



Plot No. 1, Block D 6, P. O. Box 136, Juba Market, Juba, South Sudan

Opening Remarks by Dr. James Alic Garang, Governor, Bank of South Sudan

During

The 27th Ordinary Meeting of Monetary Affairs Committee of the East African Community

Juba, Republic of South Sudan

Friday, May 3, 2024

Dr. Kamau Thugge, Governor, Central Bank of Kenya

Mr. Edouard Normand Bigendako, Governor, Bank of the Republic of Burundi

Mr. Emmanuel M. Tutuba, Governor, Bank of Tanzania

Dr. Thierry Kalisa, representing National Bank of Rwanda

Dr. Adam Magume, representing Bank of Uganda

Ms. Annette Mutaawe Ssemuwemba, Deputy Secretary General, EAC

Mr. Sebastian Acevedo, IMF Country Representative to the United Republic of Tanzania

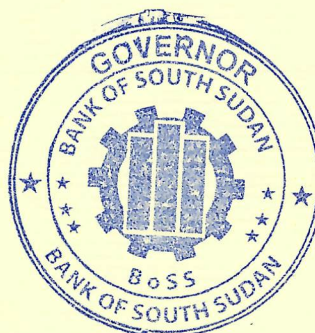
Distinguished Participants, Ladies, and Gentlemen.

Good morning!

It is an honor to host the 27th Ordinary Meeting of the Monetary Affairs Committee (MAC) for the first time in the Republic of South Sudan. Let me also convey that the President of the Republic of South Sudan and the Chairman of the East African Community, H. E. Gen. Salva Kiir Mayardit, as well as our loving people welcome you to Juba and wish you fruitful deliberations.

Fellow Governors, the MAC Meeting is an event where we gather to take stock of the Governor's decisions and evaluate progress, while discussing monetary affairs and other pertinent issues that matter to our community. In this context, MAC meetings accord us the opportunity to examine progress and envisage efforts geared towards achieving the objectives of the East African Monetary Union (EAMU), or attainment of the EAC single currency.

Honorable Governors, Distinguished Delegates, Ladies, and Gentlemen





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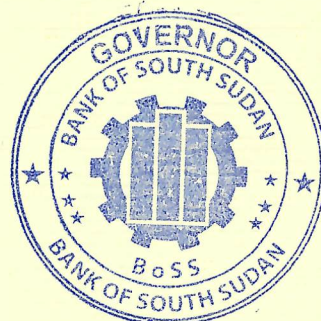
I take this opportunity to appreciate our respective delegates who deliberated in the last few days and reviewed the recent macroeconomic developments. They rightly focused on growth prospects, inflation dynamics, and exchange rate stability, while underlining the need for coordination and synchronized approach to monetary policy in the region, with implications to promote price stability and ensure sustainable economic development.

Undoubtedly, several issues top our regional and global agenda today, including the realization that our planet faces unprecedented existential threats; that poverty is on the rise; and that geoeconomic fragmentation is on the upswing. Before the dust of post-COVID-19 pandemic era settled, new threats emerged, emanating from both negative humankind activity and natural calamities. It goes without saying that effects of climate change—floods and droughts—and geopolitical conflicts, for instance, pose significant risks and challenges for the conduct of monetary policy across the globe.

Notwithstanding the above challenges, there is some light at the end of the tunnel. International Monetary Fund (IMF) in April 2024 projected a modest global growth at 3.1 percent in 2024 and 3.2 percent in 2025, with the 2024 forecast of 0.2 percentage point higher than in the October 2023 World Economic Outlook (WEO) on account of greater-than-expected resilience in the United States and several large emerging market and developing economies, as well as fiscal support in China. Global headline inflation is expected to fall to 5.8 percent in 2024 and to 4.4 percent in 2025, with the 2025 forecast revised downwards. In emerging markets and developing economies, growth is expected to hover around 4.1 percent in 2024 and 4.2 percent in 2025.

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For the Republic of South Sudan, the macroeconomic outlook appears promising, with gross domestic product (GDP) projected to grow by 4 percent in 2024. Inflation has been modestly subdued. Though it remains volatile, inflation consistently declined from double digits from 50.8 percent in December 2020 to a single digit of 5 percent in December 2023. This optimistic forecast is attributed to the improved trade balance supported by satisfactory performance of the oil sector as crude oil makes up substantial portion of South Sudan's exports, especially before the disruption of oil production.





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We have also engaged key international financial institutions to support our home-grown reform agenda. Through deepening our bilateral engagement with the IMF under the Rapid Credit Facility (RCF) arrangement, a 9-month Staff-Monitored Program (SMP), and a Program Monitoring with Board Involvement (PMB), South Sudan implemented a series of macroeconomic reforms that had yielded positive results on the exchange rate and inflation.

Despite this positive outlook, however, risks stemming from both internal and external dimensions remain high. At home, the stakes are high as the country prepares to conduct general elections by December 2024. Externally, geopolitical tensions, including, for instance, the raging war in neighboring Sudan has affected our pipeline to Port Sudan, and the Hamas - Israeli war has disrupted the major trading route in the Gulf of Eden, where shipment of our crude oil takes place, posing a challenge to South Sudan economic outlook. As a result, our reserves are at historically low levels. These have huge implications for Balance of Payments, with negative consequences for currency depreciation and high volatility manifested in prices of goods and services. We hasten to add that South Sudan is a net importer, which creates unprecedented pressure on the external sector and trade balance.

Honorable Governors, Distinguished Delegates, Ladies, and Gentlemen

The initial date for attainment of East African Monetary Union (EAMU) ran behind schedule, a recognition that obliged Governors to push it to 2031. Considering the presentations made by Partner State delegates during the technical meetings of the senior officials, it is obvious that Partner State are at a different stage of attaining the key macroeconomic indicators. There is no denying that South Sudan is lagging to achieve key macroeconomic indicators. The country, however, remains committed to exert more efforts towards implementing the MAC Roadmap to realize the EAMU by 2031.

On the Convergence Criteria, South Sudan recorded inflation rate slightly above the 8 percent EAC convergence criteria. Our inflation rate fluctuates and recorded 5.04 percent in 2021, negative 11.00 percent in 2022 and 13.52 percent in 2023, respectively. We remain hopeful to bring inflation under control, while transitioning to a price- based monetary policy framework. Further, our debt-to-GDP ratio is within the 50 percent target.





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Considering the geopolitical tensions and the resultant blockade on the Red Sea, crude oil exports continue to be jeopardized, leading to low reserves. That said, we are committed to rebuilding our international reserves to meet the EAC convergence criteria of 4.5 months of import cover.

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The Bank of South Sudan remains indebted to Partner State central banks for the open-door policy and enhanced cooperation. This approach enabled us to gain immensely from technical assistance (TA) delivered by regional experts. In this connection, I would like to recognize the Bank of Uganda and Central Bank of Kenya for the recent TA provided to us in the areas of market development and transition to price-based monetary policy framework. We also appreciate all Partner State central banks, including the Bank of Tanzania, for the focused training courses over the years and the knowledge exchange program they continue to provide.

In essence, South Sudan joins each of the EAC Partner State to mitigate downside risks by keeping monetary policy data-dependent; undertaking supportive policy mix; and implementing growth-promoting structural reforms, to boost regional growth. Let us endeavor to lift all boats.

Finally, many people miss the opportunity to visit South Sudan and see Juba simply because of the negative way the media portrays the country. Ever since the parties to the conflict signed a peace agreement in 2018, security has improved as the parties continue to implement the agreement in the letter and spirit, leading to the planned general elections in December 2024. Therefore, I would like to assure you that South Sudan is peaceful and open for business.

Honorable Governors, in conclusion, I encourage you to venture out and enjoy the hospitality that South Sudan offers.

Thank you.

