



BANK OF SOUTH SUDAN (BoSS)

Office of the Governor

Speech Prepared for Delivery by Dr. James Alic Garang, Governor, Bank of South Sudan
Under the Theme “**Unveiling Fiscal and Monetary Policy Reforms Towards
Economic Transformation Agenda**”

During the Joint Press Conference Organized by the Bank and Ministry of Finance
Saturday, November 25, 2023

Hon. Dr. Bak Barnaba Chol, Minister of Finance and Planning
Hon. Advisors Present
Hon. Ministers
Hon. Undersecretaries and Deputy Governors
Hon. Members of the Diplomatic Corps
Hon. Members from the Academia and Higher Institutions of Learning
Senior Officials from the Ministry of Finance and Planning and Bank of South Sudan
Representatives of South Sudan Bankers Association
Managing Directors of Commercial Banks & Other Financial Institutions
Members of the Press
Distinguished Guests, Ladies, and Gentlemen,

It is my distinct honor and privilege to warmly welcome you to this joint press conference organized by the Ministry of Finance and Planning and the Bank of South Sudan under “**Unveiling Fiscal and Monetary Policy Reforms Towards Economic Transformation Agenda.**”

1. **Today represents a watershed** moment for economic and financial reforms in our country, emphasizing that the banking industry is one of the key pillars essential to the realization of the above reform agenda.
2. **Permit me, fellow citizens,** to rather digress and reflect on the evolution of modern central banking which succeeded the traditional central banking associated with “gold standard” and Hume’s “rules of the game.”¹ After transiting to the classical approach, the major objectives of central banking have been to preserve financial stability, including currency convertibility into specie with a new attention to their supervisory role.
3. **The control over the money supply** was dominated by the convertibility target: “the monetary functions of the central bank were largely grafted onto the supervisory functions, and not the reversed.”²

¹ Deane and Pringle, 1994, p.33.

² Goodhart, 1988, p.7.



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4. **The bank core objective** shifted to maintaining “price stability,” with the advent of modern central banking. It is the general style of monetary policy that makes the main difference between traditional and modern central banking. The latter is more precisely anti-inflation, largely oriented with a lower degree of goal-independence and a higher instrument independence.
5. **Distinguished guests, ladies, and gentlemen**, through the prisms of the current developments, the financial system stability remains central to the development agenda of the country. Historically, central banks used the lender of last resort function as the principal tool to ensure financial stability.
6. **Today, financial stability** goes beyond the lender of last resort function. Indeed, financial stability and monetary policy are complementary since without financial stability, monetary policy impulses to the economy cannot be transmitted to the real economy. Therefore, financial stability is critical to achieving macroeconomic objectives, including growth, price stability, and full employment.
7. **The Bank of South Sudan modernization reform agenda**, considering the above, is anchored on four pillars that are interdependent and multifaceted. They revolve around the vision towards economic transformation agenda and strengthening the central bank mandate to achieve price stability. The pillars are sequenced as follows:

Pillar 1: Strategies to strengthen monetary policy framework to ensure price stability.
Pillar 2: Corporate governance
Pillar 3: Transparency and Accountability
Pillar 4: Exercising central bank autonomy and independence.
8. **Distinguished guests, ladies, and gentlemen, under the first pillar**, the Bank of South Sudan plans to pursue a strong monetary policy framework. This calls for a strategic approach to working with the key stakeholders in the economy to foster healthy competition and resource allocation; to pursue activities that lead to high productivity and economic growth; to reduce distortions in foreign exchange markets and make prudent investment decisions; and to ensure a sound and more efficient financial system. Broadly, there exist multiple objectives leading to realization of this pillar, with the following featuring prominently:
 - **Ensuring that banks develop**, adopt, and implement plans to promote financial inclusion and digitalization of financial services through harnessing innovation and technology. Here, we will use moral suasion, especially encouraging commercial banks to expand access frontier to the bottom of the pyramid.
 - **Working towards maintaining** macroeconomic stability to tame inflation and anchor inflation expectations, while curbing currency exchange rate depreciation.



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- **Providing the conducive policy environment to transit** from the current reserve monetary policy framework to price-based monetary policy framework, as required by EAC protocol. We hasten to add that this is part of convergence criteria and harmonization of monetary policies among EAC Member States.
 - **Ensuring exchange rate stability**, the Bank will formalize the foreign exchange market by encouraging the informal currency traders to join the mainstream foreign exchange market. This will be implemented through coordination with relevant authorities as these informal outlets get regulated and officially licensed to transact in the foreign exchange market. This will enhance data collection and streamline foreign exchange operations in the country, leaving little room for currency speculators and market indiscipline. The concerned department will be directed to formulate a policy direction that will culminate in eliminating informal foreign exchange dealers. Going forward, the law enforcement agencies will discharge their immediate responsibilities to tame any non-compliance practices, including by ensuring that no one sells dollars in the open, or under trees without an appropriate license to engage in FX trading or before creating lawful “FX windows.”
 - **Implementing the National Payment System** remains critical and sits at the center of this Strategy. Relatedly, we continue to work closely with our regional and international partners to:
 - (i) Support a payments system that meets the diverse needs of customers.
 - (ii) Enhance the safety, affordability, and security of the payments system by adopting relevant industry and global standards.
 - (iii) Support an ecosystem anchored on collaboration that produces customer-centric and world-leading innovations.
 - (iv) Create a supportive policy, legal, and regulatory framework.
9. **Supporting economic development and agriculture remains imperative.** It is in the public domain that recent global headwinds, rising interest rates in the advanced economies, post COVID-19 era and the Russian-Ukraine war have disrupted the global supply chain and left a big scar on the global economy. Consequently, many countries suffered losses in terms of economic growth and employment. There is no doubt that South Sudan’s economy remains vulnerable given that its performance relies mainly on growth in a few sectors, led by the oil sector and services.
10. **The Bank together with the Ministry of Finance will coordinate policies**, seeking to promote financial and macroeconomic stability as well as fostering foreign direct investment and mobilizing diaspora remittances. Further, the Bank supports the government plans to diversify South Sudan's economy, while reducing vulnerabilities to external risks. The Bank also encourages the establishment of agriculture credit facilities to support lending and extending credit to this crucial sector, which is a top priority in spearheading this reform agenda.



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11. **By providing an enabling environment and legal framework**, the Bank will sensitize the banking sector, other non-bank, and microfinance institutions to prioritize lending to enterprises engaging in agrobusiness and food processing. The modalities of such interventions will be discussed elaborately with the key stakeholders and the Ministry of Finance.
12. **The Bank will undertake a formal review of its approach** to foreign exchange reserve management. The outcome of the review would be guided by multiples principles to establish a rigorously defined operational framework for managing risks and returns. Hence, the Bank will review the current investment guidelines to ensure asset allocation is critical for generating returns and managing portfolios.
13. **In coordination with the fiscal authorities**, the Bank will work towards implementing Treasury Single Account (TSA) memorandum of understanding. This will set the stage to decouple the use of foreign currency in most payments undertaken by spending agencies of the government and help us rebuild foreign exchange reserves. This deliberate rebuilding of reserves has positive implications on the domestic currency, the SSP, and balance of payments.
14. **Distinguished guests, ladies, and gentlemen**, under the second pillar, and to ensure sound and effective decision-making, the Bank will institute robust governance arrangements. To this end, the importance of effective governance arrangements for central banks cannot be overemphasized.
15. **Through this Modernization Strategy**, effective Board oversight will play a critical role in ensuring sound governance. As defined, the Board is the decision-making body through which oversight function is exercised. This ensures that the bank is well managed and aligned with regional and international best practices.
16. **The Board oversight function is the “last line of defense”** in the broader internal governance structure of the Bank. Robust board oversight is critical to several policy decisions, including (i) holding the central bank’s internal decision-making accountable and (ii) ensuring that overall management is appropriate, and in compliance with legal requirements, and financially and operationally sound.
17. **Distinguished guests, ladies, and gentlemen, under the third pillar central**, central banks are formally accountable to the delegating authority, including legislative or executive branch of government and the public depending on the constitutional delegation of responsibilities. Through this strategy, we envisage several formal



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mechanisms through which the Bank of South Sudan is held accountable for its activities, and in the conduct of monetary policy namely:

- (i) **Monitoring by the legislature;** through the existing legal provisions for the exchange of information, often in the form of regular meetings or consultations, with the Ministry of Finance and other government agencies, including the National Assembly.
- (ii) **Publication of regular central bank reports;** the Bank of South Sudan is required to submit a written report (audited financial statements) to the legislature and the Ministry of Finance each year as stipulated in the Bank of South Sudan Act, 2011 (amended, 2023).
- (iii) **Ensuring transparency and disclosure requirements;** in discharging of our duties, we shall clearly communicate that transparency requirements do not interfere with the achievement of the central bank's functions and objectives. Whenever confidentiality is desirable, selective disclosure, such as testimony in a closed session of a legislative committee would be preferred.

18. **Distinguished guests, ladies, and gentlemen, under the fourth pillar, and for the Bank of South Sudan** to be effective, we shall work towards achieving and enjoying a high level of autonomy vis-à-vis both political institutions and private economic interests. This is the trend world over.

19. **The autonomy of the Bank of South Sudan** will be commonly analyzed through the lens of four related but distinct concepts:

- (i) **Institutional autonomy**, indicating that the Bank should not be influenced by the state or private third parties in its decision-making in the context of the performance of its functions.
- (ii) **Functional autonomy**, which is directed to the capability of central bank to implement its functions without direct governmental interference.
- (iii) **Personal autonomy**, which ensures that key decision-makers of the central bank—Governor and members of Executive Board, Monetary Policy Committees and Oversight Boards—are autonomous from political and private economic and social interests; and
- (iv) **Financial autonomy** entails the capability of the bank to pursue its mandate by way of the financial means required to do so.

20. **It is important to reiterate that the leadership understands** the enormity and the inherent challenges facing this policy direction. Many central banks across the globe still grapple with issues related to autonomy and independence and South Sudan is not an exception. We believe, however, in setting the stage for such conversation to take shape and form, posterity to build on these key building blocks which represent an essential component for a modern central bank.



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21. **At the Bank management level**, we shall ensure diversity and competence merits-based recruitment which incorporates the elements defined in the developed human resource competence framework:

- (i) Appreciating talent management, retention in diversity, and aligning current workforce and talent strategies to future business priorities,
- (ii) Developing on-the-job-training and succession plans, and
- (iii) Assessing current capabilities, both across the organization and within the HR function and identifying key skills and capabilities required for the future.

22. **As I conclude, distinguished guests, ladies, and gentlemen**, let me thank the senior management of the Bank of South Sudan—my two deputies, DGs and the members of technical committee—that aided in the preparation of this crucial document, which laid down the key building blocks for the Bank Modernization Strategy. Not to forget people who contributed one way or another to enriching this policy document. My colleagues at the Ministry of Finance and Planning under the leadership of Hon. Dr. Bak Barnaba were instrumental in coordinating efforts and ensuring that the two sister institutions operate in a conducive environment. Finally, my thanks and appreciation go to H.E the President of the Republic of South Sudan for entrusting us to steer these two leading institutions governing the economic sector in the country, and to you, the people of South Sudan, for supporting us through tough yet exciting journey. As a former President of European Central Bank and Italian economist, Mario Draghi, said in 2023 during the European Debt Crisis and to save euro, we will surely do whatever it takes to stabilize the economy and achieve our collective mandate.

May God bless you all and the people of South Sudan.

Thank you for your attention and listening.

