

I. COUNTRY REFORM PROGRESS

Severe spillovers from the conflict in Sudan, including refugee inflows and damages to an oil pipeline, have exacerbated South Sudan's difficult humanitarian and macroeconomic situation, resulting in an economic slowdown, sharp exchange rate depreciation, high inflation, and higher spending needs against the backdrop of large fiscal revenue losses. Discussions with the South Sudanese authorities during the Third Review of the Staff-Monitored Program with Board Involvement (PMB) focused on re-calibrating macroeconomic policy to address the impact of the external shocks.

Against this backdrop, the authorities continue to implement measures to improve revenue mobilization. Key progress includes: (i) continuing with staff recruitment for the South Sudan Revenue Authority and planning to complete this by mid-2025; (ii) reviewing processes for managing compliance in domestic taxes including registration, filing and payment procedures; (iii) re-designing and implementing new customs procedures; and (iv) continuing to implement a tax administration management system.

On the tax policy front, the authorities aim to undertake diagnostic missions to identify priority areas for revenue mobilization and capacity building. They also aim to introduce value-added tax (VAT) to replace goods and services tax (GST).

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy

Key Progress in FY25: Initial planning meetings were held with the authorities to discuss a mission on non-resource revenue diagnostics, including the potential replacement of the current sales tax with a VAT tax. Originally scheduled for April, the mission was postponed to August 2025 at the request of the authorities.

Next Steps: Immediate support will focus on domestic revenue mobilization, starting with non-resource taxes in the next mission and followed with mining taxation and other priority areas based on initial findings.

RM II: Revenue Module II – Revenue Administration

Key Progress in FY25: As of April 2025, authorities started to develop an effective registration, filing and payment strategy with the IMF's Regional Technical Assistance Center in East Africa (AFE). A staff visit also engaged with the authorities to provide broad and high-level guidance on driving reform.

Previous Progress: The South Sudan Government aims to increase non-oil revenue to at least 6 percent of GDP by 2027. The authorities assessed reform gaps and agreed to a four-year program to strengthen the reform program, aiming to increase revenue. The first capacity development (CD) assignment was scheduled for mid-November 2024.

Next Steps: Future support will focus on improving performance in core tax functions: registration, filing, payment and accuracy of reporting. In collaboration with AFE, support will also be provided on improving customs clearance procedures.

III. LOGICAL FRAMEWORK

Country – South Sudan		
RM I: Objective – Improve Tax Policy Design - TPD		Rating - 1
Outcome	Rating	Narrative
Revenue increase	1 Not Achieved	Program to assist in achieving the milestones and objective not yet commenced.
RM I: Objective – Strengthen Policy Monitoring, Evaluation, and Institutions - TPM		Rating - 1
Outcome	Rating	Narrative
Improved models to evaluate tax policy adopted	1 Not Achieved	Program to assist in achieving the milestones and objective not yet commenced.
RM II: Objective - Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM		Rating - 1
Outcome	Rating	Narrative
Organizational arrangements enable more effective delivery of strategy and reforms	1 Not Achieved	Program to assist in achieving the milestones and objective not yet commenced.
Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized	1 Not Achieved	Program to assist in achieving the outcome not yet commenced.
Corporate priorities are better managed through effective risk management	1 Not Achieved	Program to assist in achieving the milestone and outcome is being discussed and has not yet started.
Transparency and accountability are more effectively supported by independent external oversight and internal controls	1 Not Achieved	Program to assist in achieving this outcome not yet commenced.
Effective implementation of a new tax or modernized legislation	1 Not Achieved	VAT not yet implemented
Digital technologies are better aligned with strategic objectives	2 Partially Achieved	Authorities taking steps to improve the IT system. CD yet to be delivered (October 2025). ITAS still to develop some core taxpayer compliance management modules.
RM II: Objective - Strengthened core tax administration functions (SDG 17.1) – TAD		Rating - 2
Outcome	Rating	Narrative
A larger proportion of taxpayers meet their payment obligations as required by law	1 Not Achieved	Registration, Filing and Payment support started with the first mission in FY25.

A larger proportion of taxpayers meet their filing obligations as required by law	2 Partially Achieved	CD work has now started with an STX, and staff visit in FY25.
Audit and other verification programs more effectively ensure accuracy of reporting	2 Partially Achieved	CD work started in CY2025.
The integrity of the taxpayer base and ledger is strengthened	2 Partially Achieved	Work has commenced to provide support in implementing procedures documented with prior support to South Sudan Revenue Authority.
RM II: Objective - Improved customs administration functions (SDG 17.1) - CAD		Rating - 2
Outcome	Rating	Narrative
Audit and anti-smuggling programs more effectively ensure enforcement of customs laws	1 Not Achieved	No activity as yet.
Customs control during the clearance process more effectively ensures accuracy of declarations	2 Partially Achieved	AFE started work on clearance procedures and FAD aims to ride on this to advance progress.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External Climate/Conditions		
RM I: Frequent and/or severe natural disasters; Abrupt global slowdown or recession in major trading partners.	Low	Ensure sufficient flexibility in program execution and allow for ability to adjust activities in the case of adverse events.
RM II: The risk is that external events create a more challenging environment to implement reforms.	Very High	Ensure sufficient flexibility in program execution across countries and allow for ability to adjust activities in the case of adverse events.
Political Support		
RMI: The political cycle generates governance instabilities, restricting policy making and delivery.	Low	Secure policy continuity if political instability occurs. Ensure transparency, accountability, and inclusion in policy implementation. Engage regularly with ministers and senior management to ensure government ownership of reforms.
RM II: Lack of political support for reforms inhibits required actions or resources needed to enhance fiscal risk management institutions and practices.	High	Ensure fiscal risk CD is focused on priority areas and engage regularly with ministers and senior management to ensure government ownership of reforms
RM II: Lack of political support for reforms inhibits required actions or resources needed to enhance fiscal risk management institutions and practices.	High	Close consultation with the country team to assist authorities in recognizing the relevance of reforms.

Description	Rating	Mitigation Measures
Management and Technical Staff Support and Commitment		
RM I: Low commitment of management and staff in finance ministry and revenue authority to adopt and implement TE policy framework.	Medium	Engage with senior management and technical staff proactively and explain their role in driving reforms. Ensure frequent engagement to maintain momentum and rekindle commitment where needed.
RM I: Insufficient technical capacity and human resources necessary to implement TE reforms are limited.	Medium	Ensure CD plans include sufficient capacity building and training elements and prioritize CD to priority or highest risk areas where resources are limited, in line with country engagement strategy.
RM II: Low commitment of management and staff in finance and other ministries to adopt and implement fiscal risk management practices.	Very High	Engage with senior management and technical staff proactively and explain the importance of strengthening fiscal risk management.
RM II: High turnover of Commissioner General	Very High	Build capacity at HQ and senior management level to sustain reform program management.
Resource Adequacy		
RM II: Insufficient technical capacity and human resources necessary to implement reforms are limited.	High	Ensure CD plans include sufficient capacity building and training elements and prioritize CD to priority or highest risk areas where resources are limited.
Other Risks		
RM I, RM II: Multiple donors provide technical assistance on fiscal risk topics and gaps, or overlaps may arise.	Medium	Take an active role in engaging with other donors to ensure support is well coordinated.

V. PROJECT MANAGERS CONTACT INFORMATION

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