

Preliminary Narrative Report on the Utilization of RCF Funds

March 15, 2021

I. Background and the Context of the Request for the Rapid Credit Facility

The Government of the Republic of South Sudan (GRSS) had applied for and negotiated emergency financing under the Rapid Credit Facility (RCF) with the IMF. A total amount equivalent to SDR 36.9 million (about US\$ 52.2 million or 15% of the quota) was approved by the IMF Board on 11th November 2020 and disbursed two days later to the GRSS' account. The purpose of the RCF was to support the government's response to the negative socioeconomic impact of the COVID 19 pandemic in the country. The economy of South Sudan is heavily dependent on oil; hence the economy has been hit by the drop in global oil prices, with real GDP projected to fall to between -2.5 to 3.2 per cent in 2020. It is expected that the fiscal deficit will rise to 8.2% of GDP in FY 20/21, despite governments efforts to streamline expenditure. Oil revenues are expected to decline to 13.5% of GDP in FY 20/21 from 18% in FY 19/20. At the same time, tax revenues are expected to shrink further to 1.3% of GDP in FY 20/21 from 2.5% of GDP in FY 19/20.

GRSS initiated the discussions with the IMF on a possible RCF to address the huge financing gap in the FY 2020/2021 Budget. This was in addition to a PFM reform program that would, hopefully, unlock access to a larger pool of donor resources in the medium term.

In October 2020, the GRSS decided from among other priorities that the RCF would be used to clear part of the 5 months (June – October 2020) of salary arrears at the national level and transfers to states. The Ministry of Finance and Planning initiated the opening of a separate Bank Account in the Bank of South Sudan dedicated for the RCF funds and created a special fund code in IFMIS to track expense against RCF funds and to report to the Public Financial Management (PFM) Oversight Committee (OC).

II. Narrative on the Use of the RCF Proceeds

This report provides a narrative of the utilization of the RCF funds as follows:

1. The **NCBA BANK KENYA PLC, Nairobi, Kenya**, was the correspondent bank in which the USD equivalent from IMF would be credited. On October 4, 2020 a separate account was also opened for the Ministry of Finance and Planning (MoFP) in both USD and SSP currencies in the Bank of South Sudan (BoSS) dedicated for the RCF funds. Upon receipt of this payment from IMF, the Bank of South Sudan will transfer the USD equivalent of **XDR 36,900,000** to the Ministry of Finance Account (RCF Account) at the Bank of South Sudan (BoSS). On 11th November 2020, the amount of **USD 52,328,252.72** was disbursed by IMF in Washington. It was credited to BoSS Account in Nairobi on 13th November 2020. The same amount was then credited to the Ministry of Finance RCF (USD Acct) at the Bank of South Sudan on the 15th November 2020.