$170 million (11 percent of total expenditure) and health spending from US$24 million (1 percent of expenditure) to US$69 million (4 percent of total expenditure). In addition, the draft budget doubles the wage bill in SSP in FY2021/22. This is to offset an erosion of real wages (cumulative inflation has

[3] The draft budget is currently being discussed by the newly formed National Assembly and is expected to be adopted in October 2021.

been about 200 percent since the last significant salary increase in 2017). Despite this increase spending for salaries in South Sudan remains lower than most SSA countries (Text Figure 2). In addition, the average salaries are very low in South Sudan by regional standards, suggested by a low share of spending on public salaries out of GDP despite a relatively a large government workforce (Text Figure 3). Indeed, the average monthly compensation for over half of government workers prior to the wage adjustment was less than 5 US$/month (Text Figure 4), well below the international poverty line.

Text Figure 2. Wage Bill as a Share of Total Expenditure in Sub-Saharan Countries

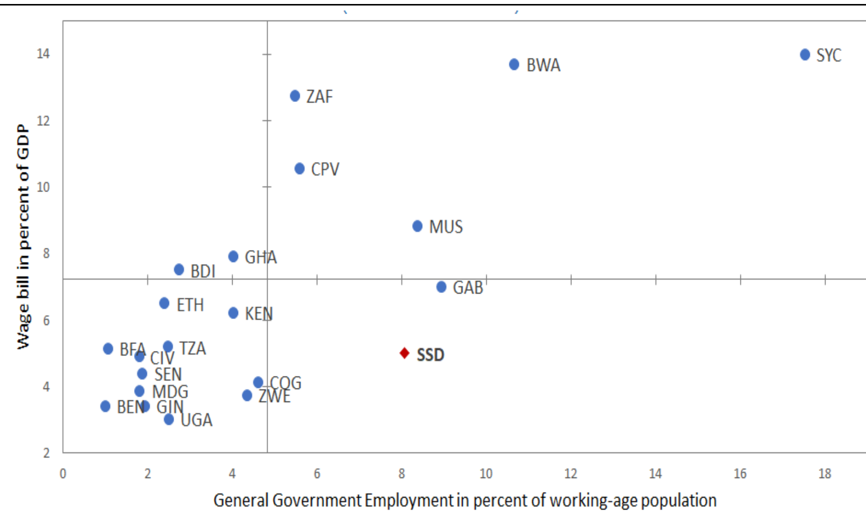
(2016–20 average)



Sources: IMF staff calculations

Text Figure 3. General Government Wage Bill and Employment in Sub-Saharan Countries

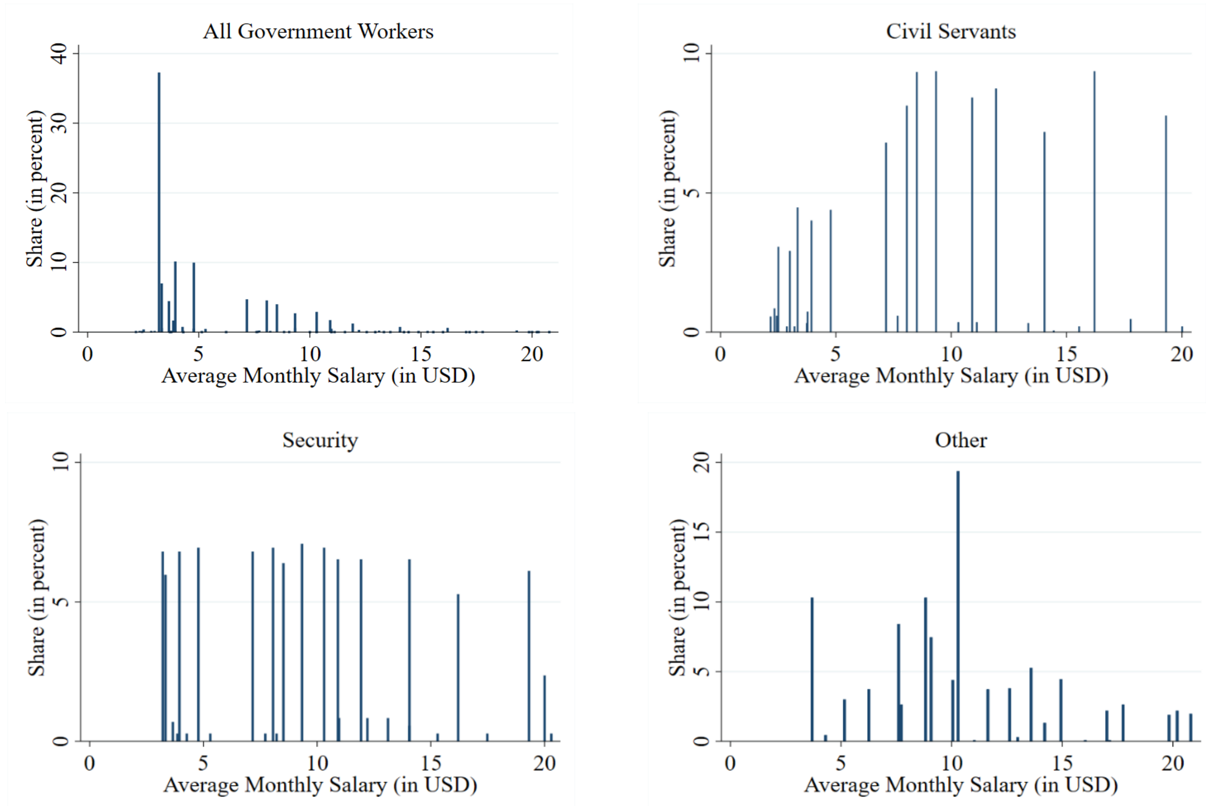
(Latest Value Available)



Sources: IMF staff calculations

8. **Progress in the implementation of COVID-19 vaccine rollout has been slow.** As of August 31, 2021, 11,436 Covid-19 cases are confirmed with 120 deaths. The country has received 132,000 doses (0.9 percent of population) of AstraZeneca vaccines from COVAX, but only 56,989 doses have been administered. South Sudan is far from securing the doses needed to vaccinate the targeted 40 percent of population, as the doses (732,000) allocated by COVAX will only cover about 5.2 percent of the population. Additionally, lack of capacity and logistics remain significant barriers to the vaccination roll out.

Text Figure 4. Republic of South Sudan: Distribution of Total Monthly Compensation for Government Workers in FY20/21



Note: These figures show the distribution of monthly total compensation of all government workers and of the civil servants, security services, and other classifications, separately. Total compensation consists of base salary and various allowances, if any, including housing. For visibility, the sample for the figure excludes those in the top 2 percentile of wage distribution. The compensation is converted to US$ using exchange rate of 400SSP/US$. For all workers, the median, average, and 95th percentile of the whole compensation distribution are 3.9US$, 13.8US$, and 11.9US$, respectively. For the civil servants, the statistics are 8.1US$, 7.5US$, and 16US$, respectively. For the security services, the statistics are 3.7US$, 5US$, and 10.9US$, respectively.

9. Program performance has been broadly satisfactory, but the very limited institutional capacity is a challenge and long-term engagement with development partners will be needed to maintain reform momentum. In addition to implementing the FX reforms, all but two of the end of June quantitative targets were met (MEFP, Table 1), and while two end-June structural benchmarks were missed the authorities have since completed the reforms targeted under these benchmarks (MEFP Table 2). The ceiling on the cash deficit of the central government was missed because of (i) additional spending for infrastructure projects and social programs financed by an *Afreximbank* loan that was contracted in October 2020; and (ii) a faster-than-targeted reduction of salary arrears financed by the second RCF disbursement (MEFP ¶5). In addition, the MOFP entered into an agreement for an external non-concessional loan in April 2021 for an amount of US$650 million without prior consultation with Fund staff, and the BOSS issued a sovereign guarantee related to this loan agreement in July 2021. This breaches the agreed ceiling on contracting new non-concessionary loans. The authorities confirmed that no amounts have been disbursed under the loan agreement and the guarantee has not been called. Given the debt sustainability implications of such a large loan, the

BOSS has now canceled the sovereign guarantee. The Ministry of Justice confirms that the guarantee is canceled, and the loan agreement is nullified. The authorities are also taking remedial measures to create greater transparency and oversight in relation to the contracting of public debts and to strengthen the debt management framework going forward (MEFP ¶9). They also confirmed that they have not contracted or guaranteed any other non-concessional loans since the start of the SMP and re-affirmed their commitment to consult with Fund staff before contracting any new non-concessional debt (MEFP ¶10). Experience so far under the SMP suggests that further reforms would require considerably stronger institutions, technical skills, and IT systems – which will take time to build and would require long-term intensive engagement and capacity development by the Fund and other development partners to maintain reform momentum.

POLICY DISCUSSIONS

A. Macroeconomic Outlook and Risks

10. The authorities and staff agreed that the near-term outlook is for moderate economic recovery and macroeconomic stability (Tables 1–4). Higher oil prices are boosting domestic demand and real non-oil GDP growth, which would more than offset the expected decline in oil GDP due to aging oil fields. On this basis, overall real GDP growth for FY2021/22 is projected at 1 percent before picking up in FY2022/23 as the previously closed oil fields reopen as planned. Inflation is projected to continue to decline and stabilize at around 10 percent in the medium term, provided money growth remains prudent. The recovery of oil prices and the recent SDR allocation have closed the BOP gap for FY2021/22 that was identified at the time of SMP approval. However, large BOP gaps are estimated for South Sudan over the medium term reflecting a very low level of reserves (about US$270 million; less than one month of imports) that leave it vulnerable to shocks and large unmet financing needs to support the country's objectives for economic convergence, inclusive growth, and poverty reduction.

11. Risks to this outlook are mostly on the downside. On the upside, peace dividends on growth and poverty reduction may be higher than currently assumed. On the downside, a low vaccination rate creates a high risk of a new wave of COVID-19 infections. In addition, the materialization of political risks or a reversal in the upward trend of global oil prices would weigh on the economic recovery and may lead to the resumption of monetary financing of the deficit, potentially undermining recent gains in macroeconomic stability. Interference from vested interests, weak governance and capacity constraints could also undermine the implementation of envisaged PFM and FX reforms.

B. Fiscal Policy

12. The authorities and staff agreed on measures to close the identified financing gap to avoid contracting new non-concessional debt or resort to monetary financing of the deficit. The significant increase in international oil prices and the adjustment in the official exchange rate have led to a considerable increase in both revenues and spending, the latter reflecting the fact that many expenditure items are indexed to oil revenues, such as the TFA payment to Sudan, the transfer to oil producing states, and investment expenditure (10,000 bpd of crude oil for road projects). The main budget assumptions and agreed measures to help close the estimated fiscal gap in FY21/22 are summarized below:

- **Revenue mobilization.** Based on recent trends, staff projects non-oil revenue of at least SSP 72 billion in FY2021/22 (3.2 percent of GDP), compared to SSP 58 billion (2.6 percent of GDP) in the draft budget. In addition, the draft Finance Bill that accompanies the FY2021/22 budget envisages several revenue-raising measures. These include: (i) phasing out several tax exemptions; (ii) adjusting the exchange rate used for customs valuations (to 90 SSP/US$ from 45 SSP/US$ currently, compared to a market exchange rate of over 400 SSP/US$), as part of a gradual adjustment that should raise customs revenue over time while containing the social impacts of an increase in the price of imported goods; (iii) expanding the digitalization of the tax collection system; and (iv) continuing to adjust custom duty rates towards East African Community (EAC) levels (MEFP ¶8). The revenue raising impact of these measures is not incorporated in the baseline fiscal projections given the uncertainty on the timing of them becoming effective, but clearly represents an important upside potential for revenue collection for this and future years.
- **TFA payment to Sudan.** The draft budget currently assumes a US$400 million transfer to Sudan related to the TFA signed in 2012. However, information available suggests that the outstanding balance remaining from the TFA is about US$200 million (MEFP ¶8). On that basis, the baseline fiscal projections assume lower spending in FY2021/22 of about US$200 million or about SSP 80 billion relative to the draft budget (Table 2a).
- **Using part of SDR allocation for budget financing.** Staff and the authorities agreed to use US$150 million (out of the total SDR allocation of US$334 million) to finance the FY2021/22 budget, with the remainder to be used for boosting international reserves (see ¶16 below). This will create space for priority social spending and to pay for maturing non-concessional borrowing without the need for any new external financing (MEFP ¶11). To this end, authorities have been collaborating with the World Bank to execute a cash transfer program, but its coverage remains limited. The program targets 65 thousand households or about 3 percent of population, but so far 15.2 thousand households have benefited from the program.
- **Potential spending cuts.** Staff and the authorities agree that the above measures are likely to be sufficient to close the identified financing gap. If additional measures are needed, the most realistic option is to consider cuts in infrastructure spending. The current approach is to allocate 10,000 barrels per day for road projects. Given the significant increase in the oil price since last year, the amount available through such oil- for-roads approach has increased considerably. The authorities have committed to conduct a review of the execution rate of public investment and of the use of oil exports earmarked to fund an upgrade of the road infrastructure, with a view to reduce it below the current target of 10,000 barrels per day (MEFP ¶11). In addition, to strengthen the effectiveness of institutions at all stages of the public investment management cycle, they have requested a review of their public investment management framework from the IMF and the World Bank (MEFP ¶13). Staff recommends

that spending on education, health and targeted social assistance should remain protected and that authorities should explore avenues to expand such spending in a deficit-neutral manner.

13. The authorities are committed to conduct a comprehensive review of the wage bill before proceeding with further significant wage increases (MEFP ¶13). Staff broadly supported wage bill adjustment so as to preserve real purchasing power; but had recommended that the doubling of salaries in the FY2021/22 budget be preceded by a cleansing of the public sector payroll. However, political pressure was for much higher salary increases. This outcome will contain pressure for further large increases in the near term and is thus justifiable from a political economy perspective. The authorities and staff agreed that any further salary increases should be preceded by a comprehensive assessment of the public sector wage bill, including a census of the public sector payroll, and after completion of institutional reforms including the payment for government workers through bank accounts.[4] The objective for future increases in wages is to eventually have appropriately paid productive government workers, while keeping the overall wage bill size consistent with public debt sustainability. The authorities have requested TA from the IMF and the World Bank in assessing the public sector wage bill to help them design a strategy for public sector employment structure, including salary payment, consistent with these objectives (MEFP ¶13).

14. The authorities are taking steps to strengthen the institutional framework for debt management. The stock of external debt has been revised up, reflecting mainly oil advances in the amount of US$539 million that were contracted and drawn in 2018. These advances that were unknown to the MOFP are symptomatic of a history of limited central oversight over external borrowing. To help address this issue the authorities are taking steps to strengthen the debt management framework. These include the Cabinet of Ministers' Decree of October 2020 that discontinued contracting new oil advances, and the recent reconstitution of the Loan Committee under the Debt Management Unit of the MOFP. Going forward, the authorities have tasked the Loan Committee with approving any external debt contract before they are sent for final approval by the Council of Ministers and the Assembly. In addition, the authorities have requested TA from the Fund and the World Bank on formulating a debt management strategy consistent with maintaining public debt sustainability (MEFP ¶9). They have also committed to commission an external independent audit that will take stock of all outstanding external loans and guarantees and publish its results by end-2021 (structural benchmark), and in any event prior to the completion of the second review of the SMP and possible launch of a future Fund-supported arrangement (LOI ¶3 and MEFP ¶9).

15. The updated DSA baseline finds that South Sudan's debt remains sustainable, but with a high risk of debt distress (Annex III). Despite higher oil prices and the use of a portion of new SDR allocation to finance the budget,[5] the MOFP discovered a higher stock of oil advances, which led

[4] This is one of the priority institutional reforms under the SMP. Ministry of Finance and Economic planning has already completed the structure and payment of salaries through bank accounts. Work is underway for the rest of government ministries.

[5] The average crude oil prices in calendar year 2021, 2022, and 2023 are projected to be around 64,63, and 60 US$ per barrel, respectively, compared to 59,55, and 53 US$ per barrel as of the previous DSA. In addition, the new DSA baseline utilizes US$150 million of the expected SDR allocation for budget support.

to breaches in the debt-service-to-revenue ratio and the overall public debt until FY25/26. To maintain debt sustainability, the authorities are committed to continue refraining from contracting non-concessional debt including new oil advances, and to gradually reduce the outstanding oil advance balance (by about US$100 million per year).

C. Money Targeting Framework and FX Market Reforms

16. The authorities and staff agreed to use more than half of the SDR allocation to bolster international reserves, which would strengthen BOSS' ability to respond to external shocks. Authorities agreed to use US$184 million to strengthen the external reserve position to increase resilience to external shocks. A previous staff analysis had shown that the level of reserves at the beginning of the SMP (about 0.1 months of imports) was too low to effectively operate any exchange rate regime (see Annex I in IMF Country Report No. 21/70). Using slightly more than half of the RCF disbursement of April 2021 to increase reserves and adding this share of the SDR allocation to reserves would bring international reserves to a projected US$315 million by the end of the SMP (end-2021), equivalent to about 0.8 months of prospective imports. This would strengthen the credibility of BOSS on its ability to smooth the impact of external shocks and thus reduce exchange rate volatility. The authorities' medium-term objective in this area, consistent with the relevant EAC convergence criterion, is to eventually achieve a reserve cover of 4.5 months of imports (MEFP ¶16).

17. The BOSS targets a prudent increase in reserve money to anchor inflation expectations and plans to introduce new monetary policy instruments to achieve its price and financial stability objectives. The BOSS reaffirmed its commitment of no further monetization of the fiscal deficit and containing the annual reserve money growth to about 10 percent (implemented as 2.5 percent quarterly growth). Given the strong link between M2 and the exchange rate (Annex I) and the significant pass-through from the exchange rate into prices (Annex II), signaling that the strategy is for prudent money growth would guide the market's expectations on the exchange rate and inflation. To steer reserve money towards the set targets, the BOSS plans to introduce term deposits with a short maturity, to be followed in 2022 by BOSS bills. In support of this strategy, the BOSS and MOFP signed on 21 September 2021 an MoU that among other things commits the MOFP to cover the cost of monetary operations from FY22/23 onwards (MEFP ¶15).

18. The BOSS remains committed to take steps as needed to sustain the successful exchange rate reforms. The BOSS noted that it will continue to use FX auctions, both when selling and buying FX in the market, since they have proven to be very important for price discovery in the FX market. The BOSS also plans to develop a medium-term FX budget that will enable it to estimate a sustainable level of interventions in the FX market. On this basis, consistent with its medium-term objective of achieving a reserve cover of 4.5 months of imports, the BOSS will be able to transition towards building larger foreign exchange reserves, while communicating its policy stance clearly to markets and the public (MEFP ¶16).

D. Governance and Public Finance Management

19. As prior action for this SMP review, the Auditor General (AG) has completed and published the audit of the spending of the first RCF disbursement in November 2020. The report suggests that a portion of spending (up to US$16 million out of the US$52 million disbursed) may not have been in compliance with the intended purpose of paying salary arrears, and it makes recommendations to improve compliance going forward.[6] The largest discrepancies arise from variances between budgeted funds and actual transfers from the Central Government to the states (US$8.6 million) and some funds being used to finance State Conditional Loans (US$3.8 million). The report makes several recommendations to ensure the fidelity of payments against earmarked monies. Some of these – such as payment of public employees through bank accounts—are already being addressed by authorities (¶13). The authorities have committed to developing an action plan in consultation with IMF and World Bank staff to address the other recommendations. The AG's office will complete an audit of the spending financed by the second RCF by end-2021. Additionally, authorities have published monthly reports on the use of RCF funds and remain committed to do so (MEFP ¶18).[7] In the medium term, the authorities should also strengthen the anti-corruption framework by criminalizing corruption offenses and implementing an effective asset declaration regime in line with international best practices. Work on some of these areas is already underway with TA from the World Bank.

20. The authorities are strengthening the AML/CFT framework to support anti-corruption efforts. South Sudan is currently under Increased Financial Action Task Force (FATF) Monitoring to address strategic deficiencies in its regime to counter money laundering, terrorist financing, and proliferation financing. This FATF listing places South Sudan at significant financial and reputational risks including pressure on correspondent banking relationships and remittances. To address these risks, South Sudan has since June 2021 been subject to an agreed action plan with the FATF to improve its AML/CFT framework. In response, South Sudan has been approved as observer to the Eastern and Southern Africa Anti Money Laundering Group (ESAAMLG) and has committed to undertake a Mutual Evaluation by ESAAMLG. This will provide total comprehensive assessment of the country's AML/CFT policy and identify vulnerabilities. In addition, a Financial Intelligence Unit has been established under the BOSS that has already developed a three-year action plan.

21. The BOSS is taking steps to mitigate the risks of misuse of Fund resources and misreporting of program monetary data under potential future Fund arrangements. The BOSS has already published on its website audited BOSS financial statements for FY2011–18.[8] In addition, as prior action for this SMP review, the BOSS has adopted an action plan to implement by end-2021 the key the recommendations of the IMF safeguards assessment mission that took place in June 2021, including to: (i) finalize and publish the audited statements of the BOSS for 2019 and 2020;

[6] The RCF disbursements have not been used for COVID-19 spending to date and as such these reports do not make reference to COVID-19 related procurement contracts or connected information such as the beneficial owners of successful bidders.

[7] See: http://www.mofep-grss.org/documents/.

[8] The audit reports contain a disclaimer of opinion reflecting issues found during the auditing process.

(ii) hire staff with auditing and risk management background and engage an audit firm to co-source the internal audit activities; (iii) publish the audit of the BOSS internal controls, including the tracking of encumbrances and guarantees; (iv) engage an external consultant or requesting IMF TA to provide assistance in developing a strategy for currency operations; (v) contract with a reputable manufacturer through a tender request process that includes reviews of bids for currency printing (e.g., pricing, security features, payment terms); and (vi) conduct a cost-benefit analysis of replacing low denomination banknotes with coins (MEFP ¶21).

E. SMP Modalities and Preparations for a Potential ECF

22. Staff proposes to set two prior actions for the completion of the first review of the SMP, to set quantitative targets (QTs) for end-October as a basis for the second review of the SMP (MEFP Table 1), and to extend the SMP to end-January 2022.

- **Prior actions for the first SMP review.** Staff proposes to add two prior actions: (i) complete the audit of spending financed by the RCF disbursed in November 2020 and publish its findings and recommendations; and (ii) adopt an action plan to address the key recommendation of the Safeguards Assessment mission (as in ¶21 above).
- **Setting end-October QTs.** The staff proposes to set QTs for end-October as a basis for the second review of the SMP that: (i) increase the floor on the NIR relative to the original target for end-September for the part of the SDR allocation (US$184 million) that was agreed to be saved as reserves; (ii) adjust upwards the ceiling of the cash deficit for the central government to account for the higher end-June deficit relative to the program target for that date; and (iii) adjust upwards the floor on salary arrears to reflect faster-than-anticipated clearance of arrears by authorities.

23. South Sudan has significant medium-term BOP gaps that would require financial support from development partners including the IMF. The BOP gap for FY21/22 that was identified at the time of SMP approval is estimated to have been closed, reflecting the recovery of oil prices and the SDR allocation. However, South Sudan has large unmet financing needs over the medium term to support its objective for poverty reduction and catch-up and inclusive growth.

24. The economic reforms supported by the SMP are laying the ground for a potential ECF request at the end of the SMP. The strong track record so far under the SMP—especially in stabilizing the economy, reducing distortions in the FX market, and initiating governance reforms—is promising. Nevertheless, significant steps remain to be taken. These include (i) sustaining fiscal and monetary discipline to consolidate gains in macroeconomic stabilization; (ii) consolidating FX market liberalization reforms by bolstering reserves and expanding the set of available monetary instruments; (iii) strengthening debt management and oversight; (iv) deepening PFM reforms and implementing the Safeguards Assessment's recommendations; and (v) strengthening the anti-corruption and AML/CFT frameworks. Continued implementation of reforms in these areas will help build credibility with donors and unlock concessional financing. In addition, staff will prepare as part of the second SMP review a Country Engagement Strategy to help integrate policy advice, financial support, and capacity building, so as to anchor Fund's engagement with South Sudan in the medium to long term.

F. Capacity Development

25. The Fund is providing extensive technical assistance to the South Sudan but limited absorptive capacity is a risk for CD delivery. The Fund is providing TA in many areas, including on PFM reforms, revenue mobilization, revenue administration, operationalizing the money targeting framework, liquidity forecasting, and macroeconomic statistics (see Table 7 and Annex II of IMF Country Report No. 21/70). The authorities have also requested further TA on debt management, public sector pay assessment, and public investment management. Traction of CD has improved recently but remains an issue due to the lack of leadership, weak governance, low morale and high staff turnover. The mission discussed with the authorities the strategies to improve the absorptive capacity to best make use of available TA.

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26. South Sudan's economy is projected to recover, but there are significant downside risks, and the humanitarian situation remains dire. Higher oil prices and the recent reduction of wage arrears are boosting domestic demand and contributing to higher non-oil real GDP growth. However, a possible breakdown of the peace process or a new wave of COVID-19 infections would weigh on economic activity in addition to the direct impact on people's lives. The humanitarian situation also remains dire, with about 60 percent of the population facing high levels of acute food insecurity.

27. The economic reforms implemented under the SMP, supported by the RCF disbursements and the strong recovery of oil prices, have helped stabilize the exchange rate and prices. The FX reforms introduced at the beginning of the SMP have achieved convergence of the official and market exchange rates, eliminating the previously large distortions from the significant premium of the exchange rate in the parallel market relative to the official rate. In addition, the market exchange rate has appreciated since the start of the SMP at end-March 2021 as a result of the macro stabilization and FX market reforms. This has contributed to a significant decline in inflation, with domestic prices (including those for food) falling in recent months.

28. Staff is encouraged by the authorities' commitment to policies that would help sustain the gains on macroeconomic stability and FX market reforms. Achieving strong and inclusive growth requires sustaining these gains through continued fiscal and monetary prudence. To that end, the draft budget for FY2021/22, which is based on conservative revenue assumptions and refrains from monetary financing of the deficit and contracting new non-concessional external debt, is welcome. Staff urges the authorities to proceed expeditiously with the envisaged reviews of spending on wages and infrastructure to help improve spending efficiency and maintain public debt sustainability. To preserve exchange rate and price stability, it is also important for the BOSS to adhere to its plans for steady growth in reserve money (10 percent per year) and to continue to use FX auctions, both when selling and buying FX in the market, to facilitate price discovery.

29. The authorities need to re-double their efforts to establish a robust debt management framework and tackle a legacy of non-concessional external borrowing with limited central

oversight. The discovery of contracts for oil advances that were previously unknown to MOFP implies a greater-than-expected burden on South Sudan's public finances. In addition, the loan agreement of US$650 million and the issuance of the sovereign guarantee without consultation with Fund staff is indicative of weaknesses in central control over debt contracting and management. Going forward, no new debts should be incurred without the approval of the newly established Loan Committee, the Cabinet of Ministers, and the National Assembly, and no new oil advances should be contracted. Staff also encourages the authorities to restructure outstanding oil advances where possible, to seek a steady reduction in the outstanding stock of such obligations, and to create greater transparency about the use of oil exports.

30. Continued PFM and other governance reforms are essential for efficient use of public funds and building credibility with the public and development partners. The initiation of PFM reforms is promising, including those aimed at improving cash management practices, strengthening spending controls, starting the implementation of the TSA, discontinuing the use of nontransparent oil advances for budget financing, starting the publication of budget implementation updates, and initiating reforms to strengthen the AML/CFT framework. In addition, the recent publication of the audit by the Auditor General on the use of RCF funds disbursed in November 2020 is an important step towards greater fiscal transparency and accountability in the use of public resources. Going forward, an effective follow-up by the appropriate institutions on the findings of the audit will be essential. Staff also urges the authorities to implement promptly the main recommendations of the Safeguards Assessment report aimed at mitigating the risks of misuse of Fund resources and misreporting of program monetary data under potential future Fund arrangements and to address necessary reforms contained in its AML/CFT action plan, which will bolster the authorities' ability to investigate and prosecute money laundering, corruption and other major financial crimes and protect the integrity of its financial system.

31. Staff supports the authorities' requests for completion of the first review of the SMP given the strong performance so far and the commitment toward meeting the program's objectives. South Sudan needs significant BOP support over the medium term: it has very low reserves that leave it vulnerable to shocks and large unmet financing needs that are essential to support the authorities' objective for poverty reduction, economic convergence, and inclusive growth. Thus, if performance under the SMP is satisfactory, the second review of the SMP could be combined with a request for an ECF. Staff will prepare a Country Engagement Strategy to help integrate policy advice, financial support, and capacity building to anchor Fund engagement in the medium to long term.

Table 1. Republic of South Sudan: Selected Economic indicators, 2019/20–2024/25[1]

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Act.	Est.	Projections			
		(Annual percent of change, unless otherwise indicated)				
Output, prices, and exchange rate						
Real GDP (percent change)	13.2	-5.4	1.0	5.2	7.4	4.9
Oil	26.4	-5.9	-2.5	5.8	9.1	2.8
Non-oil	0.5	-5.0	3.2	4.8	6.0	7.0
Inflation (average)	33.3	43.1	24.0	16.0	12.1	11.7
Inflation (end-of-period)	12.7	39.4	20.0	15.0	11.0	11.7
Oil GDP (percent of GDP)	62.4	60.5	67.2	61.4	72.3	73.8
GDP deflator	-1.9	27.0	133.7	10.0	10.1	7.7
Official exchange rate (SSP/US$, average)	160.8	190.7				
Official exchange rate (SSP/US$, end period)	163.8	322.6		...	...	...
Parallel market exchange rate (SSP/US$, average)	307.6	523.0	...	...	...	...
Money and credit						
Broad money	40.8	56.2	...	...	...	...
Reserve money	42.3	53.4	...	...	...	...
Credit to non-government sector	35.1	60.7	...	...	...	...
M2/GDP (percent)	20.2	26.3	...	...	...	...
		(Percent of GDP, unless otherwise indicated)				
Central government budget						
Total revenues and grants	29.5	31.6	29.6	31.9	33.0	33.6
Of which: Oil	25.5	26.6	26.4	28.4	29.5	30.1
Of which: Non-oil tax revenue	4.0	5.0	3.2	3.5	3.5	3.5
Of which: Grants	0.0	0.0	0.0	0.0	0.0	0.0
Expenditures	39.4	38.6	27.0	30.0	31.2	32.4
Current	35.6	33.1	22.6	23.5	22.4	21.7
Of which: transfers to Sudan	13.1	10.6	7.5	4.1	4.2	4.2
Net acquisition of non-financial assets	3.8	5.5	4.1	4.8	7.3	8.7
Overall balance (cash)	-9.8	-7.0	2.6	1.9	1.8	1.2
Change in arrears	-3.4	-0.7	-0.9	-1.0	-1.5	-2.0
of which: salary arrears	...	-0.7	-0.9	...	...	...
Overall balance (accrual balance)	-6.5	-6.3	3.5	2.9	3.3	3.2
Public debt						
Total public debt[2]	51.5	58.0	52.2	47.7	42.3	39.2
Of which: external public debt	41.6	46.9	36.9	31.5	26.2	23.1
External sector						
Exports of goods and services	63.7	61.8	68.4	70.0	73.5	74.9
Imports of goods and services	89.1	81.8	75.8	83.7	89.8	95.3
Current account balance (including grants)	-16.9	-5.0	2.7	3.2	2.2	-0.4
Current account balance (excluding grants)	-36.7	-30.9	-20.3	-26.2	-27.6	-30.8
Gross foreign reserves (millions of US dollars)	47.9	172.2	353.6	445.2	543.8	597.3
Gross foreign reserves (in months of imports)	0.1	0.5	0.9	1.0	1.1	1.2
Memorandum items:						
Population (millions)	13.6	14.0	14.4	14.8	15.2	15.7
Oil production (millions of barrels)	62.1	58.4	56.9	60.2	65.7	67.5
South Sudan's oil price (U.S. dollars per barrel)	49.3	51.5	63.1	63.2	64.5	65.8
Brent price (U.S. dollars per barrel)	51.3	53.5	65.1	65.2	66.5	67.8
Nominal GDP (billions of SSP)	789	947	2,236	2,589	3,060	3,456
Nominal GDP (billion US$)	4.9	5.0	5.3	5.5	5.9	6.0
External debt (millions US$)	2,002	2,330	1,972	1,742	1,534	1,389
GNI per capita (US dollars)	318.2	299.5	339.7	342.5	321.5	323.4
Nominal SSP GDP (percent change)	11.0	20.1	136.0	15.8	18.2	12.9

Sources: South Sudanese authorities; and IMF staff estimates and projections.

[1] The fiscal year runs from July to June.

[2] Public external debt in U.S. dollars in percent of U.S. dollar GDP.

Table 2a. Republic of South Sudan: Fiscal Operations of the Central Government, 2017/18–2024/25[1]

(in billions of South Sudanese pounds)

	2017/18	2018/19	2019/20	2020/21	2021/22		2022/23	2023/24	2024/25
	Act.	Prel.	Est.	Est.	Budget	Proj.	Projection		
Total revenue and grants	**152.1**	**226.2**	**232.8**	**299.8**	**602.4**	**662.0**	**827.1**	**1009.1**	**1161.8**
Total oil revenues	130.3	198.2	201.1	252.2	544.2	590.0	736.5	902.0	1040.8
Non-oil tax revenue	19.7	28.0	31.8	47.6	58.2	72.0	90.6	107.1	121.0
Total expenditure	**167.3**	**233.5**	**310.4**	**365.9**	**645.5**	**604.4**	**777.6**	**954.1**	**1119.2**
Current expenditure	165.3	227.1	280.6	314.0	526.1	504.2	607.4	686.2	751.0
Salaries	24.8	24.4	36.5	75.7	123.0	123.0	155.3	183.6	207.4
Operating expenses	23.4	69.5	82.7	63.0	77.8	77.8	129.5	137.7	138.2
Interest	1.4	3.9	15.7	22.9	2.0	47.0	39.7	32.7	26.8
Transfers to states	8.7	14.6	10.9	12.5	23.9	34.0	69.3	87.2	103.1
Conditional transfers	8.6	4.6	4.8	4.6	9.0	12.7	31.5	40.7	49.3
Current transfers to states	8.6	4.4	3.6	4.6	9.0	12.7	18.9	23.2	26.9
Capital transfers to states	0.0	0.2	1.2	0.0	0.0	0.0	12.6	17.4	22.4
Transfers to oil producing states (5%)	0.1	4.4	6.0	7.6	14.9	21.1	31.5	38.7	44.8
Block grants to states	0.0	5.6	0.0	0.3	0.0	0.3	6.3	7.7	9.0
Transfers to Sudan[2]	84.6	95.0	103.6	100.3	245.3	168.3	106.1	127.3	143.9
Transportation and transit fees	31.9	35.9	22.0	44.6	90.0	85.1	106.1	127.3	143.9
Financial transfer	52.6	68.2	81.7	55.7	155.3	83.2	0.0	0.0	0.0
Non-salary Arrears repayment	…	…	…	0.0	0.0	0.0	25.9	45.9	69.1
Other expenses	22.5	19.7	31.2	39.6	54.1	54.1	107.5	117.8	131.5
Subsidies and transfers to public enterprises	20.8	10.4	20.5	21.1	32.7	32.7	62.3	64.1	70.7
Emergency contingency fund	0.1	0.0	0.0	6.5	6.4	6.4	6.3	7.7	9.0
Peace agreement	1.6	9.2	10.7	12.0	15.0	15.0	38.8	45.9	51.8
Net acquisition of non-financial assets	1.9	6.5	29.8	52.0	119.4	92.1	124.6	222.0	299.1
of which: Road project					88.0	92.1			
Domestically financed	1.9	6.5	19.2	32.9	…	69.1	93.4	166.5	224.3
Foreign financed	0.0	0.0	10.6	19.1	…	23.0	31.1	55.5	74.8
Covid-19 Fund				0.0	0.0	8.0	19.8	0.0	0.0
Overall balance (cash)	**-15.1**	**-7.3**	**-77.5**	**-66.1**	**-43.1**	**57.6**	**49.5**	**55.0**	**42.6**
Change in non-salary arrears	17.4	17.2	-26.6	0.0	0.0	0.0	-25.9	-45.9	-69.1
Overall balance (accrual balance)	**-32.5**	**-24.6**	**-50.9**	**-66.1**	**-43.1**	**57.6**	**75.4**	**100.9**	**111.7**
Statistical discrepancy	-6.7	-16.9	148.2	35.5	0.0	0.0	0.0	0.0	0.0
Financing	**39.2**	**41.5**	**199.1**	**101.6**	**-131.5**	**-65.7**	**-127.1**	**-146.8**	**-146.3**
Domestic (net)	44.6	42.4	28.1	28.5	11.7	9.7	-25.9	-45.9	-69.1
Net credit from the central bank	10.4	5.7	44.2	28.5	11.7	9.7	0.0	0.0	0.0
Net credit from commercial banks	16.9	19.5	10.6	0.0	0.0	0.0	0.0	0.0	0.0
Foreign (net)	-5.5	-0.9	170.9	73.1	-143.2	-75.5	-101.3	-100.9	-77.1
Disbursement	48.2	59.1	266.6	101.5	0.0	67.7	57.2	62.9	69.2
of which: RCF-1 Initial Disbursement				9.1	…	…	…	…	…
of which: RCF-1 Auction Gain				14.7	…	…	…	…	…
of which: RCF-2 Initial Disbursement				16.1	…	…			
of which: RCF-2 Auction Gain				13.9	…	7.7			
of which: new SDR				…	…	60.0			
Amortization	-53.6	-60.0	-95.7	-28.3	-143.2	-143.2	-158.5	-163.8	-146.4
Financing gap	0.0	0.0	0.0	0.0	174.6	8.1	51.8	45.9	34.6
Memorandum items:									
Non-oil domestic current fiscal balance[3]	-58.8	-99.6	-139.1	-158.5	-207.6	-242.9	-379.1	-413.1	-441.2
Oil production (millions of barrels)	43.6	49.1	62.1	58.4	56.2	56.9	60.2	65.7	67.5
Nominal GDP (bn of South Sudanese pounds)	445.9	710.6	788.7	947.4	2,236.1	2,236.1	2,589.1	3,060.0	3,456.0

Sources: South Sudanese authorities; and IMF staff estimates and projections.

[1] The fiscal year runs from July to June.

[2] Transfer to Sudan is the sum of TFA payment (financial transfer) and transportation fee (9.1 US$/barrel) from using the oil pipeline. The financial transfer will be zero after the completion of the the TFA agreement.

[3] Non-oil revenue excluding grants minus domestically-financed current expenditure minus transfers to Sudan (including pipeline fees), minus tranfers to oil producing states and communities.

Table 2b. Republic of South Sudan: Fiscal Operations of the Central Government, 2017/18–2024/25[1]
(in percent of GDP)

	2017/18	2018/19	2019/20	2020/21	2021/22		2022/23	2023/24	2024/25
	Act.	Prel.	Est.	Est.	Budget	Proj.	Projection		
Total revenue and grants	**34.1**	**31.8**	**29.5**	**31.6**	**26.9**	**29.6**	**31.9**	**33.0**	**33.6**
Total oil revenues	29.2	27.9	25.5	26.6	24.3	26.4	28.4	29.5	30.1
Non-oil tax revenue	4.4	3.9	4.0	5.0	2.6	3.2	3.5	3.5	3.5
Total expenditure	**37.5**	**32.9**	**39.4**	**38.6**	**28.9**	**27.0**	**30.0**	**31.2**	**32.4**
Current expenditure	37.1	32.0	35.6	33.1	23.5	22.6	23.5	22.4	21.7
Salaries	5.6	3.4	4.6	8.0	5.5	5.5	6.0	6.0	6.0
Operating expenses	5.2	9.8	10.5	6.6	3.5	3.5	5.0	4.5	4.0
Interest	0.3	0.6	2.0	2.4	0.1	2.1	1.5	1.1	0.8
Transfers to states	2.0	2.1	1.4	1.3	1.1	1.5	2.7	2.8	3.0
Conditional transfers	1.9	0.6	0.6	0.5	0.4	0.6	1.2	1.3	1.4
Current transfers to states (to MoP 3%)	1.9	0.6	0.5	0.5	0.4	0.6	0.7	0.8	0.8
Capital transfers to states (1%)	0.0	0.0	0.2	0.0	0.0	0.0	0.5	0.6	0.6
Transfers to oil producing states (5%)	0.0	0.6	0.8	0.8	0.7	0.9	1.2	1.3	1.3
Block grants to states	0.0	0.8	0.0	0.0	0.0	0.0	0.2	0.3	0.3
Transfers to Sudan[2]	19.0	13.4	13.1	10.6	11.0	7.5	4.1	4.2	4.2
Transportation and transit fees	7.2	5.0	2.8	4.7	4.0	3.8	4.1	4.2	4.2
Financial transfer	11.8	9.6	10.4	5.9	6.9	3.7	0.0	0.0	0.0
Arrears repayment	…	… ..	…	0.0	0.0	0.0	1.0	1.5	2.0
Other expenses	5.0	2.8	4.0	4.2	2.4	2.4	4.2	3.8	3.8
Subsidies and transfers to public enterprises	4.7	1.5	2.6	2.2	1.5	1.5	2.4	2.1	2.0
Emergency contingency fund	0.0	0.0	0.0	0.7	0.3	0.3	0.2	0.3	0.3
Peace agreement	0.4	1.3	1.4	1.3	0.7	0.7	1.5	1.5	1.5
Net acquisition of non-financial assets	0.4	0.9	3.8	5.5	5.3	4.1	4.8	7.3	8.7
of which: Road project					3.9	4.1			
Domestically financed	0.4	0.9	2.4	3.5	…	3.1	3.6	5.4	6.5
Foreign financed	0.0	0.0	1.3	2.0	…	1.0	1.2	1.8	2.2
Covid-19 Fund				0.0	0.0	0.4	0.8	0.0	0.0
Overall balance (cash)	**-3.4**	**-1.0**	**-9.8**	**-7.0**	**-1.9**	**2.6**	**1.9**	**1.8**	**1.2**
Change in non-salary arrears	3.9	2.4	-3.4	0.0	0.0	0.0	-1.0	-1.5	-2.0
Overall balance (accrual)	**-7.3**	**-3.5**	**-6.5**	**-7.0**	**-1.9**	**2.6**	**2.9**	**3.3**	**3.2**
Statistical discrepancy	-1.5	-2.4	18.8	3.7	0.0	0.0	0.0	0.0	0.0
Financing	**8.8**	**5.8**	**25.2**	**10.7**	**-5.9**	**-2.9**	**-4.9**	**-4.8**	**-4.2**
Domestic (net)	10.0	6.0	3.6	3.0	0.5	0.4	-1.0	-1.5	-2.0
Net credit from the central bank	2.3	0.8	5.6	3.0	0.5	0.4	0.0	0.0	0.0
Net credit from commercial banks	3.8	2.7	1.3	0.0	0.0	0.0	0.0	0.0	0.0
Foreign (net)	-1.2	-0.1	21.7	7.7	-6.4	-3.4	-3.9	-3.3	-2.2
Disbursement	10.8	8.3	33.8	10.7	0.0	3.0	2.2	2.1	2.0
of which: RCF-1 Initial Disbursement				1.0	…	…			
of which: RCF-1 Auction Gain				1.5	…	…			
of which: RCF-2 Initial Disbursement				1.7	…	…			
of which: RCF-2 Auction Gain				1.5	…	0.3			
of which: new SDR				…	…	2.7			
Amortization	-12.0	-8.4	-12.1	-3.0	-6.4	-6.4	-6.1	-5.4	-4.2
Financing gap	0.0	0.0	0.0	0.0	7.8	0.4	2.0	1.5	1.0
Memorandum items:									
Non-oil domestic current fiscal balance[3]	-13.2	-14.0	-17.6	-16.7	-9.3	-10.9	-14.6	-13.5	-12.8
Oil production (millions of barrels)	43.6	49.1	62.1	58.4	56.2	56.9	60.2	65.7	67.5
Nominal GDP (bn of South Sudanese pounds)	445.9	710.6	788.7	947.4	2,236.1	2,236.1	2,589.1	3,060.0	3,456.0

Sources: South Sudanese authorities; and IMF staff estimates and projections.

[1] The fiscal year runs from July to June.

[2] Transfer to Sudan is the sum of TFA payment (financial transfer) and transportation fee (9.1 US$/barrel) from using the oil pipeline.
The financial transfer will be zero after the completion of the TFA agreement.

[3] Non-oil revenue excluding grants minus domestically-financed current expenditure minus transfers to Sudan (including pipeline fees), minus tranfers to oil producing states and communities.

Table 3. Republic of South Sudan: Monetary Accounts, June 2017–June 2021

(in billions of South Sudanese pounds, unless otherwise indicated)

	2017	2018	2019	2020	2021
	Jun	Jun	Jun	Jun	Jun
		Actual		Projections	
			Monetary Survey		
Net foreign assets	**-72.8**	**-75.1**	**-86.9**	**-65.4**	**-168.3**
Claims on nonresidents	57.1	87.0	55.3	89.3	143.8
Central bank	46.2	53.1	4.9	21.3	53.6
Commercial banks	13.7	33.9	50.3	68.1	90.3
Liabilities to nonresidents	131.0	162.1	142.1	154.8	312.1
Central bank	58.3	69.3	23.1	23.6	48.5
Commercial banks	72.7	92.8	119.0	131.2	263.6
Net domestic assets	**127.1**	**164.1**	**200.2**	**225.1**	**2206.6**
Net domestic credit	91.4	124.7	148.4	206.4	345.9
Net claims on central government	86.1	114.2	139.4	194.1	326.2
Claims on other sectors	5.3	10.5	9.1	12.2	19.7
Other items (net)	35.7	39.4	51.8	18.7	1860.7
Broad money	**54.3**	**89.0**	**113.4**	**159.7**	**249.4**
Currency outside banks	13.5	27.1	36.9	59.5	74.3
Transferable deposits	31.3	50.3	87.4	165.0	165.0
o/w: in foreign currency	23.9	38.9	49.2	58.8	124.0
Other deposits	9.5	11.6	10.8	28.5	28.5
o/w: in foreign currency	4.8	4.2	3.4	3.3	13.4
			Central Bank		
Net foreign assets	**-12.0**	**-16.2**	**-18.2**	**-2.3**	**5.1**
Claims on nonresidents	46.2	53.1	4.9	21.3	53.6
Liabilities to nonresidents	58.3	69.3	23.1	23.6	48.5
Net domestic assets	**81.2**	**105.6**	**122.8**	**151.1**	**223.2**
Net domestic credit	18.3	31.8	35.3	78.7	95.1
Claims on commercial banks	0.0	0.1	2.8	2.0	1.7
Net claims on central government	16.4	26.8	32.5	76.7	93.0
Claims on central government	21.8	34.3	39.3	79.3	146.5
Liabilities to central government	5.4	7.5	6.8	2.6	53.4
Other items (net)	62.9	73.8	87.4	72.4	128.1
Monetary base	**69.2**	**89.5**	**104.6**	**148.8**	**228.3**
Currency in circulation	17.0	30.5	42.8	67.3	96.1
Liabilities to commercial banks	49.9	56.0	58.8	77.6	123.8
Liabilities to other sectors	2.3	3.0	2.9	4.0	8.3
Memorandum items:					
Money multiplier	0.8	1.0	1.1	1.1	1.1
Share of foreign currency deposits to total deposits	0.7	0.7	0.5	0.3	0.7
Monetary base (year-on-year change in percent)	67.8	29.3	16.9	42.3	53.4
Broad money (year-on-year change in percent)	87.2	63.9	27.4	40.8	56.2

Sources: South Sudanese authorities; and IMF staff estimates and projections.

Table 4. Republic of South Sudan: Balance of Payments, 2017/18–2024/25[1]
(in millions of U.S. dollars, unless otherwise indicated)

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Act.	Act.	Est.	Projections				
Current account balance	**-91**	**1,026**	**-830**	**-251**	**142**	**175**	**126**	**-23**
Trade Balance	149	1,326	-601	-338	315	-20	-174	-397
Exports of goods	2,568	3,103	3,089	3,035	3,624	3,837	4,270	4,479
Oil	2,552	3,086	3,061	3,007	3,593	3,804	4,236	4,443
Nonoil	16	17	27	29	31	33	35	36
Imports of goods	-2,418	-1,777	-3,690	-3,373	-3,309	-3,857	-4,444	-4,876
Balance of Services	-675	-707	-648	-660	-706	-738	-783	-828
Exports of services	38	24	34	34	34	34	34	34
Imports of services	-713	-731	-682	-694	-739	-772	-817	-862
o/w: oil-related	-444	-457	-438	-436	-465	-483	-514	-546
of which non-oil	-269	-274	-244	-257	-274	-289	-303	-316
Income	-551	-698	-552	-539	-694	-691	-659	-633
Wages of expatriate oil workers	-134	-136	-150	-162	-168	-168	-195	-221
Investors' profits	-442	-563	-348	-295	-440	-465	-434	-406
Investment income (net)	-18	-20	-78	-106	-113	-86	-63	-47
Current Transfers (net)	985	1,106	972	1,285	1,227	1,625	1,742	1,835
General government	0	0	0	0	15	30	30	30
Workers' remittances (net)	53	58	77	81	86	91	95	100
Financial transfers to Sudan	-409	-335	-492	-168	-335	-38	0	0
Other sectors	1,132	1,183	1,247	1,372	1,461	1,542	1,614	1,687
Capital and financial account	**105**	**14**	**708**	**375**	**40**	**-186**	**-110**	**19**
Capital account	161	123	0	0	0	0	3	18
Financial account	-55	-109	708	375	40	-186	-113	1
Foreign direct investment[2]	-19	-79	-18	47	48	44	113	180
of which: non-oil	0	0	22	24	24	24	24	24
Other investment	-36	-30	726	328	-230	-226	-179	-157
Overall balance	**14**	**1,040**	**-122**	**124**	**181**	**-11**	**16**	**-4**
Errors and omissions	-31	-693	140	0	0	0	0	0
Financing	**16**	**-347**	**-19**	**-124**	**-181**	**-92**	**-99**	**-53**
Change in net foreign assets of the central bank	16	-347	-19	-124	-181	-92	-99	-53
of which: Change in gross reserves (Increase -)	20	2	-17	-124	-181	-92	-99	-53
of which: New SDR allocation					-150			
Financing gap	0	0	0	0	0	102	82	57
Memorandum items:								
Current account balance including transfers (percent of GDP)	-2.6	22.0	-16.9	-5.0	2.7	3.2	2.2	-0.4
Current account balance excluding transfers (percent of GDP)	-30.9	-1.7	-36.7	-30.9	-20.3	-26.2	-27.6	-30.8
South Sudan oil price (dollars per barrel; weighted average)	58.6	62.9	49.3	51.5	63.1	63.2	64.5	65.8
Gross foreign reserves (millions of US dollars)	33	31	48	172	354	445	544	597
In months of current year's imports of goods and services	0.2	0.1	0.1	0.5	0.9	1.0	1.1	1.2
Oil production (millions of barrels)	43.6	49.1	62.1	58.4	56.9	60.2	65.7	67.5
Nominal GDP (billions of U.S. dollars)	3.5	4.7	4.9	5.0	5.3	5.5	5.9	6.0

Sources: South Sudanese authorities; and IMF staff estimates and projections.

[1] The fiscal year runs from July to June.

[2] Net of outflows associated with the repatriation of oil investments (Capex cost oil).

Annex I. What Explains Changes of the Exchange Rate in the Parallel Market in the Republic of South Sudan?

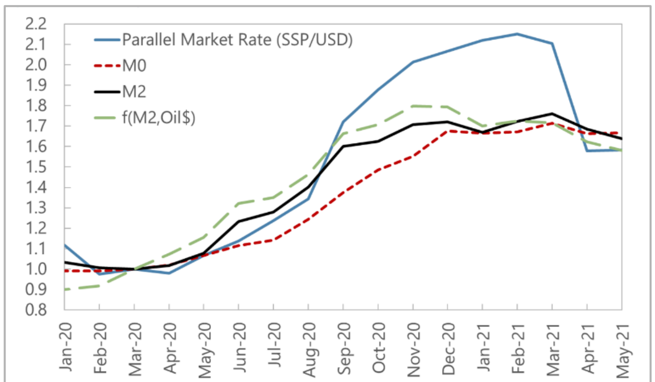
1. **The exchange rate in a floating regime, as is the case in South Sudan, tends to change on a daily basis in response to demand and supply factors.** Given the heavy reliance on oil and the inherent volatility of oil prices, shocks in the FX market in South Sudan are expected to be more pronounced than in most other countries.

2. **As discussed in ¶5 of this staff report, the exchange rate in the parallel market appreciated from over 600 SSP/US$ at the time the SMP was adopted in March 2021 to just over 400 SSP/US$ by May and has remained around this value since.** The level of the exchange would be a cause of concern only if it is misaligned relative to the "fundamentals" (e.g., if it led to FX shortages that happens when the exchange rate is overvalued) and in case of large abrupt changes.

3. **Staff preliminary analysis suggests that the level of the exchange rate is broadly consistent with the evolution of the fundamentals since the pandemic.** Specifically, the evolution of the parallel market exchange rate was closely correlated with that of M2 until September 2020 (Annex I, Text Figure 1). While the BOSS stopped monetary financing in October 2020, the rate in the parallel market continued to shoot up for a few months (reflecting the uncertainty on the rate of money growth given lack of publicly available information on monetary aggregates until May 2021 when the BOSS resumed their publication) until it stabilized in early 2021. It seems that the overshooting of the parallel market rate has now been mostly, if not all, corrected. Indeed, the current level of the exchange rate in the parallel market seems what the quantity theory of money would have predicted (M0 and M2 lines).

Annex I, Text Figure 1. Republic of South Sudan: Money, Oil Revenue, and Parallel Exchange Rate

(March 2020 = 1)



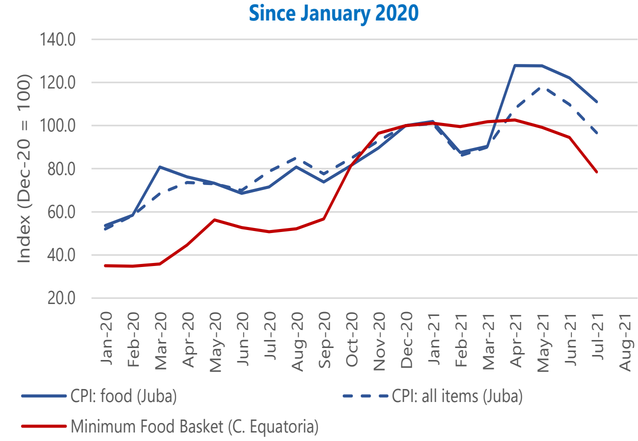
Sources: South Sudanese authorities.

4. **Incorporating the impact of evolution of oil revenue in the analysis confirms this assessment. The line f(M2, Oil$) in the text figure combines the evolution of M2 and that of oil revenue.** While this extension provides some useful information (i.e., it would seem to support a slightly higher depreciation in October and November relative to what is suggested by the growth of M0 or M2), it does not change the tentative conclusion that the exchange rate in the parallel market overshot the level justified by changes in the fundamentals during September 2020–March 2021; but it is now back at a broadly "fair value." Indeed, the level of the exchange rate suggested by the three different lines in the text figure–M0, M2, and f(M2, Oil$)–is somewhere in the 400–500 SSP/US$ range.

Annex II. Exchange Rate Pass-Through into Juba Food Prices

1. Following the recent appreciation of the South Sudanese Pound (SSP), food prices in South Sudan seem to have started declining. Between March and July 2021, the parallel-market exchange rate appreciated by 35 percent, from 616 to 398 SSP/US$. Since South Sudan relies on imports to satisfy a sizeable portion of its demand for food, this would be expected to exert downward pressure on domestic food prices. Correspondingly, after increasing during the first quarter of 2021, the official Food CPI for Juba (solid navy line in Annex II, Text Figure 1) reached a peak in April and has been declining since. An alternative price index constructed by IMF staff to capture the price of a minimum-consumption food basket in *Central Equatoria* (red line in Annex II, Text Figure 1) tells a qualitatively similar story: after leveling off in the spring, food prices have gone into decline since April.[1] With food accounting for 55 percent of the representative consumption basket in Juba, the decline in the Food CPI since April has been accompanied by a decline in the overall CPI (dashed navy line in Annex II, Text Figure 1).

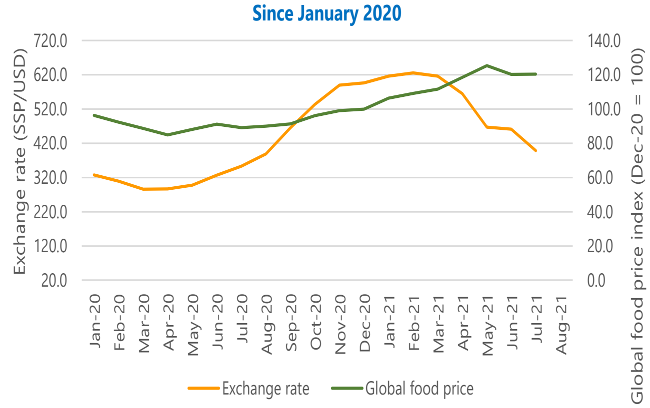
Annex II, Text Figure 1: Juba/C. Equatoria Food Prices Since January 2020



Sources: South Sudanese authorities; CLIMIS; and IMF staff calculations

2. However, the response of local prices to the appreciation appears to have been modest relative to historical experience. Authorities and other interlocutors in South Sudan highlight that the quantitative impact of the large appreciation on prices has been small so far. The Food CPI only declined by 14 percent between April and July and remained 11 percent above its December 2020 level. One reason may have been the contemporaneous rise in global food prices. The global food price index, a benchmark index of representative dollar food prices in global markets, has been rising gradually since April 2020. Between December 2020 and July 2021, global food prices increased by 20 percent (green line in Annex II, Text Figure 2).

Annex II, Text Figure 2: SSP/USD and Global Food Price Since January 2020



Source: South Sudanese authorities; FRED; and IMF staff calculations

[1] The price of a minimum food basket is computed using data from CLIMIS to compute the daily cost of purchasing 500g of white sorghum, 50 grams of janjaro beans and 30 grams of vegetable oil, equivalent to the daily minimum calory requirement of 2100 kilo calories.

3. To determine the expected pass-through from the exchange rate and global food prices into Juba food prices, we run a pass-through regression on historical data. We use monthly CPI, parallel exchange-rate, and food-price data for the period December 2015 to December 2020 to run a simple regression of the form:

$$\Delta \ln CPI_t = \sum_{l=0}^{L} \beta_l \Delta \ln ER_{t-l} + \sum_{l=0}^{L} \gamma_l \Delta \ln P_{t-l} + v_t,$$

where CPI_t is the Juba Food CPI in month t; ER_t is the SSP/US$D exchange rate in month t; P_{t-l} is the global food price index in month t; v_t is the error term; and L is the total number of lags considered. We begin by including 2 lags of the two right-hand-side variables ($L = 2$), but then drop all lags with a coefficient that is not significant at the 15 percent level. Columns (1) and (2) in table below show the results. On the basis of our estimates, we then derive the expected change in the Juba Food CPI from January 2021 onwards from the following equation:

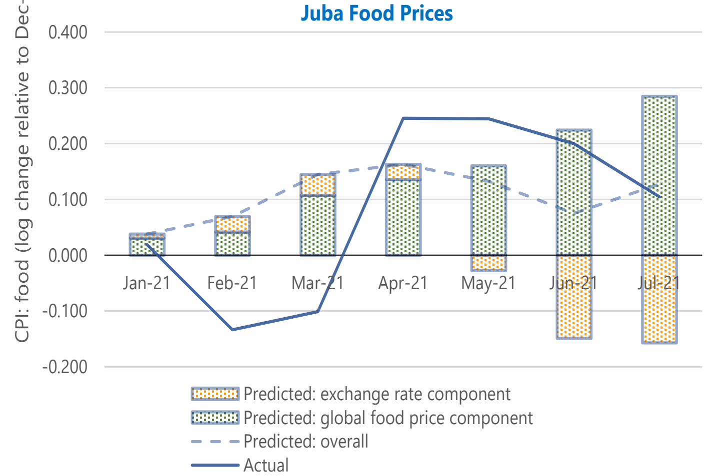
$$\Delta \ln CPI_t = .638 \times \Delta \ln ER_{t-1} + 1.075 \times \Delta \ln P_{t-2}.$$

4. Given the combined effects of the appreciation of the exchange rate and the rise in global food prices, the change in the Juba Food CPI since December is roughly in line with expectations. The Annex II, Text Figure 3 shows the change in the Juba Food CPI relative to December 2020 for each month between January and July 2021 (navy line). It also shows the *expected* change, derived by combining our pass-through estimates with observed movements in the exchange rate and global food prices in 2021 (dashed blue line). The bars break down the exchange-rate and global-price contributions to the expected change. As can be seen from the figure, the change in Juba food prices between December 2020 and July 2021 is roughly in line with what would be expected based on historical experience. While the exchange-rate appreciation has indeed been exerting downward pressure on prices since May, the global food-price increase has been pushing in the opposite direction, causing a net increase in prices since December and only a modest decline from April levels.

	(1)	(2)
β_0	-.256	
	(.231)	
β_1	.731**	.638**
	(.334)	(.253)
β_2	.198	
	(.200)	
γ_0	-.749	
	(.798)	
γ_1	-.190	
	(.665)	
γ_2	.891	1.075*
	(.585)	(.650)
Obs.	58	58
R^2	.27	.22

Robust standard errors in parentheses. * significant at 1%, ** significant at 5%; * significant at 10%**

Annex II, Text Figure 3: Actual and Expected Change in Juba Food Prices



Sources: South Sudanese authorities; FRED; and IMF staff calculations

Appendix I. Letter of Intent

Juba, Republic of South Sudan
October 19, 2021

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
700 19th Street N.W.
Washington, D.C. 20431

Dear Ms. Georgieva:

1. After a severe downturn in 2020 caused by the sharp decline in oil prices from the global pandemic and devastating floods (the worst in 60 years), economic conditions in South Sudan are improving. The recovery in global oil prices has lifted domestic demand and boosted economic growth, which is now expected to reach 1 percent in FY2021/22. The implementation of the Revitalized Agreement for the Resolution of Conflict in South Sudan is also progressing, and a new National Assembly was inaugurated on 30 August. Nevertheless, South Sudan continues to face many challenges: 60 percent of the population experience acute food insecurity; the risk of a third wave of Covid-19 outbreaks is high, with only 0.9 percent of the population having received vaccinations; and a legacy of non-concessionary borrowing burdens public finances.

2. Under the Staff Monitored Program (SMP) initiated in March, we have made use of the more benign economic environment to enact a successful FX reform and put our fiscal policy on a more solid footing. We have refrained from monetary financing of the deficit and liberalized the FX market, facilitating a faster-than-targeted convergence of official and market exchange rates and arrears on public salaries had been reduced to 1 month as of end-June. We have also made an effort to diversify our revenue base. The first economic dividends of these reforms are beginning to materialize. The market exchange rate has appreciated, the annual inflation rate has declined from 70 percent in January to 20 percent in July, and food prices have plateaued in recent months. Monthly non-oil revenue had increased by 70 percent in the last quarter of FY2020/21 compared with earlier in the year.

3. We have met all but two end-June quantitative targets and all but two end-June structural benchmarks, set out under the SMP. The two end-June structural benchmarks that were missed have since been completed. The end-June quantitative target of limiting the cash budget deficit to SSP 10 billion was missed due to spending on road, agriculture and social projects financed by an Afreximbank loan that was contracted in October 2020, as well as a faster-than-planned reduction of salary arrears financed by the RCF disbursed in April 2021. In addition, the MOFP entered into an agreement for an external non-concessional loan worth US$650 million in April 2021 without prior

consultation with Fund staff, and the BOSS issued a sovereign guarantee related to this loan agreement in July 2021. This breaches the agreed ceiling on contracting new non-concessionary loans. No amounts have been disbursed under the loan agreement and the guarantee has not been called. Given the debt sustainability implications of such a large loan, the BOSS has now canceled the sovereign guarantee. The Ministry of Justice confirms that the guarantee has been canceled and the loan agreement is nullified. As detailed in ¶9 of the attached MEFP, we are taking steps to create greater transparency and oversight in public debt management and we are commissioning, in conjunction with the National Audit Chamber and in consultation with IMF staff, an external independent auditor to take stock of all outstanding external loan agreements and guarantees and to complete and publish the results of such audit by end-2021 (proposed structural benchmark), and in any event prior to the completion of the second review of the SMP and possible launch of a future Fund-supported financial program. We also confirm that we have not contracted or guaranteed any other non-concessional loans since the start of the SMP and re-affirm our commitment to consult with Fund staff before contracting any such loans (MEFP ¶10).

4. Going forward, our goal is to consolidate the economic reforms undertaken over the past months to ensure their sustainability.

- **Fiscal policy**. Our draft FY2021/22 budget aims to ensure that spending is executed without arrears accumulation and no recourse to monetary financing of the deficit and that external borrowing is consistent with debt sustainability. We are taking steps to improve the assessment, evaluation and monitoring of our debt obligations. The Loan Committee has been reconstituted at the MOFP and is tasked with approving all external debt contracts by the Republic of South Sudan before they are sent for final approval to the Council of Ministers and the National Assembly. We reaffirm our commitment to avoid any further non-concessional borrowing unless a very limited set of conditions are met, and will continue to refrain from contracting oil advances, consistent with the Council of Ministers' Resolution of October 2020. We will also seek to restructure by end-2021 all remaining oil advances to ensure consistency with our capacity to pay. To strengthen debt management and improve the efficiency of future government spending, we plan to conduct comprehensive reviews of our debt management framework as well as the spending on salaries and investment and hereby request technical assistance from the IMF and World Bank to assist with these reviews.
- **FX and monetary policy**. Banks are now able to operate freely in the FX market, including buying and selling FX for private inflows and donor financial support at competitive rates. We will continue foreign exchange auctions to aid price discovery, and publicly reaffirm our commitment to the current target of 10 percent annual reserve money growth to guide private-sector expectations on the exchange rate and inflation. We will introduce new instruments that will allow the BOSS to manage liquidity and contribute to the determination of market interest rates. We are also taking steps to strengthen the BOSS' capacity and credibility. A key pillar of our strategy is to increase the transparency with which BOSS conducts its operations, including by publishing financial statements and data key monetary aggregates at regular intervals.

- **Governance reforms.** We have completed two prior actions for this SMP review. Specifically, the Auditor General has completed the audit of spending financed by the RCF disbursed in November 2020, and published the report detailing its findings and recommendations. Furthermore, the BOSS has adopted an action plan to implement by end-2021 some key findings of the IMF safeguards assessment mission that took place in June 2021, aimed at strengthening governance, transparency, and internal control and audit of the BOSS.

5. We propose to use US$184 million out of South Sudan's total SDR allocation of US$334 million to bolster our foreign exchange reserves with a view to enhancing the credibility of our macroeconomic policy framework and the ability to effectively respond to future crises. The remainder of the allocation (about US$150 million) will be used to support the FY2021/22 budget. Together with the revenue measures we are taking in the Finance Bill that accompanies the budget for FY2021/22 this will help close our public financing gap and enable us, among other things, to finance priority social spending and repayment of maturing non-concessional borrowing. We are committed to take any additional revenue and expenditure measures as needed to avoid any new non-concessional external financing in FY2021/22.

6. The policies and actions set out in the attached Memorandum of Economic and Financial Policies (MEFP) reflect the understandings reached with IMF staff during the August 16-27 review mission, which we believe can achieve the objectives of the SMP. On this basis we request the completion of the first review of the SMP. We propose to set quantitative targets for end-October 2021 as set out in Table 1 of the MEFP that would be the basis for the second review of the SMP. To allow time to complete the second review of the SMP, we request extending the SMP to end-January 2022. We will take any additional measures that may become necessary for this purpose and will remain in close consultation with IMF staff on the adoption of such measures, and in advance of any revisions to the policies in the MEFP and its annexes. We are committed to working closely with IMF staff to ensure the program is successful and will provide the IMF with such information as may be requested in connection with the progress made in implementing the economic and financial policies and in achieving the objectives of the SMP.

7. In line with our commitment to transparency, we authorize the publication of this letter of intent, the attached MEFP, the Technical Memorandum of Understanding, the related IMF staff report, and the debt sustainability analysis (DSA) update prepared by IMF and World Bank staffs, including placement of these documents on the IMF website.

Sincerely yours,

/s/	/s/
Hon. Mr. Athian Ding Athian	Mr. Dier Tong Ngor
Minister, Ministry of Finance and Planning	Governor, Bank of South Sudan

Attachment I. Memorandum of Economic and Financial Policies

Juba, Republic of South Sudan, October 19, 2021

A. Recent Macroeconomic Developments

1. Macroeconomic conditions are once again improving after a downturn caused by the global pandemic and devastating floods in FY2020/21. The pandemic severely impacted our economy that relies heavily on oil exports, as oil prices slumped to an all-time low since independence in early 2020. In addition, the worst floods to hit South Sudan in 60 years killed livestock, destroyed food stocks, and damaged crops ahead of the main harvest season. As a result, the economy is projected to have contracted by 5.4 percent in FY2020/21. The subsequent recovery in global oil prices has helped improve economic conditions in South Sudan: lifted by the oil price, higher domestic demand has given a boost to economic growth, which is now expected to reach 1 percent in FY2021/22. We are also beginning to see the first economic dividends of a program of reforms initiated under the SMP.

2. Monetary discipline and a successful FX reform have brought down inflation and stabilized the exchange rate. We have continued to refrain from monetary financing of the deficit, a policy that we started in September 2020. Furthermore, the exchange-rate reform we brought underway in April 2021 has liberalized the FX market and facilitated convergence of official and market exchange rates. As a result of these measures, the annual inflation rate has declined from 70 percent in January 2021 to below 20 percent in July. The market exchange rate has appreciated and converged with the official rate at around 410 SSD/USD as of mid-September 2021. Early indications are that prices, including the cost of a minimum-consumption food basket, have declined since April 2021– a welcome development considering that 60 percent of the South Sudanese population experience acute food insecurity.

3. South Sudan has been spared a third wave of COVID-19 outbreaks so far, but the risk of another wave – with severe adverse implications for lives and livelihoods – remains high. As of August 31, 2021, a total of 11,436 COVID cases had been confirmed in South Sudan, with 120 deaths. Unlike in neighboring Uganda and Rwanda, a third wave of the pandemic has not yet materialized. However, the close trade links with these countries imply a high risk going forward, as does our continued low vaccination rate. So far, we have received 132,000 doses (0.9 percent of the population) of AstraZeneca vaccines from COVAX. Our national vaccine deployment plan aims to vaccinate 40 percent of the population by end-2022. Fully funding this plan will require further donor support, as the doses currently allocated by COVAX will only cover 5.2 percent of the population and our public finances remain strained.

B. Performance Under the SMP

4. We have made use of the improvement in the external economic environment to put our monetary and fiscal policy on more solid footing, enabling us to meet all but two end-June quantitative targets (Table 1). Central bank net credit to the central government has been brought to zero, and salary arrears were reduced to 1 month as of end-June 2021. Net international reserves had increased by USD 131 million by the end of June compared to end of March 2021, exceeding the agreed floor of USD 85 million. Meanwhile, average reserve money growth (net of exchange rate valuation effects) remains below the ceiling of 5 percentage points. We have also made efforts to diversify our revenue base, which are beginning to bear fruit. Non-oil revenue increased to about SSP 6 billion per month in the last quarter of FY2020/21 compared to about SSP 3.5 billion per month earlier in the year, reflecting improved collection due to advances in digitalization and strengthened tax administration.

5. Despite such progress, we did not meet two end-June quantitative targets and we are taking remedial actions to address the underlying causes. First, our central government primary cash budget deficit at the end of June 2021 was SSP 25.9 billion, exceeding the ceiling of SSP 10 billion. This was partly due to additional spending for several road and agriculture projects as well as transfers to the Youth and Women Empowerment Fund financed by the Afreximbank loan that was contracted in October 2020. A faster-than-targeted reduction of salary arrears, financed by the RCF that was disbursed in April 2021, also contributed to the breach of the cash budget deficit ceiling. Second, the MOFP entered into an agreement for an external non-concessional loan worth US$650 million in April 2021 without prior consultation with Fund staff, and the BOSS issued a sovereign guarantee related to this loan agreement in July 2021. This breaches the agreed ceiling on contracting new non-concessionary loans. No amounts have been disbursed under the loan agreement and the guarantee has not been called. Given the debt sustainability implications of such a large loan, the sovereign guarantee has already been cancelled. The Ministry of Justice confirms that the guarantee is canceled and the loan agreement is nullified. In addition, we are taking steps to create greater transparency and oversight in relation to the contracting of public debts and to strengthen our debt management framework going forward (¶9). We also confirm that we have not contracted or guaranteed any other non-concessional external loan since the start of the SMP and re-affirm our commitment to consult with Fund staff before contracting any new non-concessional debt (¶10).

6. We have advanced governance reforms to meet all but two end-June structural benchmarks, and to complete the remaining two with a delay (Table 2). Cabinet has adopted a PFM concept note and we are working with stakeholder to adopt an Immediate Action Plan for reforms in this area consistent with R-ARCSS PFM priorities. A Cash Management Unit (CMU) has been established at MOFP and has taken up work to complete a comprehensive review of expenditures in the cash plan and make a proposal for programming expenditures by September 2021. We have now also completed the two end-June structural benchmark that were missed. Specifically, the MOFP has opened bank accounts for all its staff and has paid salaries into these accounts from August 2021, while a gradual rollout of bank accounts for staff in other selected MDAs underway. Also, the newly-established CMU compiled in July 2021 a list of all MDA bank accounts known to Treasury at the Bank of South Sudan (BOSS), and the BOSS has started reporting the consolidated balances in these accounts to the MOFP on a daily basis (consistent with the commitments under the TSA structural benchmark).

7. Following the successful FX reform, the BOSS has taken further steps to enhance institutional capacity and credibility. Audited BOSS financial statements for 2011-18 have been published on the BOSS website, with audits of financial statements for 2019-20 expected to be published before the end of the year (see below). Data on monetary aggregates and the outcome of FX auctions are now also published on the BOSS website at regular intervals.

C. The Economic Program for August 2021–December 2021

Fiscal Policy

8. Several factors are helping create fiscal space in FY2021/22. First, as discussed above, our revenues have been boosted by higher international oil prices, and we are exploring avenues to raise oil output. We have also seen improved non-oil revenue collection. The draft Finance Bill that accompanies the budget for FY2021/22 includes several measures that would increase non-oil revenue further. These include (i) adjusting the exchange rate being used for assessing custom duties (from 45 SSP/US$ to 90 SSP/US$) as a first step toward aligning it with the exchange rate prevailing in the market that is currently over 400 SSP/US$ (our plan sets out a gradual adjustment that should raise customs revenue over time while containing the social impacts of an increase in the price of imported goods); (ii) increasing the custom duty rates several products (consistent with our commitment to align our external tariffs with the rates prevailing in the East African Community, of which we are a member); (iii) further digitalization of the tax system. Finally, our payments to Sudan under the Transitional Financial Arrangement (TFA) that was signed in 2012 are expected to end around mid-FY2021/22. While we have budgeted US$400 million for the TFA to cover all contingencies, we expect the outstanding amount as of end-July 2021 to be closer to US$200 million and are seeking to confirm this with the Sudanese authorities. If confirmed, this would free up additional fiscal space.

9. We are committed to tackling a legacy of uncoordinated external borrowing and to establishing a framework for prudent public debt management going forward. South Sudan is burdened by a large stock of expensive non-concessional debt that, in part, reflects a history of limited central oversight over external borrowing. The SMP has provided an opportunity for MOFP and BSS, in cooperation with other ministries, to take stock of these legacy debts. In the next step, we intend to strengthen our central debt management strategy. Based on a Presidential decree signed on October 28, 2019, the Loan Committee has been reconstituted under the Debt Management Unit at the MOFP and is tasked with approving any external debt contract by the Republic of South Sudan before they are sent for final approval by the Cabinet of Ministers and the Assembly, consistent with the PFM Act of 2011. This will help improve debt management including by strengthening central assessment, evaluation, and monitoring of our debt obligations. The FY2021/22 budget proposes to reduce the principal of outstanding commercial debts by US$250 million and of oil advances by about US$150 million. We will also seek to restructure by end-2021 all remaining oil advances as needed to ensure consistency with our capacity to repay while maintaining public debt sustainability. To this end, we hereby request technical assistance from the IMF during the remainder of the SMP on how to reduce the cost of servicing our existing debts, and how to formulate a debt management strategy that appropriately balances costs and risks in the face of South Sudan's constraints over the medium term and to enhance debt data recording, monitoring, reporting and disclosure, including external loan agreements and guarantees. We also commit to commission, in conjunction with the National Audit Chamber and in consultation with IMF staff, an audit by an external independent auditor to take stock of all outstanding external loan agreements and guarantees, and to complete and publish the results of such audit by end-2021 (proposed structural benchmark), and in any event prior to the completion of the second review of the SMP and possible launch of a future Fund-supported arrangement.

10. We are committed to avoiding any further non-concessional borrowing unless a very limited set of conditions are met. Specifically, we will not contract or guarantee new non-concessional loans for the duration of the SMP unless either: (i) debt management operations improve key liquidity and/or solvency debt burden indicators without adversely affecting the risk rating; or (ii) loans finance critical investment projects with high social and economic returns that are integral to our national development program or for critical COVID-related spending, and for which concessional financing is not available. In these cases, we will seek to avoid non-concessional borrowing with high effective interest rates due to hidden fees and short maturities. Consistent with the Cabinet of Ministers' Resolution of October 2020, we will continue to refrain from contracting oil advances. We will also consult with the IMF staff prior to contracting or guaranteeing any new non-concessional debt.

11. We aim to raise social spending and public sector wages in a sustainable manner, by reducing fiscal commitments in other areas. Our priority in the FY2021/22 budget is on social spending and reversing the erosion of real wages for government workers due to high inflation in past years. To that end, we have significantly increased allocations for spending on education and health in the draft budget for FY2021/22 relative to last year, by US$36 million and US$45 million, respectively). In addition, the draft budget doubles the wage bill in SSP in FY2021/22 relative to FY2020/21. To contain the impact on public finances, we are conducting a review of the execution rate of public investment and, in particular, of the use of oil exports earmarked to fund an upgrade of our road infrastructure, with a view to reduce it below the current target of 10,000 barrels per day. The higher oil price should enable us to maintain the same level of investment spending even if a lower number of barrels are earmarked for public investment.

12. We propose to use a portion of South Sudan's SDR allocation to support our current budget, so as to create space for priority social spending and debt repayment. South Sudan has received around US$334 million (6.8 percent of GDP) from the latest SDR allocation. We will use US$150 million to support the FY2021/22 budget. Together with the revenue measures and expenditure reductions outlined above, this will close our public financing gap. In turn, this will enable us to, among other things, finance priority social spending and to pay for maturing non-concessional borrowing without the need for any new external financing. We will use the remainder of the SDR allocation to build FX reserves. We are committed to transparency, good governance, and accountability in the use and reporting of South Sudan's SDR allocation. To that end, we will communicate our plans for the use of these reserves to the public and MOFP and BOSS will publish special accounting and reports on the utilization of the SDR proceeds. We have already prepared, in consultation with Fund staff, a memorandum of understanding (MOU) between the MOFP and the BOSS, stipulating responsibilities for servicing in a timely manner the financial obligations to the IMF for this use of the SDR allocation for budget financing.

13. To improve the efficiency of future government spending we plan to conduct comprehensive reviews of spending on salaries and investments. Having doubled public salaries this year, we commit to refrain from further salary increases until cash salaries have been phased out, and a census of the public-sector payroll has been conducted. Going forward, we will seek a reduction in the number of workers, in parallel to future increases in wages to eventually have appropriately paid productive government workers, while keeping the overall wage bill size consistent with public debt sustainability. To that end, we will request TA from the IMF and the World Bank in assessing the public sector wage bill to help us design a strategy for public sector pay consistent with these objectives. To strengthen the effectiveness of institutions at all stages of the public investment management cycle—e.g., project appraisal, selection, and implementation—we hereby request an assessment of our public investment management framework from the IMF and the World Bank.

Exchange Rate, Monetary, and Financial Sector Policies

14. We remain committed to the successful exchange rate reform and intend to signal this to markets by setting out monetary policy objectives transparently and communicating them clearly. Following the convergence of the official exchange rate with market rates, we have discontinued the official rate and replaced it with a reference rate that that is based on a new formula that sets this daily reference rate as the weighted average of transaction rates in foreign exchange by banks and FX bureaus. Banks are now able to operate freely in the FX market, including buying and selling FX for private inflows and donor financial support at competitive rates. We will continue foreign exchange auctions in order to aid price discovery, and publicly reaffirm our commitment to the current target of 10 percent annual reserve money growth in order to guide private-sector expectations on the exchange rate and inflation. We also remain committed to continue the policy of no further BOSS credit extended to the government. The BOSS has made efforts to establish a good relationship with the financial sector, and will communicate its policy objectives through a variety of channels and support this communication by continuing to publish data on monetary aggregates, prices, exchange rates and the central bank balance sheet on the BOSS website regularly and in a timely fashion.

15. To support monetary policy operations, we will introduce new instruments that will improve the ability of BOSS to manage liquidity and contribute to the determination of market interest rates. As a first step, BOSS plans to introduce by end-2021 term deposits with a short maturity, to be followed in the first half of 2022 by BOSS bills. The BOSS and MOFP signed on September 21, 2021 an MOU that among other things commits the MOFP to cover the cost of such monetary operations from FY2022/23 onwards.

16. We intend to use the remaining amount of the South Sudan's SDR allocation to build foreign exchange reserves. After allocating US$150 million out of the SDR allocation to repay high-interest debts, the remaining amount of about US$ 184 million will be used to bolster our foreign exchange reserves. Current levels of foreign reserves are low at about 0.4 month of imports. Our proposed use of the SDR allocation will raise this to 0.8 months of imports, closer to traditional rules of thumb (e.g., coverage of 3 months of prospective imports). Our long-term objective in this area, consistent with the relevant EAC convergence criterion, is to achieve a reserve cover of 4.5 months of imports. To facilitate our communication with the market on moving towards this objective, we will develop a medium-term FX budget that will enable the BOSS to estimate a sustainable level of interventions in the FX market. Such an FX budget will allow BOSS to reconcile the desired path of foreign reserves with observed foreign exchange inflows and outflows as well as key features of the economic and institutional environment of South Sudan. On this basis, BOSS will be able to transition towards building larger foreign exchange reserves while communicating its policy stance clearly to markets and the public.

17. We will allow commercial banks to have access to the outstanding balance of the locked accounts at the BOSS. The outstanding balance on these accounts amounts to US$ 90 million. Commercial banks will be allowed to access these accounts subject to them complying with the prudential limits on FX net open positions and minimum reserve requirements.

Other Structural and Governance Reforms

18. We welcome the publication of Auditor General's report on the use of funds under the RCF disbursed in November 2020 and the recommendations made therein to improve compliance. The report finds that up to US$16 million out of the US$52 million disbursed may not have been spent to repay salary arrears, and makes recommendations to ensure the fidelity of payments against earmarked monies going forward. We are already working to implement some of these recommendations (notably, bank account payments of public salaries, as described in ¶5) and will develop an action plan in consultation with IMF and World Bank staff to address the rest. The MOFP remains committed to publish monthly reports on the use of RCF funds in the MOFP website. To the extent that RCF funds may be used for procurement purposes, we agree that these reports will provide information on procurement contracts, successful bidders and ex-post verification of delivery. In addition, the MOFP commits to facilitating an audit of the spending financed by the RCF disbursed in April 2021 including to provide the necessary funding to permit completion of such an audit by end-2021.

19. We have completed the implementation of a Treasury Single Account, as originally envisaged by the end-June structural benchmark, and are working to extend it to all accounts of the central government at commercial banks by end-2021. The MOU signed by the MOFP and the BOSS mentioned in ¶14 above clarifies TSA arrangements, including to: (i) clarify which public sector bank accounts in BOSS are included in the TSA arrangements; (ii) establish that the BOSS should produce a daily report on the bank accounts included in the TSA as well as the aggregate position, and submit it to the Treasury; (iii) describe which Treasury accounts will be entitled to have deficits covered from surpluses on other accounts; and (iv) establish that Treasury may only issue payments within the available balance previous day minus a buffer for unforeseen withdrawals from other accounts during the day, with a clear definition of how this buffer is calculated. By end-2021, the MOFP and BOSS will further agree on how to expand the consolidated banking arrangements to also include all accounts of the central government at commercial banks.

20. We will build on the preliminary cash plan developed for FY2021/22 to establish active cash management across GoSS. The MOFP has formally established a new CMU in the Treasury as an organizational unit with a dedicated team of at least two full-time working staff. The CMU will serve as a technical arm of the Cash Management Committee and expand its membership to also include staff from Macro, including from the Debt unit. The CMU will start providing a monthly update of the cash plan and make a comprehensive review of expenditures and revenues, including of the non-oil revenues, with the first such review to take place in September 2021. Meanwhile, the MOFP will strengthen its debt recording and debt service forecasting capabilities to ensure complete and accurate forecasts for the cash plan.

21. The BOSS will work at pace to implement the recommendations made by the IMF's safeguards assessment mission. To that end, as prior action for the review, the BOSS has adopted a timetable to implement the main findings of the safeguards assessment mission that took place in June 2021. These include (i) coordinating with the external auditors to finalize the audits of the BOSS for 2019 and 2020 and publishing the respective financial statements on the BOSS external website by end-Oct 2021; (ii) hiring by the BOSS of additional staff with backgrounds in audit and risk management; (iii) engaging an audit firm to co-source the BOSS' internal audit activities in order to support capacity-building in terms of knowledge transfer and training including on risk identification aspects, implement a risk-based audit approach and incorporate periodic reporting to the Board on risks, enhance monitoring of outstanding recommendations, and strengthen reporting to the AC; (iv) publishing by end-November 2021 the results of the audit of the BOSS' internal controls over administration and reconciliation of bank accounts in FY2020, including on the process for tracking and recording encumbrances and guarantees; (v) engaging by end-November 2021 an external consultant or request IMF TA to provide assistance to the BOSS in developing a comprehensive strategy to address vulnerabilities and strengthen currency operations, including purchasing, storage, processing, and destruction activities; (vi) sending by end-November 2021 tender requests to reputable currency manufacturers, and conduct a review of bids vis-à-vis the tender criteria (i.e., pricing, security features, delivery time, storage facilities, and payment terms); and (vi) conducting by end-November 2021 a cost-benefit analysis of replacing low denomination banknotes with coins.

22. We are strengthening South Sudan's AML/CFT framework. With IMF and other donors' support, we commit to urgently pursuing the items contained in the AML/CFT Action Plan agreed with the FATF. As one of our first steps, we commit to identify and designate by the end of 2021 the regulatory authorities who will assume AML/CFT supervisory responsibilities for financial institutions and designated not financial businesses and professions operating in South Sudan, in line with the FATF international standards.

Table 2. Republic of South Sudan: Quantitative Targets Under the Staff-Monitored Program

	End-Jun 2021 SMP Target	End- June 2021 Actual	End-Sep 2021 SMP Target	End-Oct 2021 Proposed
Central government's primary cash budget deficit (ceiling: in billions of SSP)[1]	10.0	25.9	20.0	35.9
Central bank net credit to the central government (ceiling: in billions of SSP)[2]	0.0	0.0	0.0	0.0
Contracting or guaranteeing of non-concessional borrowing (continuous ceiling: in millions of U.S. dollars)[3]	0.0	650	0.0	0.0
Average net international reserve (floor: in millions of U.S. dollars)[4]	85.0	131.0	100.0	284.0
Clearance of salary arrears (floor: in billions of SSP)	7.3	14.5	11.0	14.5
Average reserve money growth (ceiling: in percentage points)[5]	5.0	-2.6	10.0	10.0

[1] Numbers are cumulative from March 30, 2021, unless stated otherwise.

[2] Numbers are cumulative changes from March 30, 2021. NCG should be zero in at least half of the quarter and never higher than 5 percent of quarterly revenue.

[3] Subject to prior consultation with Fund staff, exceptions may apply for NCB that involves either (i) debt management operations that improve key liquidity and/or solvency debt burden indicators without adversely affecting the risk rating; or (ii) finances critical investment projects with a high social and economic return that are integral to the authorities' national development program or for critical COVID-related spending, and for which concessional financing is not available.

[4] Targets on NIR for end-June and end-September 2021 are defined as the cumulative changes of the average stock of NIR during, respectively, June and September 2021 relative to the stock of NIR on March 30, 2021. The proposed rise in the end-September target reflects the part of the SDR allocation that will be used for reserve accumulation.

[5] Limits on reserve money growth for end-June and end-September 2021 are defined as the cumulative changes of the average reserve money during, respectively, June and September 2021 relative to the reserve money stock at end-March 2021.

Table 2. Republic of South Sudan: Prior Action and Structural Benchmarks Under the Staff-Monitored Program

Measures	Target Date	Current Status
1. Completing the audit of the spending of the November 2020 RCF disbursement and publish its findings and recommendations	Prior Action	Completed
2. Adopting a timetable to address the key recommendation of the safeguards assessment mission detailed in ¶20	Prior Action	Completed
3. Cabinet to adopt a PFM concept note that includes a 2021 Immediate Action Plan for reforms in this area consistent with R-ARCSS PFM priorities	Jun-21	Met
4. Consolidate GoSS bank accounts in BOSS, allowing deficits on Treasury bank accounts covered from surpluses on other MOFP bank accounts	Jun-21	Not met. Implemented with delay in September 2021
5. Cash Management Unit (CMU) will be formally established within the Treasury with a dedicated team of staff	Jun-21	Met
6. MOFP will gradually phase out the use of cash for payment of salaries to all public servants and mandate the use of bank accounts, and:		
a. Pilot these new arrangements in the MOFP	Jun-21	Not met. Implemented with delay in September 2021
b. Gradually roll-out to selected MDAs	Sep-21	In progress
7. CMU will make a comprehensive review of the expenditures in the cash plan and together with the Budget make a proposal for programming the expenditures according to GoSS priorities	Sep-21	In progress
8. Conduct an audit by an external independent auditor to take stock of all outstanding external loan agreements and guarantees and publish the results of the audit (¶9)	Dec- 21	Proposed

Attachment II. Technical Memorandum of Understanding

Juba, Republic of South Sudan, October 19, 2021

1. This Technical Memorandum of Understanding (TMU) defines the quantitative targets and structural benchmarks for monitoring the performance of South Sudan under the Staff Monitored Program (SMP). In addition, the TMU specifies the data to be provided to the IMF for program monitoring purposes, and the periodicity and deadlines for the transmission of the data.

2. The SMP will be monitored based on six quarterly quantitative targets (QTs) and five structural benchmarks listed in Tables 1 and 2 of the Memorandum on Economic and Financial Policies (MEFP). The QTs are expressed as cumulative changes of the corresponding stock variables since the beginning of the SMP, March 30, 2021. The QTs are as follows.

i. ceiling on the central governments primary deficit;

ii. ceiling on the central bank net credit to the central government;

iii. continuous ceiling on contracting or guaranteeing of external non-concessional borrowing;

iv. floor on the average net international reserves (NIR);

v. floor on clearance of salary arrears; and

vi. ceiling on the average reserve money growth.

QUANTITATIVE TARGETS

3. **Primary cash budget deficit of the central government** is measured as the sum of net foreign financing and net domestic financing minus interest payments. Central government includes all line ministries and agencies controlled by the government. Net foreign financing is the difference between disbursements and amortization of any external loans both concessional and non-concessional, internationally-issued bonds, and any other forms of liabilities by the central government to nonresidents. Net domestic financing is defined as the sum of net financing from the Bank of South Sudan (BOSS), and other depository corporations (ODCs). Net financing from the BOSS /(ODCs) is equal to the change in net claims on the central government from the BOSS/ODCs between the start and end of the relevant period, as obtained from the Monetary Survey. For the purposes of the program, all claims and liabilities of the central government to the BOSS and ODCs denominated in foreign currency will be valued at the program exchange rate of 174 SSP/US$.

4. **Net credit to the central government by the BOSS** (NCG) is defined as change in the stock of net credit to the central government by the BOSS. For the purposes of the program, the part of the new SDR allocation that will be used for budget financing is excluded from NCG and all claims and liabilities of the central government to the BOSS denominated in foreign currency will be valued at the program exchange rate of 174 SSP/US$.

5. **Net international reserves (NIR)** of the BOSS are defined as reserve assets of the BOSS net of short-term external liabilities of the BOSS. Reserve assets are defined as foreign assets readily available to, and controlled by, the BOSS and exclude pledged or otherwise encumbered foreign assets, including, but not limited to, assets used as collateral or guarantees for third-party liabilities. Reserve assets must be denominated and settled in a convertible foreign currency. Short-term foreign liabilities are defined as liabilities to nonresidents, of original maturities less than one year, contracted by the BOSS. This excludes SDR allocations as they are of a long-term nature. For program-monitoring purposes, official reserve and short-term liabilities at the end of each test period will be calculated in U.S. dollars by converting the stock denominated in SDR, EUR and GBP at program exchange rates of, respectively, 1.44, 0.83 and 0.71 against the US dollar. The NIR limits for end-June and end-September 2021 are defined as the cumulative changes of the average NIR daily stocks during, respectively, June and September 2021 relative to the NIR stock at end-March 2021.

6. **Contracting or guaranteeing of new non-concessional external debt by the central government and the BOSS** applies to debt to non-residents at non-concessional terms. For the purposes of the program, the definition of "debt" is set forth in point No. 9 of the "Guidelines on Performance Criteria with Respect to External Debt" (see Decision No. 6230-(79/140) as revised on August 31, 2009 (Decision No. 14416-(09/91)), attached in Annex I). This quantitative target will be assessed on a continuous basis starting from March 30, 2021.

- **For program purposes, a debt is concessional if it includes a grant element of at least 35 percent, calculated as follows:** the grant element of a debt is the difference between the present value (PV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt. The discount rate used for this purpose is the unified discount rate of 5 percent set forth in Executive Board Decision No. 15248-(13/97). For debts with a grant element equal or below zero, the PV will be set equal to the nominal value of the debt.
- Discussion on the contracting and/or guaranteeing of any new non-concessional debt will only be undertaken after consultation with the IMF. Exceptions to the zero program target for non-concessional debt may apply for debt that involves either (i) debt management operations that improve key liquidity and/or solvency debt burden indicators without adversely affecting the risk rating; or (ii) transactions that finance, while avoiding excessive external borrowing, critical investment projects with a high social and economic return that are integral to national development program or for critical COVID-related spending, and for which concessional financing is not available.

7. **Clearance of salary arrears** will be measured by the net change in the stock of salary arrears at end-June and end-September 2021 relative to end-March 2021.

8. **Reserve money** is defined as the sum of local currency circulating outside of banks, total reserves for banks (required and excess) at the BOSS. For program purposes, limits on reserve

money growth for end-June and end-September 2021 are defined as the cumulative changes of the average reserve money during, respectively, June and September 2021 relative to the reserve money stock at end-March 2021. For program purposes, all components of reserve money that are denominated in foreign currency will be valued at the program exchange rate of 174 SSP/US$.

PROGRAM MONITORING AND REPORTING REQUIREMENTS

9. The monitoring of quantitative targets and structural benchmarks will be the focus of the quarterly assessment report to be prepared by the authorities at the end of each quarter. The information on implementation and/or execution of structural benchmarks under the program will be reported to IMF staff within two weeks after their programmed implementation date. The status of implementation of other structural program measures will also be reported to IMF staff within the same time frame.

10. The authorities will report the information specified in Table 1 below according to the reporting periods indicated. More generally, the authorities will provide IMF staff with all information required for effective follow-up on economic policy implementation.

11. The authorities agree to consult IMF staff on any new external debt proposals. They will report to IMF staff on the signing of any new external debt arrangements and the conditions pertaining to such debt.

Table 1. Republic of South Sudan: Data to be Reported for Program Monitoring

Reporting Agency	Type of data	Frequency	Submission Lag
MOFP	Table of government fiscal operations	Monthly	4 weeks
	Estimated government tax revenue	Monthly	4 weeks
	Estimated oil production and revenue	Monthly	4 weeks
	Stock of salary arrears of the Central Government	Monthly	4 weeks
	Budget execution report	Quarterly	4 weeks
	Disbursements of External Debt including Newly Contracted Debt of Government	Quarterly	4 weeks
BOSS	Projected external debt service	Quarterly	4 weeks
	BOSS balance sheet	Monthly	4 weeks
	Monetary Survey	Monthly	4 weeks
	Detailed FX Auction Results	Weekly	1 week

Annex I. Guidelines on External Debt

Excerpt from Executive Board Decision No. 6230-(79/140) as revised on August 31, 2009 (Decision No. 14416-(09/91)):

- For the purpose of this guideline, the term "debt" will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows:

  (i) loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans, and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

  (ii) suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and

  (iii) leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessee retains the title to the property. For the purpose of the guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.

- Under the definition of debt set out in this paragraph, arrears, penalties, and judicially-awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

REPUBLIC OF SOUTH SUDAN

FIRST REVIEW UNDER THE STAFF-MONITORED PROGRAM—DEBT SUSTAINABILITY ANALYSIS UPDATE

October 21, 2021

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Prepared by the staffs of the International Monetary Fund and the International Development Association

Joint Bank-Fund Debt Sustainability Analysis	
Risk of external debt distress	High
Overall risk of debt distress	High
Granularity in the risk rating	Sustainable
Application of judgment	No

South Sudan's debt remains assessed to be sustainable with a high risk of debt distress for both external and overall public debt.[1] *Relative to the last assessment in March 2021, the risk of debt distress in this Debt Sustainability Analysis (DSA) has increased despite the new SDR allocation partly used for debt management. This reflects the discovery of higher outstanding oil advances that were contracted in 2018 but not reported to the Ministry of Finance and Planning (MOFP) and thus not included in the March 2021 DSA. There are temporary breaches in three out of seven debt indicators under the baseline scenario (debt service-to-revenues ratio of external public debt, debt service-to-exports ratio of external public debt and present value (PV) of debt-to-GDP ratio of overall public debt), which assumes positive developments in the macro-fiscal framework. These breaches suggest a high risk of external and overall public debt distress. However, all external and overall public debt indicators are expected to be below the respective thresholds from 2026/27 onwards, contingent on robust oil prices and the authorities' commitment to policy adjustment needed to cap the deficit over the medium term together with increased concessional financing. South Sudan's external and overall debt are therefore assessed to be sustainable. Risks to this assessment are tilted to the downside, including in relation to the implementation of policy adjustment, limited access to concessional loans, and oil price volatility. The sustainability of the relative peace and security in the country represent another major risk as the situation in South Sudan continues to be fluid and conflict persists across the country despite recent positive political developments.*

[1] South Sudan's debt-carrying capacity remains rated "weak" with composite indicator score of 1.29 according to the April 2021 vintage of the World Economic Outlook and the World Bank's 2019 Country Policy and Institutional Index.

1. **Relative to the assessment in March 2021, the outstanding external debt stock and debt service in this DSA update is higher due to an oil advance contracted in 2018 before the first RCF disbursement in November 2020 (Table 1).** The newly established Debt Management Unit (DMU) recently discovered an outstanding oil advance of about US$539 million that was contracted in 2018.

2. **In the new baseline, South Sudan's debt remains assessed to be sustainable with a high risk of debt distress for both external and overall public debt.** In the baseline of the previous DSA, there are temporary breaches in two out of seven debt indicators (debt service-to-revenues ratio of external public debt in FY20/21 to FY23/24 and present value of debt-to-GDP ratio of overall public debt in FY20/21). These breaches lead to a high risk of debt distress. In the baseline of the current DSA, despite of significantly higher oil prices and the use of a portion of new SDR allocation to help close fiscal financing gap, the higher stock of oil advances discussed in ¶1, prolong the breach in the debt-service-to-revenue ratio and the overall public debt to FY25/26.[2] In line with the terms and the fee structure of known oil advances, this DSA update assumes 10-percent effective interest rate on the newly discovered oil advance. Table 2 shows the comparison of key macroeconomic assumptions in this DSA relative to March 2021 DSA, with the main revisions consisting in significantly higher oil prices throughout the forecast period in line with revised WEO projections and a faster convergence of exchange rates in the market relative to what was expected in March 2021.

3. **The authorities' strategy is to gradually pay down outstanding oil advances to maintain debt sustainability.** The authorities are committed to continue refraining from contracting highly non-concessional debt including new oil advances that have been discontinued following a Council of Ministers Resolution of October 2020, and to gradually reduce the outstanding oil-advance balance. In particular, this DSA assumes that the authorities would reduce the outstanding oil advances by about US$100 million per year in FY2021/22 to FY2022/24 and by about US$200 million per year in FY2024/25 and FY2025/26. The authorities plan to reduce the outstanding amount of oil advance to help create fiscal space given the high effective interest rate[3] and improve fiscal transparency given non-transparent feature of such contract. The authorities expect to fully pay down the outstanding oil advances by June 2026.

4. **The authorities are taking steps to strengthen the institutional framework for debt management.** As discussed in the accompaying staff report (IMF Country Report No. 2021/xxx), the authorities have tasked the recently reconstituted Loan Committee under the Debt Management Unit of the MOFP to approve any external debt contract by South Sudan before they are sent for final approval by the Council of Ministers and the Assembly. In addition, they have requested TA from the Fund and the World Bank on reducing the cost of servicing debts and formulating a debt management strategy consistent with maintaining public debt sustainability. They have also committed to commissioning an independent audit that will take stock of all outstanding external loan agreements and guarantees by end-2021.

[2] The new DSA baseline utilizes US$150 million of the expected SDR allocation for budget support.

[3] For the 10-percent effective interest rate to hold, the level of oil advance facility should be reduced to the level of outstanding amount on an annual basis. Since some fees are proportional to the level of facility (which can be much larger than the outstanding loan), effective interest rate would be much higher for small amount of outstanding loan but high level of loan facility.

Table 1. Republic of South Sudan: Decomposition of Public Debt by Creditor FY20/21–22/23

	Debt Stock (end of period)			Debt Service					
	Jun-21			FY20/21	FY21/22	FY22/23	FY20/21	FY21/22	FY22/23
	(In mn US$)	*(Percent total debt)*	*(Percent GDP)*	*(In mn US$)*			*(Percent GDP)*		
Total	2958	100	60	275	478	453	5.5	7.8	7.2
External[1]	2330	79	47	269	472	447	5.3	7.7	7.1
Multilateral creditors	327	11	7	1	1	2	0.0	0.0	0.0
IMF	227	8	5						
World Bank	82	3	2						
ADB/AfDB/IADB	19	1	0						
Bilateral Creditors	150	5	3	17	19	19	0.3	0.3	0.3
Paris Club	0	0	0	0	1	2	0.0	0.0	0.0
Non-Paris Club	150	5	3	17	18	17	0.3	0.3	0.3
o/w: China EXIM Bank	150	5	3						
Commercial creditors	1853	63	37	251	453	426	5.0	7.4	6.8
o/w: AFREXIM Bank	525	18	11						
QNB	652	22	13						
Oil Companies	676	23	14						
Domestic	627	21	13	6	6	6	0.1	0.1	0.1
Held by residents, total	627	21	13	6	6	6	0.1	0.1	0.1
Held by non-residents, total	0	0	0	0	0	0	0.0	0.0	0.0
Memo items:									
Collateralized debt[2]	1853	63	37						
o/w: Related	0	0	0						
o/w: Unrelated	1853	63	37						
Contingent liabilities	na								
o/w: Public guarantees	na								
o/w: Other explicit contingent liabilities	na								
Nominal GDP (in bn US$)	4969								

1/As reported by Country authorities according to their classification of creditors, including by official and commercial.
2/Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

Subsectors of the public sector	Sub-sectors covered
1 Central government	X
2 State and local government	
3 Other elements in the general government	
4 o/w: Social security fund	
5 o/w: Extra budgetary funds (EBFs)	
6 Guarantees (to other entities in the public and private sector, including to SOEs)	
7 Central bank (borrowed on behalf of the government)	X
8 Non-guaranteed SOE debt	

1 The country's coverage of public debt	The central government, central bank		
	Default	Used for the analysis	Reasons for deviations from the default settings
2 Other elements of the general government not captured in 1.	0 percent of GDP	0.0	
3 SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	2.0	
4 PPP	35 percent of PPP stock	0.0	
5 Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5.0	
Total (2+3+4+5) (in percent of GDP)		7.0	

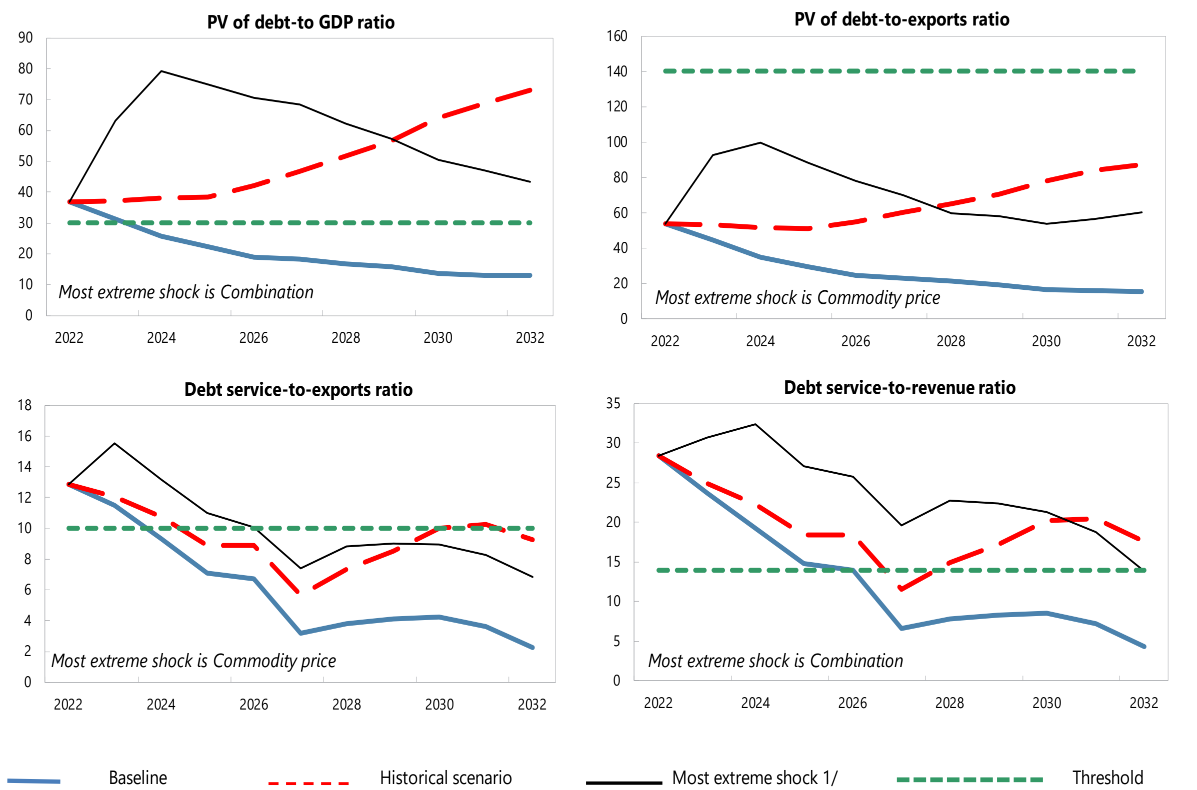
1/ The default shock of 2% of GDP will be triggered for countries, whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

Table 2. Republic of South Sudan: Key Macroeconomic Assumptions Comparison with the Previous DSA

	2019/20	2020/21	2021/22	2022/23	2023/24	2029/30
			Projection			
Real GDP growth (annual percent change)						
Sep 2021 DSA	13.2	-5.4	1.0	5.2	7.4	6.1
Mar 2021 DSA	13.2	-4.2	2.2	2.6	4.7	6.4
Real oil GDP growth (annual percent change)						
Sep 2021 DSA	26.4	-5.9	-2.5	5.8	9.1	5.0
Mar 2021 DSA	26.4	-3.0	3.1	1.2	1.7	5.0
Current Account Balance (percent of GDP)						
Sep 2021 DSA	-2.7	-5.0	2.7	3.2	2.2	5.0
Mar 2021 DSA	-2.7	-6.6	-1.4	0.7	0.6	-1.3
Exports of goods and services (percent of GDP)						
Sep 2021 DSA	64.6	61.8	68.4	70.0	73.5	81.8
Mar 2021 DSA	64.6	61.5	62.9	62.1	61.0	58.7
Imports of goods and services (percent of GDP)						
Sep 2021 DSA	79.5	81.8	75.8	83.6	89.8	100.6
Mar 2021 DSA	79.5	84.4	76.8	81.0	81.8	82.2
Primary deficit (percent of GDP)						
Sep 2021 DSA	-5.1	-4.6	4.7	3.4	2.9	0.8
Mar 2021 DSA	-5.1	-1.9	-1.0	1.2	1.4	0.6
Revenue and grants (percent of GDP)						
Sep 2021 DSA	29.7	31.6	29.6	31.9	33.0	33.2
Mar 2021 DSA	29.7	24.6	31.2	31.3	30.9	31.7
Primary expenditures (percent of GDP)						
Sep 2021 DSA	34.8	36.2	24.9	28.5	30.1	32.5
Mar 2021 DSA	34.8	26.5	32.2	30.1	29.5	31.2
SSD Oil prices (US$/ barrel)						
Sep 2021 DSA	49.3	51.5	63.1	63.2	64.5	72.9
Mar 2021 DSA	49.3	47.9	54.7	53.4	54.5	61.6

Sources: South Sudanese authorities; and IMF staff estimations and projections.

Figure 1. Republic of South Sudan: Indicators of Public and Publicly Guaranteed External Debt Under Alternatives Scenarios, FY2022–32[1/]



Customization of Default Settings		
	Size	Interactions
Tailored Tests		
Combined CLs	No	
Natural Disasters	n.a.	n.a.
Commodity Prices [2/]	Yes	No
Market Financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing Assumptions for Stress Tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	100%
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	4.1%	4.1%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	16	16
Avg. grace period	3	3

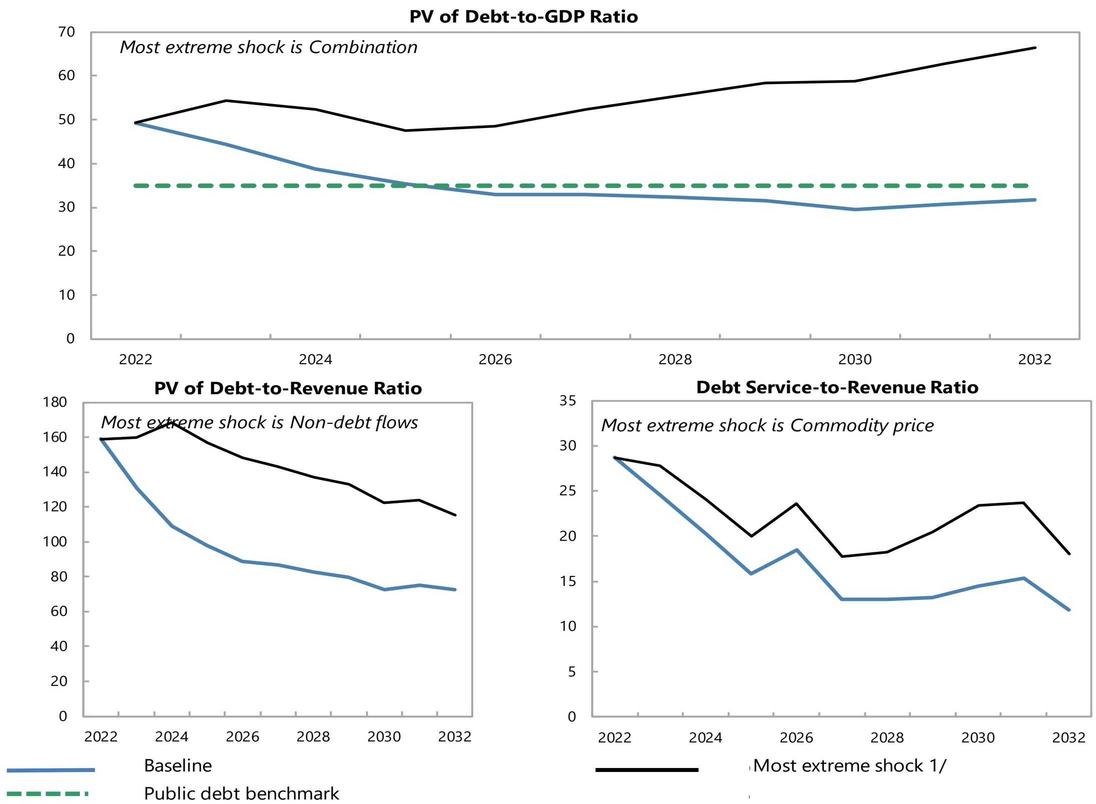
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2032. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 2. Republic of South Sudan: Indicators of Public Debt Under Alternative Scenarios, FY2022–32



Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	38%	38%
Domestic medium and long-term	62%	62%
Domestic short-term	0%	0%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	4.1%	4.1%
Avg. maturity (incl. grace period)	16	16
Avg. grace period	3	3
Domestic MLT debt		
Avg. real interest rate on new borrowing	-9.0%	2.0%
Avg. maturity (incl. grace period)	5	5
Avg. grace period	3	3
Domestic short-term debt		
Avg. real interest rate	0%	0%

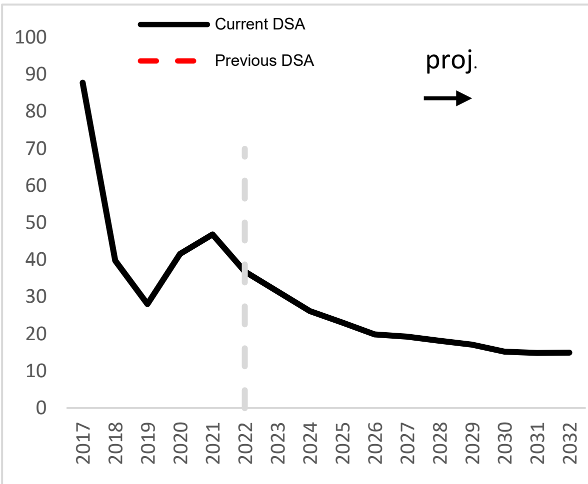
* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio in or before 2032. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

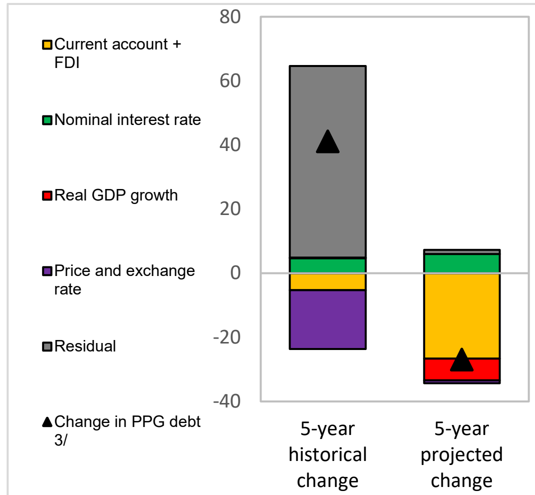
Figure 3. Republic of South Sudan: Drivers of Debt Dynamics—Baseline Scenario[1/]

External Debt

Gross Nominal PPG External Debt 2/
(in percent of GDP; DSA vintages)

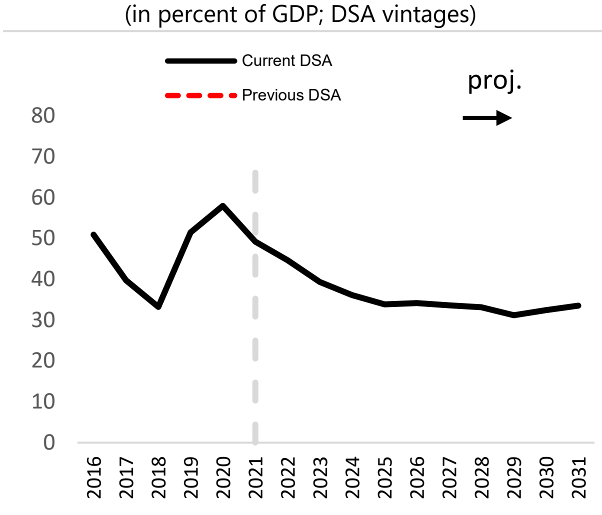


Debt-Creating Flows
(percent of GDP)

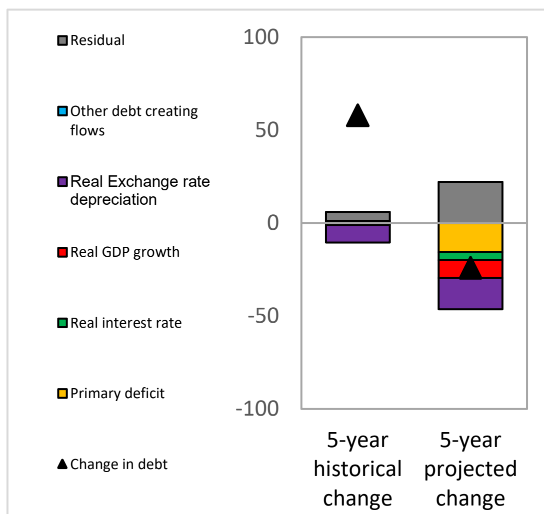


Public Debt

Gross Nominal Public Debt 2/
(in percent of GDP; DSA vintages)



Debt-Creating flows
(percent of GDP)

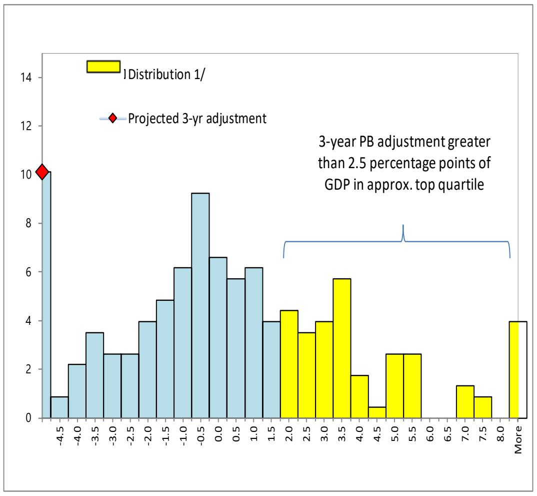


1/ Analyses on unexpected changes in debt are unavailable due to the lack of data.

2/ The current DSA assumes more external financing for peace process than the previous DSA, which makes its Gross Nominal PPG External Debt and Gross Nominal Public Debt larger than the previous DSA.

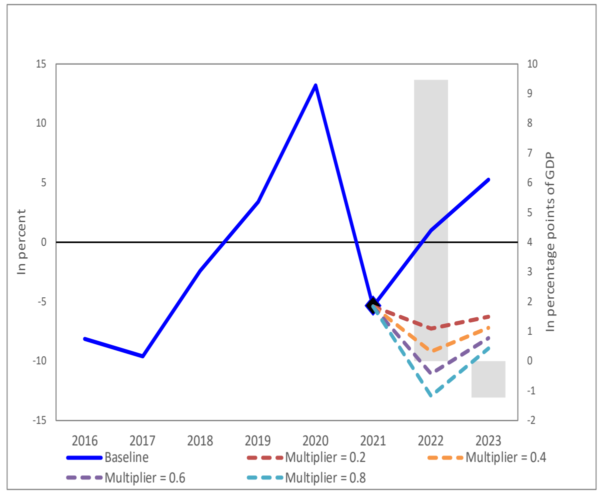
Figure 4. Republic of South Sudan: Realism Tools

3-Year Adjustment in Primary Balance
(Percentage points of GDP)



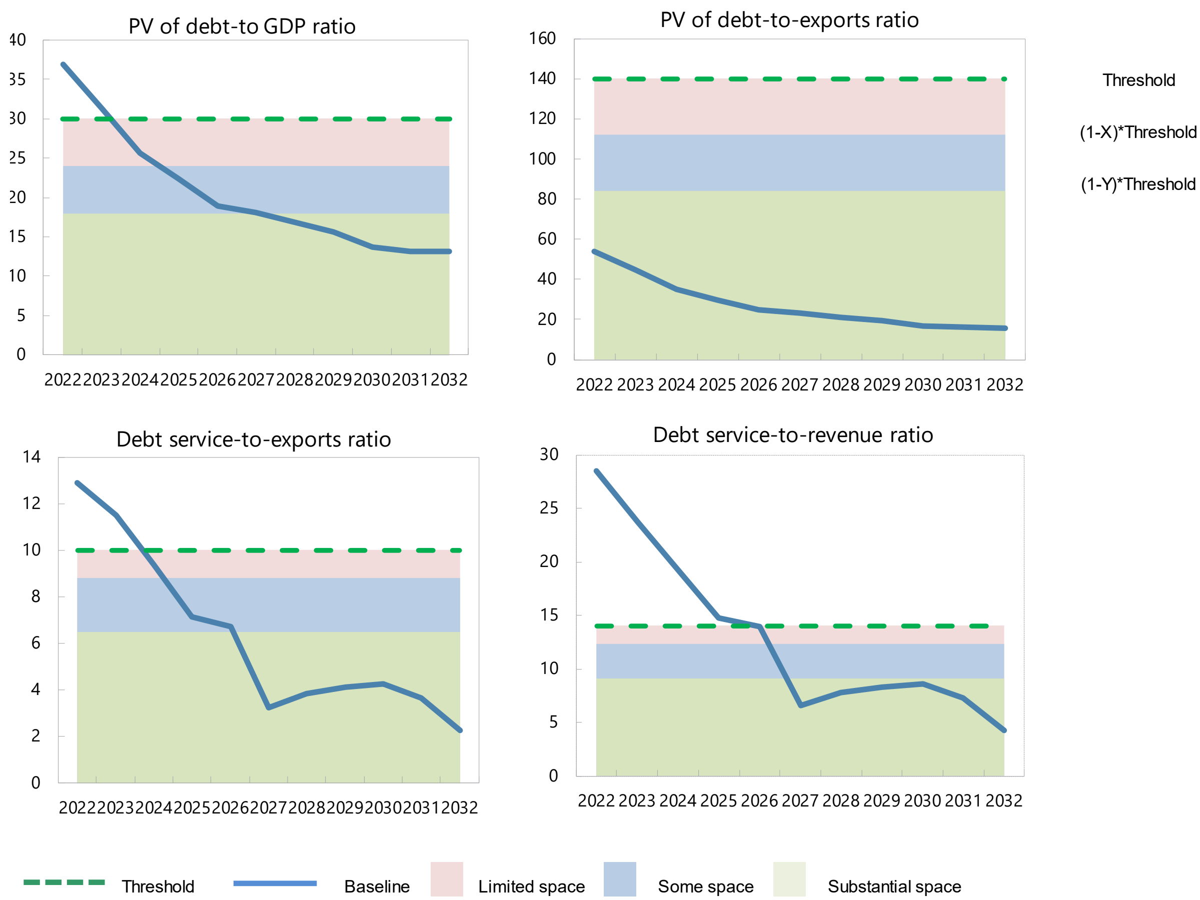
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Figure 5. Republic of South Sudan: Qualification of the Moderate Category. FY2022–32[1/]



Sources: Country authorities; and staff estimates and projections.

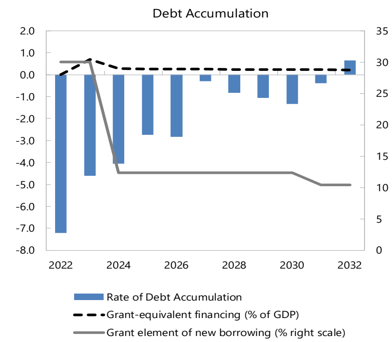
1/ For the PV debt/GDP and PV debt/exports thresholds, x is 20 percent and y is 40 percent. For debt service/Exports and debt service/revenue thresholds, x is 12 percent and y is 35 percent.

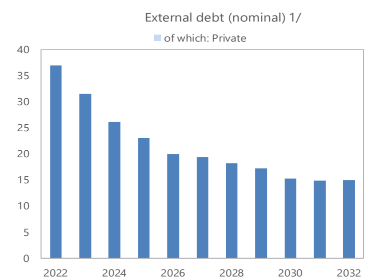
Table 3. Republic of South Sudan: External Debt Sustainability Framework, Baseline Scenario, FY2021–42

(In percent of GDP, unless otherwise indicated)

	Actual	Projections								Average 8/	
Fiscal Year 9/	2021	2022	2023	2024	2025	2026	2027	2032	2042	Historical	Projections
External debt (nominal) 1/	**46.9**	**36.9**	**31.5**	**26.2**	**23.1**	**19.9**	**19.3**	**15.0**	**13.8**	**25.4**	**21.6**
of which: public and publicly guaranteed (PPG)	**46.9**	**36.9**	**31.5**	**26.2**	**23.1**	**19.9**	**19.3**	**15.0**	**13.8**	**25.4**	**21.6**
Change in external debt	5.3	-10.0	-5.4	-5.3	-3.1	-3.1	-0.6	0.1	-7.4		
Identified net debt-creating flows	**3.6**	**-4.0**	**-5.9**	**-6.3**	**-3.9**	**-7.3**	**-5.7**	**-3.9**	**-2.8**	**-4.3**	**-5.8**
Non-interest current account deficit	**2.9**	**-4.8**	**-4.8**	**-3.3**	**-0.4**	**-4.3**	**-2.4**	**5.0**	**5.5**	**2.6**	**-2.8**
Deficit in balance of goods and services	20.1	7.3	13.7	16.3	20.3	16.6	19.4	36.2	36.0	**10.3**	**18.4**
Exports	61.8	68.4	70.0	73.5	74.9	76.4	77.8	83.3	46.5		
Imports	81.8	75.8	83.6	89.8	95.2	93.0	97.2	119.5	82.6		
Net current transfers (negative = inflow)	-25.9	-23.0	-29.4	-29.7	-30.5	-31.2	-31.9	-37.7	-36.5	**-22.4**	**-31.3**
of which: official	0.0	-0.3	-0.5	-0.5	-0.5	-0.5	-0.5	-0.4	0.0		
Other current account flows (negative = net inflow)	8.7	10.9	11.0	10.2	9.7	10.3	10.0	6.5	5.9	**14.6**	**10.1**
Net FDI (negative = inflow)	**-0.9**	**-0.9**	**-0.8**	**-1.9**	**-3.0**	**-2.5**	**-2.8**	**-8.7**	**-3.3**	**0.7**	**-2.8**
Endogenous debt dynamics 2/	**1.6**	**1.7**	**-0.3**	**-1.1**	**-0.5**	**-0.5**	**-0.5**	**-0.2**	**-5.0**		
Contribution from nominal interest rate	2.1	2.1	1.5	1.1	0.8	0.5	0.4	0.5	0.6		
Contribution from real GDP growth	2.2	-0.4	-1.9	-2.2	-1.2	-1.0	-0.9	-0.7	-5.6		
Contribution from price and exchange rate changes	-2.7	...	...	...	...	...	...	...	...		
Residual 3/	**1.8**	**-6.0**	**0.5**	**1.0**	**0.8**	**4.2**	**5.1**	**4.0**	**-4.6**	**11.4**	**2.6**
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators											
PV of PPG external debt-to-GDP ratio	**46.9**	**36.9**	**31.2**	**25.6**	**22.3**	**18.9**	**18.1**	**13.1**	**12.4**		
PV of PPG external debt-to-exports ratio	**75.9**	**53.9**	**44.6**	**34.9**	**29.7**	**24.8**	**23.3**	**15.8**	**26.6**		
PPG debt service-to-exports ratio	**8.3**	**12.9**	**11.5**	**9.3**	**7.1**	**6.7**	**3.2**	**2.3**	**2.5**		
PPG debt service-to-revenue ratio	**16.2**	**28.4**	**23.7**	**19.3**	**14.7**	**13.9**	**6.6**	**4.3**	**4.3**		
Gross external financing need (Million of U.S. dollars)	352.6	167.9	137.9	97.3	115.2	-101.3	-175.2	-131.3	463.9		
Key macroeconomic assumptions											
Real GDP growth (in percent)	-5.4	1.0	5.2	7.4	4.9	4.6	4.5	5.3	36.9	**5.2**	**4.6**
GDP deflator in US dollar terms (change in percent)	7.1	6.5	-1.7	-1.4	-2.0	-1.8	-1.7	3.0	3.0	**-4.6**	**-0.3**
Effective interest rate (percent) 4/	5.2	4.8	4.3	3.6	3.0	2.3	2.0	3.7	3.9	**2.2**	**3.4**
Growth of exports of G&S (US dollar terms, in percent)	-1.7	19.2	5.8	11.2	4.9	4.8	4.7	6.9	-14.1	**204.8**	**8.4**
Growth of imports of G&S (US dollar terms, in percent)	-7.0	-0.4	14.3	13.7	9.1	0.4	7.5	13.0	-2.2	**6.2**	**7.4**
Grant element of new public sector borrowing (in percent)	...	30.0	30.0	12.4	12.4	12.4	12.4	10.4	7.9	**...**	**18.3**
Government revenues (excluding grants, in percent of GDP)	31.6	31.0	34.0	35.6	36.2	37.0	38.1	43.7	27.4	**33.8**	**35.3**
Aid flows (in Million of US dollars) 5/	0.0	0.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0		
Grant-equivalent financing (in percent of GDP) 6/	...	0.0	0.7	0.3	0.3	0.3	0.3	0.2	0.1	**...**	**0.3**
Grant-equivalent financing (in percent of external financing) 6/	...	...	30.0	12.4	12.4	12.4	12.4	10.4	7.9	**...**	**15.9**
Nominal GDP (Million of US dollars)	4,969	5,344	5,531	5,858	6,024	6,192	6,363	7,322	13,866		
Nominal dollar GDP growth	1.3	7.5	3.5	5.9	2.8	2.8	2.8	4.7	63.5	**-2.6**	**4.2**
Memorandum items:											
PV of external debt 7/	46.9	36.9	31.2	25.6	22.3	18.9	18.1	13.1	12.4		
In percent of exports	75.9	53.9	44.6	34.9	29.7	24.8	23.3	15.8	26.6		
Total external debt service-to-exports ratio	8.3	12.9	11.5	9.3	7.1	6.7	3.2	2.3	2.5		
PV of PPG external debt (in Million of US dollars)	2330.4	1972.4	1726.2	1502.0	1342.0	1171.3	1153.3	961.7	1714.2		
(PVt-PVt-1)/GDPt-1 (in percent)		-7.2	-4.6	-4.1	-2.7	-2.8	-0.3	0.6	1.2		
Non-interest current account deficit that stabilizes debt ratio	-2.4	5.2	0.6	2.0	2.7	-1.1	-1.8	4.9	12.9		

Definition of external/domestic debt	**Currency-based**
Is there a material difference between the two criteria?	**No**





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.
2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.
3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.
4/ Current-year interest payments divided by previous period debt stock.
5/ Defined as grants, concessional loans, and debt relief.
6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).
7/ Assumes that PV of private sector debt is equivalent to its face value.
8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.
9/ The fiscal year runs from July to June, i.e., 2021 refers to FY20/21 ending in June 2021.

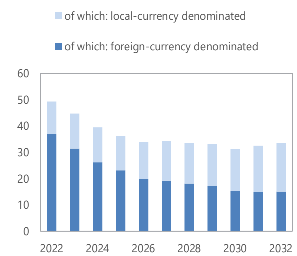
Table 4. Republic of South Sudan: Public Sector Debt Sustainability Framework, Baseline Scenario, FY2021–42

(In percent of GDP, unless otherwise indicated)

	Actual	Projections								Average 6/	
Fiscal Year 7/	2021	2022	2023	2024	2025	2026	2027	2032	2042	Historical	Projections
Public sector debt 1/	**58.0**	**49.2**	**44.6**	**39.4**	**36.2**	**33.9**	**34.2**	**33.5**	**32.4**	**25.3**	**36.5**
of which: external debt	**46.9**	**36.9**	**31.5**	**26.2**	**23.1**	**19.9**	**19.3**	**15.0**	**13.8**	**20.7**	**21.6**
Change in public sector debt	6.5	-8.8	-4.6	-5.3	-3.2	-2.3	0.3	1.1	-18.4		
Identified debt-creating flows	**17.7**	**-30.9**	**-4.6**	**-5.3**	**-3.2**	**-2.3**	**0.3**	**1.1**	**-18.7**	**4.5**	**-4.2**
Primary deficit	**-10.2**	**-4.9**	**-3.7**	**-3.1**	**-2.2**	**-1.7**	**0.9**	**1.9**	**0.3**	**-4.3**	**-1.2**
Revenue and grants	31.6	31.0	34.0	35.6	36.2	37.0	38.1	43.7	27.4	**38.8**	**37.8**
of which: grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Primary (noninterest) expenditure	21.4	26.1	30.3	32.5	34.1	35.3	39.0	45.6	27.7	**34.5**	**36.6**
Automatic debt dynamics	**28.0**	**-26.0**	**-0.9**	**-2.2**	**-1.1**	**-0.6**	**-0.6**	**-0.8**	**-19.0**		
Contribution from interest rate/growth differential	2.6	-5.1	-2.2	-3.2	-2.1	-1.4	-1.3	-1.2	-16.3		
of which: contribution from average real interest rate	-0.3	-4.5	0.2	-0.1	-0.2	0.2	0.1	0.4	-2.6		
of which: contribution from real GDP growth	2.9	-0.6	-2.4	-3.1	-1.8	-1.6	-1.5	-1.6	-13.7		
Contribution from real exchange rate depreciation	25.3	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	**-11.2**	**1.2**	**1.3**	**1.0**	**1.0**	**0.9**	**0.7**	**0.4**	**-2.3**	**1.6**	**0.8**
Sustainability indicators											
PV of public debt-to-GDP ratio 2/	**58.0**	**49.2**	**44.4**	**38.8**	**35.4**	**32.9**	**33.0**	**31.6**	**31.0**		
PV of public debt-to-revenue and grants ratio	**183.3**	**158.9**	**130.5**	**109.1**	**97.7**	**88.8**	**86.5**	**72.4**	**112.9**		
Debt service-to-revenue and grants ratio 3/	**16.5**	**28.7**	**24.5**	**20.3**	**15.9**	**18.5**	**13.0**	**11.9**	**19.3**		
Gross financing need 4/	5.8	4.0	4.7	4.1	3.6	5.2	5.8	7.1	5.6		
Key macroeconomic and fiscal assumptions											
Real GDP growth (in percent)	-5.4	1.0	5.2	7.4	4.9	4.6	4.5	5.3	36.9	**5.2**	**4.5**
Average nominal interest rate on external debt (in percent)	5.3	4.8	4.3	3.6	3.0	2.3	2.0	3.7	3.9	**3.7**	**3.2**
Average real interest rate on domestic debt (in percent)	4.6	3.3	2.4	1.7	1.1	0.4	0.0	1.6	3.9	**1.0**	**1.3**
Real exchange rate depreciation (in percent, + indicates depreciation)	56.2	...	...	...	...	...	...	...	...	**66.8**	
Inflation rate (GDP deflator, in percent)	27.0	123.4	8.2	8.5	7.8	3.1	3.2	4.4	25.4	**82.6**	**15.6**
Growth of real primary spending (deflated by GDP deflator, in percent)	-8.3	-27.3	22.4	15.1	10.0	8.4	15.5	14.7	-24.7	**109.8**	**7.5**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-16.8	3.9	0.9	2.2	1.1	0.6	0.6	0.8	18.7	**-6.9**	**1.0**
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Currency-based**
Is there a material difference between the two criteria?	**No**

Public sector debt 1/



Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government, central bank. Definition of external debt is Currency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

7/ The fiscal year runs from July to June, i.e., 2021 refers to FY20/21 ending in June 2021.

Table 5. Republic of South Sudan: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, FY2022–32

(in percent)

	Projections 1/										
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
					PV of debt-to GDP ratio						
Baseline	**36.9**	**31.2**	25.6	22.3	18.9	18.1	16.8	15.6	13.6	13.1	13.1
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2042 2/	**36.9**	**37.2**	**37.9**	**38.4**	**42.1**	**46.8**	**51.8**	**56.6**	**64.1**	**68.6**	**72.9**
B. Bound Tests											
B1. Real GDP growth	**36.9**	**39.5**	**38.1**	**33.1**	28.1	26.9	25.0	23.4	20.7	20.0	19.8
B2. Primary balance	**36.9**	**34.8**	**32.8**	29.9	26.8	26.8	26.8	26.5	24.2	23.9	24.1
B3. Exports	**36.9**	**38.2**	**44.4**	**41.3**	**38.3**	**37.4**	**34.2**	**31.6**	27.9	26.1	24.4
B4. Other flows 3/	**36.9**	**41.1**	**46.8**	**43.8**	**40.8**	**39.7**	**36.3**	**33.5**	29.5	27.6	25.7
B5. One-time 30 percent nominal depreciation	**36.9**	**39.7**	26.7	22.3	17.9	16.8	15.8	14.8	13.1	13.0	13.3
B6. Combination of B1-B5	**36.9**	**63.2**	**79.3**	**74.9**	**70.6**	**68.2**	**62.3**	**57.3**	**50.5**	**46.9**	**43.3**
C. Tailored Tests											
C1. Combined contingent liabilities	**36.9**	**33.7**	28.2	24.9	21.6	21.4	20.6	19.6	17.6	17.4	17.6
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**36.9**	**48.7**	**58.9**	**56.1**	**52.9**	**50.6**	**45.8**	**42.5**	**38.6**	**38.8**	**40.7**
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	**30**	**30**	**30**	**30**	**30**	**30**	**30**	**30**	**30**	**30**	**30**
					PV of debt-to-exports ratio						
Baseline	53.9	44.6	34.9	29.7	24.8	23.3	21.2	19.5	16.7	16.1	15.8
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2042 2/	53.9	53.1	51.6	51.3	55.1	60.1	65.3	70.7	78.3	84.0	87.5
B. Bound Tests											
B1. Real GDP growth	53.9	44.6	34.9	29.7	24.8	23.3	22.3	21.6	19.5	19.8	19.9
B2. Primary balance	53.9	49.8	44.7	39.9	35.0	34.4	33.8	33.0	29.6	29.3	28.9
B3. Exports	53.9	58.9	72.2	65.9	59.8	57.3	54.1	51.9	46.7	45.9	43.5
B4. Other flows 3/	53.9	58.8	63.6	58.4	53.4	51.0	48.1	46.0	41.4	40.6	38.3
B5. One-time 30 percent nominal depreciation	53.9	44.6	28.6	23.4	18.4	17.0	16.4	16.0	14.4	15.0	15.6
B6. Combination of B1-B5	53.9	77.2	71.1	80.0	73.9	70.1	65.9	63.0	56.6	55.2	51.7
C. Tailored Tests											
C1. Combined contingent liabilities	53.9	48.1	38.4	33.3	28.3	27.5	26.0	24.5	21.5	21.3	21.1
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	53.9	92.6	99.9	88.5	78.1	70.3	60.0	57.9	53.6	56.6	60.1
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**
					Debt service-to-exports ratio						
Baseline	**12.9**	**11.5**	9.3	7.1	6.7	3.2	3.8	4.1	4.3	3.6	2.3
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2042 2/	**12.9**	**12.1**	**10.8**	8.9	8.9	5.6	7.4	8.5	**10.0**	**10.2**	9.2
B. Bound Tests											
B1. Real GDP growth	**12.9**	**11.5**	9.3	7.1	6.7	3.2	3.8	4.2	4.4	3.7	2.5
B2. Primary balance	**12.9**	**11.5**	9.5	7.5	7.2	4.0	5.0	5.4	5.5	5.0	3.7
B3. Exports	**12.9**	**12.7**	**11.7**	9.9	9.4	5.8	7.9	8.3	8.3	7.6	5.9
B4. Other flows 3/	**12.9**	**11.5**	9.9	8.3	7.9	5.3	6.9	7.3	7.3	6.7	5.3
B5. One-time 30 percent nominal depreciation	**12.9**	**11.5**	9.3	6.9	6.5	2.9	3.1	3.5	3.7	3.1	1.9
B6. Combination of B1-B5	**12.9**	**12.7**	**12.5**	**10.5**	10.0	7.7	9.4	9.7	9.7	9.0	7.2
C. Tailored Tests											
C1. Combined contingent liabilities	**12.9**	**11.5**	9.5	7.3	6.9	3.4	4.0	4.3	4.5	3.8	2.5
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**12.9**	**15.5**	**13.2**	**11.0**	**10.1**	7.4	8.8	9.0	8.9	8.3	6.8
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**
					Debt service-to-revenue ratio						
Baseline	**28.4**	**23.7**	**19.3**	**14.7**	13.9	6.6	7.8	8.3	8.6	7.2	4.3
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2042 2/	**28.4**	**24.9**	**22.2**	**18.4**	**18.4**	11.5	**15.0**	**17.2**	**20.1**	**20.4**	**17.6**
B. Bound Tests											
B1. Real GDP growth	**28.4**	**30.0**	**28.7**	**21.9**	**20.7**	9.7	11.0	11.4	11.3	9.3	5.6
B2. Primary balance	**28.4**	**23.7**	**19.7**	**15.6**	**14.8**	8.1	10.1	10.8	11.1	9.9	7.1
B3. Exports	**28.4**	**24.2**	**20.3**	**17.1**	**16.2**	9.9	12.8	12.7	12.2	10.6	7.6
B4. Other flows 3/	**28.4**	**23.7**	**20.4**	**17.2**	**16.3**	10.8	13.4	13.3	12.8	11.1	8.1
B5. One-time 30 percent nominal depreciation	**28.4**	**30.1**	**24.5**	**18.0**	**17.0**	7.7	7.7	8.1	8.2	6.5	3.6
B6. Combination of B1-B5	**28.4**	**30.6**	**32.4**	**27.0**	**25.7**	**19.6**	**22.7**	**22.4**	**21.3**	**18.7**	13.9
C. Tailored Tests											
C1. Combined contingent liabilities	**28.4**	**23.7**	**19.6**	**15.0**	**14.2**	6.8	8.1	8.7	9.0	7.6	4.7
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**28.4**	**26.2**	**23.7**	**20.9**	**19.6**	**14.5**	**17.6**	**16.7**	**15.8**	13.9	10.6
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	**14**	**14**	**14**	**14**	**14**	**14**	**14**	**14**	**14**	**14**	**14**

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

3/ Includes official and private transfers and FDI.

Table 6. Republic of South Sudan: Sensitivity Analysis for Key Indicators of Public Debt FY2022–32

	Projections 1/										
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
					PV of Debt-to-GDP Ratio						
Baseline	**49**	**44.4**	**38.8**	**35.4**	32.9	33.0	32.2	31.6	29.5	30.6	31.6
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2042 2/	**49**	25	13	6	3	2	1	1	0	0	0
B. Bound Tests											
B1. Real GDP growth	**49**	**52**	**53**	**48**	**45**	**45**	**44**	**43**	**40**	**42**	**43**
B2. Primary balance	**49**	**54**	**58**	**55**	**52**	**52**	**51**	**51**	**49**	**50**	**51**
B3. Exports	**49**	**50**	**57**	**54**	**52**	**52**	**51**	**50**	**47**	**48**	**48**
B4. Other flows 3/	**49**	**54**	**60**	**57**	**55**	**55**	**54**	**53**	**50**	**51**	**50**
B5. One-time 30 percent nominal depreciation	**49**	**49**	**41**	35	29	26	23	19	14	11	9
B6. Combination of B1-B5	**49**	**54**	**52**	**48**	**48**	**52**	**55**	**58**	**59**	**63**	**66**
C. Tailored Tests											
C1. Combined contingent liabilities	**49**	**51**	**45**	**42**	**39**	**39**	**39**	**38**	**36**	**37**	**38**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**49**	**49**	**48**	**48**	**49**	**52**	**52**	**51**	**49**	**50**	**51**
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Public debt benchmark	**35**	**35**	**35**	**35**	**35**	**35**	**35**	**35**	**35**	**35**	**35**
					PV of Debt-to-Revenue Ratio						
Baseline	158.9	130.5	109.1	97.7	88.8	86.5	82.7	79.7	72.6	74.9	72.4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2042 2/	159	73	35	18	9	4	2	1	1	1	1
B. Bound Tests											
B1. Real GDP growth	159	130	109	98	89	87	83	80	73	75	72
B2. Primary balance	159	160	163	150	141	137	132	129	119	122	116
B3. Exports	159	149	160	148	139	136	130	127	116	118	111
B4. Other flows 3/	159	160	168	157	148	143	137	133	122	124	115
B5. One-time 30 percent nominal depreciation	159	144	114	95	79	69	58	47	34	27	20
B6. Combination of B1-B5	159	160	147	131	131	137	142	147	144	153	152
C. Tailored Tests											
C1. Combined contingent liabilities	159	151	128	116	106	103	99	96	88	91	87
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	159	157	145	145	141	141	135	129	120	123	117
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
					Debt Service-to-Revenue Ratio						
Baseline	28.7	24.5	20.3	15.9	18.5	13.0	13.0	13.2	14.5	15.3	11.9
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2042 2/	29	13	6	2	1	1	0	0	0	0	0
B. Bound Tests											
B1. Real GDP growth	29	25	20	16	18	13	13	13	14	15	12
B2. Primary balance	29	25	23	20	21	22	28	23	20	22	20
B3. Exports	29	25	21	18	21	16	18	19	20	21	17
B4. Other flows 3/	29	25	21	18	21	17	19	19	21	21	18
B5. One-time 30 percent nominal depreciation	29	25	23	17	20	12	12	11	13	12	8
B6. Combination of B1-B5	29	26	24	19	22	16	17	21	26	28	24
C. Tailored Tests											
C1. Combined contingent liabilities	29	25	22	17	19	17	17	14	16	17	14
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	29	28	24	20	24	18	18	20	23	24	18
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the benchmark.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.