

THE
TAKING
OF
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SUDAN

The Taking of South Sudan

The Tycoons, Brokers, and Multinational
Corporations Complicit in Hijacking the
World's Newest State

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THE SENTRY

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EXECUTIVE SUMMARY

The men who liberated South Sudan proceeded to hijack the country's fledgling governing institutions, loot its resources, and launched a war in 2013 that has cost hundreds of thousands of lives and displaced millions of people.

They did not act alone. The South Sudanese politicians and military officials ravaging the world's newest nation received essential support from individuals and corporations from across the world who have reaped profits from those dealings. Nearly every instance of confirmed or alleged corruption or financial crime in South Sudan examined by The Sentry has involved links to an international corporation, a multinational bank, a foreign government or high-end real estate abroad. This report examines several illustrative examples of international actors linked to violence and grand corruption in order to demonstrate the extent to which external actors have been complicit in the taking of South Sudan.

The local kleptocrats and their international partners—from Chinese-Malaysian oil giants and British tycoons to networks of traders from Ethiopia, Eritrea, Kenya and Uganda—have accumulated billions of dollars. The country's natural resources have been plundered, lethal militia and military units responsible for atrocities have received financing and kleptocrats have lined their pockets with untold billions of dollars allocated by government programs meant to improve the livelihood of some of the poorest, most vulnerable people in the world. The spoils of this heist are coursing through the international financial system in the form of shell companies, stuffed bank accounts, luxury real estate and comfortable safe havens around the world for the extended families of those involved in violence and corruption.

Leading South Sudanese officials and their international commercial collaborators are responsive to commercial and political incentives. Without specific, focused, and targeted consequences, it is unrealistic to think their conduct will change. Violence and corruption will remain the norm, meaning that the biggest peace spoiler isn't a person or an armed group; it is the diseased governing system itself.

However, if serious policy tools of financial coercion are aimed at this kleptocratic network, the possibility exists to alter those incentives, which currently favor pillage and plunder, and in turn impact the calculations of the kleptocrats and their international collaborators in the direction of peace and good governance.

This report is organized into three parts. The first section profiles international actors who have provided direct support to South Sudanese perpetrators of violence. The second section profiles international



actors who have formed private businesses with top South Sudanese officials responsible for human rights abuses. The third section profiles international actors who have benefited from major public procurement scandals in South Sudan. The final section provides recommendations about how policy tools of financial coercion can create a measure of accountability as well as provide leverage in support of peace, human rights and good governance.

1. Multinationals and Mass Violence

While many international companies benefit from South Sudan's violent kleptocratic system, some have provided direct support to actors perpetrating violence. Several multinational corporations have forged formal partnerships with, or provided material support to, people and entities responsible for human rights abuses.

The largest multinational oil consortium in South Sudan – led by a Chinese state-owned oil company – has provided direct support to deadly militias. A multinational oil consortium in South Sudan controlled by China National Petroleum Corporation and Malaysia's state-owned oil company, Petronas, provided material support to a pro-government militia that went on to commit atrocities, including burning of entire villages, targeting civilians, and an attack on a U.N. protection-of-civilians site.¹ Internal records from Dar Petroleum Operating Company—the consortium in which China National Petroleum Corporation² holds a 41-percent stake—show that it arranged for the provision of fuel supplies to several pro-government militia groups operating in the oil-producing region.³ Contemporaneous media accounts report that the militia forces fighting for the government were engaged in military operations that included violence against civilians during the same period the fuel was provided.⁴

While many international companies benefit from South Sudan's violent kleptocratic system, some have provided direct support to actors perpetrating violence.

Correspondence reviewed by The Sentry shows that Dar Petroleum agreed to pay a \$686,000 hotel bill for South Sudan's then oil minister, Ezekiel Gatkuoth Lol, a dual US-South Sudanese citizen.⁵ Other records indicate that funds earmarked for community development were diverted to Dar Petroleum to finance oil production, purchase armored vehicles and pay for the college tuition of the son of Malek Reuben Riak, a senior military

general who was placed under UN sanctions a month prior to the payment for "actions or policies that threaten the peace, security or stability of South Sudan."⁶ Meanwhile, an unpublished investigation commissioned by Dar Petroleum concluded that the company had dumped high levels of heavy metals and dangerous chemical compounds at its oil production facilities, threatening the local population.⁷ The resulting study, reviewed by The Sentry, indicates that Dar Petroleum chemicals contaminated areas outside of the company's facilities. Other environmental researchers claim that Dar's contamination has caused a public health challenge that is currently putting 600,000 people at risk from contaminated drinking water.⁸

South African and numerous other multinational corporations have formed partnerships with South Sudan's National Security Service since the war began. The UN Panel of Experts and



UN Commission on Human Rights have found this intelligence agency within the presidential office to be responsible for abductions, extrajudicial killings, arbitrary detention, violence against civilians and intimidation of international peace monitors affiliated with the Intergovernmental Authority on Development (IGAD), a regional body involved in South Sudan's peace process.⁹ In December 2014, a year into the war, the South African aviation firm Vukani Aviation established a joint venture with South Sudan's National Security Service. As part of the business arrangement, Vukani—founded by a South African national who claims to have been a pilot for ex-president Jacob Zuma—agreed to operate a charter plane and two helicopters in South Sudan as part of the partnership.¹⁰ Documents reviewed by The Sentry show that a front company under the National Security Service's control formed partnerships with private security firms from China and Uganda as well.¹¹ In the midst of the civil war, several foreign companies operating in South Sudan thus did business with the NSS, an agency that played a key role in human rights abuses against the civilian population.

An American arms trafficker tried to sell a trove of weapons to a South Sudanese warlord.

Ara Dolarian, an American arms dealer based in Fresno, California, attempted to sell \$43 million worth of weapons in early 2018 to General Paul Malong, a South Sudanese warlord ousted from the government who was forming an armed opposition movement, according to filings by US federal prosecutors in the Eastern District of California.¹² An invoice on Dolarian Capital letterhead addressed to Malong lists \$43.2 million worth of weapons and ammunition, including mortar systems, RPG launchers, assault rifles and ZU-23 mobile anti-aircraft guns. According to the invoice, the weapons were to be sold to First Monetary Security Limited, a Kenyan company ostensibly linked to Malong.¹³ Dolarian was charged on May 15, 2019 with “illegally brokering the sale of military-grade arms and munitions, money laundering and conspiracy.”¹⁴ The case demonstrates how foreign shell companies can facilitate weapons transfers. The Dolarian invoice lists a Kenyan company alongside Malong's name as the recipient of the weapons. Malong was based in Kenya at the time.

2. Partnering with the Profiteers

Even during the war, international investors have engaged in commercial dealings with top South Sudanese politicians and members of their families. Many of these companies operate in sectors subject to significant government discretion or linked to violence.

Chinese investors formed a company with President Salva Kiir's daughter and acquired several mining licenses in South Sudan just weeks before the military reportedly drove thousands of people from the land where they held a permit.

A group of Chinese investors set up a joint venture with Kiir's daughter Winnie—who was 19 years old at the time—to form Fortune Minerals and Construction in mid-2016.¹⁵ In August 2016, the company received two exploration licenses in the mineral-rich areas of Central and Eastern Equatoria.¹⁶ Six weeks after Fortune Minerals received a license to explore for minerals near a town called Mundri, South Sudan's military reportedly launched a sustained military campaign in the area, destroying healthcare centers, committing mass rapes and forcibly displacing thousands of people.¹⁷ Fortune Minerals is among dozens of companies controlled by Kiir's immediate family. These companies span multiple business sectors and include joint ventures with investors from at least 17 different countries. Even since the civil war began, Kiir's relatives have



formed companies with high-profile businesspeople and politicians from around the region. They include Gideon Moi, a prominent Kenyan senator.¹⁸

Two British citizens formed an oil company with a warlord accused of forcibly recruiting thousands of child soldiers. In early 2015, a pair of British citizens—Abdelkarim Adam Eisa Mohamed and Dawd Adam Rife Abute—formed an oil services company with Lieutenant General David Yau Yau. This South Sudanese warlord’s responsibility in widespread violence against civilians and the forced conscription of child soldiers had already been documented and publicized by the time of the company’s formation.¹⁹ A 2013 report by the Human Security Baseline Assessment (HSBA) for Sudan and South Sudan, for example, found that Yau Yau’s troops “killed and raped civilians, looted property and slaughtered the livestock of those who will not join [his] rebellion.”²⁰

Despite his reported involvement in multiple corruption scandals, a Sudanese tycoon tied to politicians and senior military officials in South Sudan continues to receive millions of dollars in contracts. On two separate occasions, Ashraf Seed Ahmed Hussein Ali (also known as Al-Cardinal) reportedly received two procurement contracts on highly advantageous terms—one for the procurement of Toyota vehicles and another for tractors.²¹ In both instances, government officials reportedly sidestepped domestic laws to grant noncompetitive contracts, prompting investigations that faced obstruction on multiple fronts.²² Eight months after receiving the first contract, Al-Cardinal purchased a £1.15 million home in London.²³ In the years since, he has become one of South Sudan’s most influential businessmen. His companies have received government contracts to import everything from sorghum and lentils to spare parts for armored vehicles.²⁴ He has entered into partnerships with government ministries, incorporated companies alongside top military and government officials and negotiated an oil deal worth millions of dollars.²⁵ While South Sudan’s economy has crumbled under the weight of mismanagement, grand corruption and war, Al-Cardinal’s corporate empire has expanded to the United Arab Emirates, the United Kingdom and the United States.

3. Government Spending: An Opportunity to Loot

In South Sudan, international actors have been among the major facilitators and beneficiaries of schemes to misappropriate government spending. This section profiles the foreign investors who benefited from several controversial public procurement programs over the past decade.

Eritrean and other foreign investors were among the main beneficiaries of a \$922 million program marred by fraud and embezzlement allegations.²⁶ An unpublished report by South Sudan’s auditor general shows that companies owned by an Eritrean businessman Ghebremeskel Tesfamariam Ghidey received contracts worth approximately \$57 million between 2013 and 2015 for the procurement of urgently-needed goods, as part of the \$922 million Letters of Credit program.²⁷ Amid a shortage of foreign currency, the initiative aimed to provide companies with the cash needed to purchase fuel, pharmaceuticals and other goods from neighboring countries. Many of the goods never arrived, and information obtained by The Sentry raises doubts about whether Ghebremeskel’s companies fulfilled their obligations. His Ugandan company that was supposed to export a significant



portion of these goods to South Sudan did not pay any export taxes until after the Letters of Credit program had concluded—and was not even registered with the tax authority until early 2016.

A \$65 million scandal involving a South Sudanese general and a British tycoon illustrates the impunity enjoyed by kleptocrats and their international collaborators. A company owned by Bior Ajang Duot, a high-ranking South Sudanese general, received \$65 million from the government ostensibly earmarked for a mobile radar system, according to an investigation by South Sudanese authorities. The company, Cascade Construction, sent the bulk of these funds—\$55 million—to British businessman David Greenhalgh, but the purchased goods reportedly never reached South Sudan.²⁸ The funds transited through bank accounts in multiple jurisdictions. Macedonia eventually flagged them as suspicious and temporarily froze them. In its probe, South Sudanese authorities concluded that funds originating from the deal flowed unusually and suspiciously through accounts without a business rationale where contracts did not justify the transfers.²⁹ When the Ugandan government—whose role in the procurement, if any, has not been made public—was contacted after Greenhalgh’s company funds were frozen in Macedonia, Uganda’s attorney general brushed off any concerns.³⁰ “Cascade Construction has the full support and endorsement of the government of Uganda in the implementation” of its contract with Aircservices, he responded in a February 8, 2011 letter following an investigative inquiry by the Basic Court of Skopje.³¹ Neither Gen. Duot nor Greenhalgh has faced punitive measures over the problematic deal.

Ending Impunity

In the examples presented in this introductory report, only one of the implicated international actors has faced significant consequences for collaborating with a government engaged in grand corruption and violence.

Governments around the world have a wide range of tools at their disposal to exert financial pressure on kleptocrats, war criminals and their international financial facilitators. These include network sanctions, anti-money laundering measures, prosecutions, compliance actions by banks and other private companies, asset recovery, as well as economic and legal pressure, all means to shut those benefiting from violence out of the international financial system. By disrupting the cost-benefit calculations of those who hijack governments—and the international actors that provide them with support—the international community can counter the main drivers of conflict and create new leverage for peace, human rights and good governance.

These tools are already being deployed in a wide range of contexts around the world. Assets have been frozen, travel has been banned, money-laundering routes have been exposed and shut down, and individuals have been cut off from the international financial system. Much more is needed to further incentivize peace over war, but results are finally emerging from measures taken against those orchestrating and benefiting from genocide, mass rape, ethnic cleansing, child soldier recruitment and other crimes against humanity.



Leverage and Consequences through Financial Pressure

Impactful financial pressure creates the conditions for a genuine commitment to peace, laying the groundwork for a country governed under the principles of transparency, accountability and inclusiveness.

The US Government Should Expand Sanctions Authorities and Enforcement. The White House should issue a new executive order (E.O.) or amend E.O. 13664 with new authorities aimed at empowering the US government to target the illicit financial activity that serves as the root cause for atrocities, conflict and state capture in South Sudan. Adapting best practices from other cases, the measure should add designation criteria for targeted sanctions, prohibitions for US persons and implement sectoral sanctions. The order should include new designation prongs and prohibitions that disrupt the primary mechanisms through which spoilers obtain and conceal their wealth.

- **Go after the whole network.** The United States should investigate and, if appropriate, use existing sanctions powers to target the individuals and entities highlighted in this report and their support networks in order to prevent malign actors from accessing the international financial system. The new executive order should update existing criteria to designate persons who are the spouses or dependent children of any person whose property and interests in property are blocked. Most previous sanctions designations have focused on one or two individuals, allowing their networks to continue operating and circumventing the intent of the sanctions. Thus, future sanctions should focus on the networks of the peace spoilers, which might include family members, corporations, real estate, shell companies and business associates.
- **Target captured business sectors.** Prohibit US persons from conducting business with foreign persons found to be active in key sectors of South Sudan's economy that the US Treasury Secretary identifies as captured by corrupt regime elites, including the oil and mining industries.
- **Block corrupt officials' access to luxury goods and property abroad.** Prohibit US persons from exporting luxury goods to South Sudan and from facilitating real estate transactions with South Sudanese officials outside of the country. Add a sanctions criterion targeting any foreign person who has, directly or indirectly, imported, exported or re-exported luxury goods to or into South Sudan or facilitated the sale of real estate to South Sudanese officials outside of the country.

The United Kingdom and European Union should impose sanctions on human rights violators and their networks. The European Union should include corruption criteria and derivative sanctions language in the EU human rights sanctions regime currently under consideration for imposing asset freezes and visa bans against individuals involved in grave human rights violations. It is critically important for this new sanctions instrument to be enacted expeditiously. The European Union should also utilize its existing South Sudan sanctions authority to target human rights violators in South Sudan. The UK should immediately move forward with autonomous sanctions against these networks under its powers set forth within the *Sanctions and Anti-Money Laundering Act 2018*.



Uganda and Kenya should enact and enforce sanctions. Uganda and Kenya should implement United Nations sanctions against UN-listed South Sudanese officials, including by enforcing the travel ban and freezing physical property such as homes, which should be considered as “financial assets” of the sanctioned person. Through its investigative reporting, The Sentry has revealed how several top South Sudanese generals—including a number now under UN sanctions—have purchased luxury properties in Kampala, Nairobi and elsewhere in the region.

The World Bank and IMF should conduct a joint country review of corruption and governance risks. This would be the first high-profile, international study of state capture and corruption under the IMF’s updated Article IV Consultations. The results should determine the extent to which international donors and multilateral organizations support South Sudan’s economy. International financial support should be contingent on reaching anti-corruption standards that prevent misuse of assistance. South Sudan will likely turn to lending agencies, including the new US International Development Finance Corporation, to promote foreign investment and provide low-risk financial guarantees to investors and lenders. Addressing issues raised in the review should be an essential precondition to unlocking future bilateral and multilateral financing.

Governments worldwide should investigate and seize corruption proceeds from South Sudan. Numerous governments—including South Sudan’s neighbors—have the power to trace and seize the proceeds of corruption and financial crimes flowing out of the country.

- **The United States** should surge US law enforcement resources to investigate the proceeds of state corruption, violence and human rights abuses in order to trigger seizures of assets owned by South Sudanese elites abroad. Given existing international mechanisms, the United States should file international asset seizure warrants for assets in Kenya and Uganda purchased with laundered US dollars.
- **The United Kingdom** should support law enforcement’s use of civil recovery measures, including unexplained wealth orders, interim asset freezing orders, asset forfeiture orders and account freezing orders included in the *Criminal Finances Act 2017* (amending the *Proceeds of Crime Act 2002*) to identify and seize further assets in the United Kingdom.
- **The Central banks of Kenya and Uganda** should also issue a circular warning of the money laundering risks associated with South Sudanese political corruption. Kenya should further build upon the circular its central bank sent to the country’s financial institutions in October 2017 emphasizing their legal obligation to freeze the accounts of UN-sanctioned South Sudanese officials and requiring that Kenyan financial institutions report back to the Central Bank on what steps they have undertaken to implement these measures.



HIJACKED WITH HELP

By the time South Sudan became the world's newest state in 2011, a cabal of military and civilian officials had already captured its main government institutions, enabled by a dizzying array of international actors seeking to profit from a rapidly developing kleptocracy. Factions that had formed during the long war for independence now turned their attention to competing over the control of this new state, which was blessed with billions of dollars of annual oil revenue and no checks and balances or transparency.

A looting frenzy ensued. Factionalization deepened as networks allied with President Salva Kiir and Vice President Riek Machar competed over the vast opportunities for mass theft of resources and state budgets. The uneasy calm only lasted two years before South Sudan erupted into a violent civil war pitting the two main factions against each other, adding to the many fault lines in the country.

During this period, Kiir and his associates had largely captured the state. Instead of providing services, supporting infrastructure, adjudicating disputes and protecting its people, South Sudan's governing institutions were hijacked and repurposed for the personal enrichment of Kiir and his clique. Billions of dollars have gone missing and the government has done little for the welfare of its population. This corruption attracted foreign opportunists, who flocked to South Sudan. The current report, along with subsequent ones from The Sentry, examines some of these international war profiteers. The incidents detailed here are by no means exhaustive; they simply illustrate the geographic and sectoral scope of the international dimension of state looting and capture in South Sudan.

South Sudan's governing institutions were hijacked and repurposed for the personal enrichment of Kiir and his clique.

Every incident The Sentry examined had links to an international corporation, a multinational bank, a foreign government or high-end real estate abroad. This report provides several illustrative examples of international actors linked to violence and grand corruption in South Sudan.

The first part of this report details the multinational companies that have supported entities or individuals responsible for continued violence. It describes The Sentry's findings about Dar Petroleum Operating Company's links to violence, corruption and environmental degradation. It also examines connections between Dar Petroleum and the intelligence services, its support for non-state militias that have committed atrocities, its handling of hazardous waste and its payments of hundreds of thousands of dollars in payments that have served to underwrite government officials' luxurious lifestyles. It also profiles foreign companies that have partnered with the National Security Service—an entity linked to significant human rights abuses—and an attempt by an American arms dealer to sell weapons to a South Sudanese warlord.



The second section describes business relationships between international investors and people responsible for violence and atrocities. It provides examples of international partnerships with Kiir's relatives, senior military officials and a warlord accused of recruiting child soldiers and commanding troops who have committed widespread atrocities. This section profiles a Chinese mining company that formed a joint venture with the president's daughter, obtaining a mining license for an area that was reportedly the center of a military campaign by government forces just weeks later that drove thousands from their land. It also profiles a pair of British investors who set up an oil company in 2015 with a warlord.

The third part of the report profiles the international actors who facilitated or benefited from several major procurement controversies that have occurred in South Sudan over the past decade. An array of war profiteers have captured multimillion-dollar initiatives ostensibly aimed at improving livelihoods or security in South Sudan, keeping the money for themselves and leaving the intended beneficiaries with nothing. This section profiles international actors who benefited from two incidents in particular: the \$922-million-dollar "Letters of Credit" program and a \$65 million transfer to a company owned by a South Sudanese general for goods that reportedly never arrived.

The final section provides recommendations for how to target the primary culprits in the state capture of South Sudan, which would involve utilizing the full range of policy tools of coercion that can help counter the peace spoilers and dismantle the kleptocratic networks raiding the country's resources.



MULTINATIONALS AND MASS VIOLENCE

Many international companies benefit from South Sudan's violent kleptocratic system, and some have done business with the actors perpetrating violence. Several multinational corporations have forged formal partnerships with people and entities responsible for atrocities, or otherwise participated in business transactions with them. This section examines the role of Dar Petroleum—a Chinese-led oil consortium. It also highlights foreign companies that have formed businesses with South Sudan's National Security Service and an American who sought to sell \$43 million in weapons to a South Sudanese warlord. These international companies either did business with or attempted to do business with violent actors in South Sudan.

Extraction and Destruction: The Capture of Dar Petroleum

Two months into South Sudan's civil war, Zhong Jinhua, China's top diplomat in Africa proclaimed that Beijing's approach to resolving the conflict would represent a "new chapter" in China's foreign affairs. "China has energy interests in South Sudan, so we hope even more that this country can maintain peace and stability," Zhong said in February 2014.³² Within a matter of months, however, an oil consortium in South Sudan controlled by China National Petroleum Corporation—one of China's largest state-owned enterprises—began providing material support to a pro-government militia that went on to commit atrocities, including violence against civilians, the burning of entire villages and an attack on a UN protection-of-civilians site.³³

Internal records from Dar Petroleum Operating Company—the consortium in which CNPC holds a 41-percent stake³⁴—indicate that it made arrangements to provide fuel supplies to several militia operating in the oil-producing region.³⁵ Other documents reviewed by The Sentry indicate that the consortium has close ties to the intelligence apparatus, contributed to significant environmental degradation and made payments to underwrite the petroleum minister's lavish lifestyle.

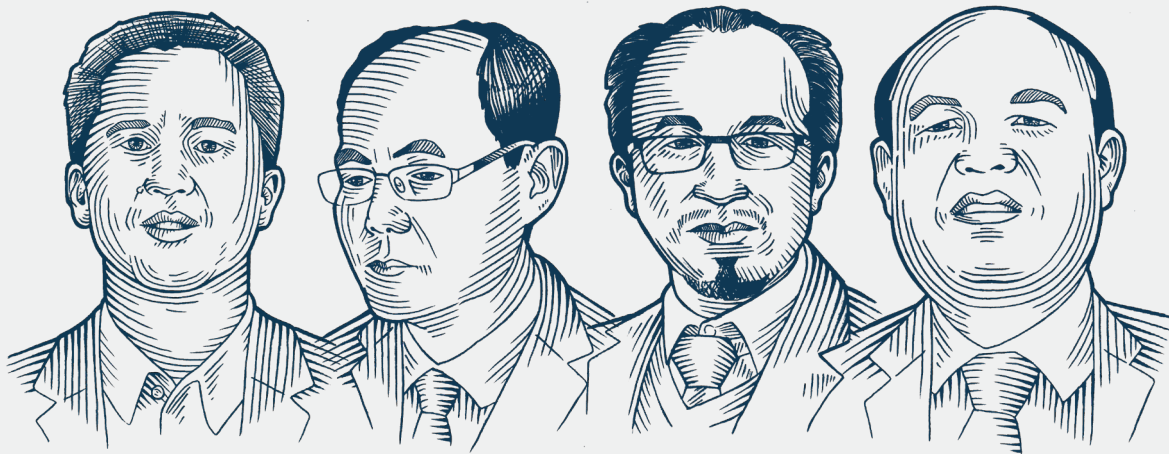
"We Must Take Control of Paloch"

Dar Petroleum has been operating in South Sudan since independence, and the assets under its control are an immensely important source of funds for the government of South Sudan, making it one of the most important companies in the country. Oil accounts for 98 percent of South Sudan's government revenue.³⁶ Dar Petroleum currently produces around 185,000 barrels per day from two oil blocks in Upper Nile state—one in Paloch and another in nearby Adar—or around 80 percent of the total oil produced daily in South Sudan.³⁷ Following an August 2019 discovery of new oil deposits,



Petroleum Minister Awow Daniel Chuang predicted that the company will raise output to about 200,000 barrels per day by 2020.³⁸

The oilfields present a dilemma for a government desperate to keep the oil under its control even though foreign commercial interests largely control the oilfields. Most of Dar Petroleum's shares belong to a handful of multinational oil companies from China and Malaysia. Chinese state-owned China National Petroleum Corporation (CNPC) and Malaysian state-owned Petronas hold 41-percent and 40-percent stakes respectively in the consortium. Sinopec, another Chinese state-owned oil company, and SSTO, a private oil firm based in Egypt, hold six percent and five percent stakes in Dar Petroleum. Nile Petroleum Corporation (Nilepet), South Sudan's state-owned oil enterprise, owns the remaining eight percent of Dar Petroleum's shares.³⁹ Dar Petroleum's senior management features appointees from several of the shareholding companies, including two from Nilepet, two from CNPC, one from Petronas and one from Sinopec.⁴⁰ Decisions on large expenditures typically require approval by the president and vice president.⁴¹



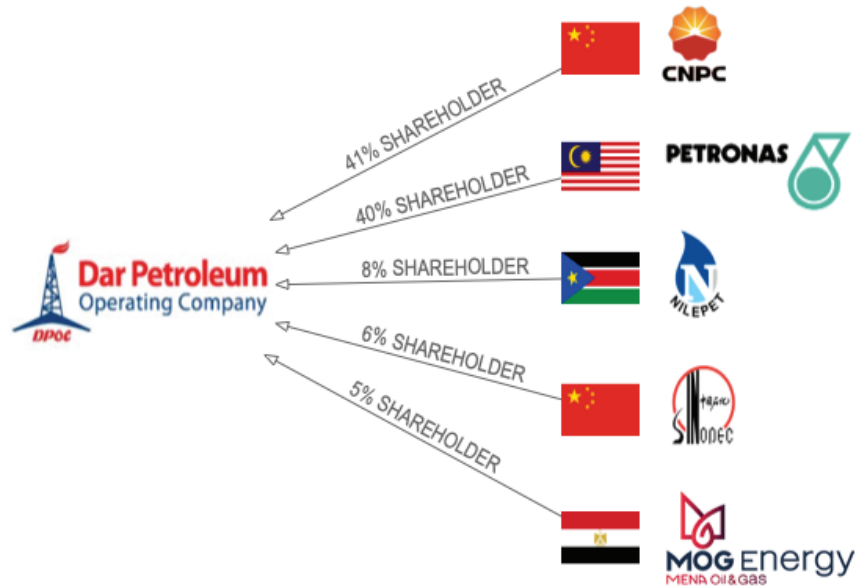
The senior management team of Dar Petroleum is comprised of appointees from several of the shareholding companies, including two from CNPC, represented by Zhou Zuokun and Tong Xinmiao, one from Petronas, represented by Ahmad Zaidi Hatta, and one from Sinopec, represented by Zhang Xiaoyi. Images from left: Tong Xinmiao, Zhou Zuokun, Ahmad Zaidi Hatta, Zhang Xiaoyi.

Dar Petroleum's facilities became hotly contested territory almost immediately after South Sudan's civil war began in mid-December 2013.⁴² The oilfields in Upper Nile are vitally important to the government of South Sudan. "[Paloch] is where we will be buried," General Gregory Vasili Dimitry—Kiir's brother-in-law who was serving as an "oil defense force commander"—said in a late December 2013 *Bloomberg* interview. "We are not running from this place."⁴³ For its part, the SPLM-In Opposition also acknowledged the strategic importance of Dar Petroleum's oilfields. "It's our target," former vice president Riek Machar Teny, the leader of the SPLM-In Opposition, told *The New York Times* in early April 2014.⁴⁴ "We want to take control of the oil field. This is our oil," he added. "We must take control of Paloch to deny Salva Kiir the revenue to buy more arms."⁴⁵



Dar Petroleum's Ownership Structure

Dar Petroleum's shareholders include: China National Petroleum Corporation (41%), Malaysian state-owned Petronas (40%), Chinese state-owned Sinopec (6%), Nilepet (8%), and SSTO, which is owned by Egypt-based MOG Energy (5%).



Dar Petroleum and Dhieu Dau's Militia

Violence has often marred the contest for control over Dar Petroleum's oilfields.⁴⁶ A wide range of armed actors—including government military forces, pro-government militias, the SPLM-IO and Agwelek forces under the command of General Johnson Olonyi—each reportedly engaged in widespread destruction of property and violence against civilians in Upper Nile, including near Paloch.⁴⁷ Insecurity in the region fueled the rise of numerous militias, several of which were mobilized along ethnic lines. The government and opposition forces often recruited, armed and financed these militias.⁴⁸

One cluster of non-state armed groups with particularly close links to the oil industry is largely composed of recruits who identify as Padang, a Dinka sub-group residing primarily in Upper Nile state. Collectively, these armed groups have become known by a variety of different names, including the Padang Dinka White Army, the Community Police Force and the Oil Protection Force. Components of this force include the Abushok battalion (from Baliet) and the Mazulom battalion (from Akoka).⁴⁹

Initially established to protect oil fields at Paloch, these Padang militia groups became central actors in the civil war when they began receiving support directly from the National Security Service.⁵⁰ "The arming of those communities largely circumvented the SPLA weapon supply and accounting mechanisms," the UN Panel of Experts on South Sudan reported in January 2016, "with the Dinka Padang militias in



particular receiving small arms and ammunition directly through the Internal Security Bureau, headed by Akol Koor, with financial authorization for the purchase and transfer provided through the Nile Petroleum Corporation by a Dinka Padang and then-petroleum minister Stephen Dhieu Dau.⁵¹

Small Arms Survey found that “the militias operate outside of the SPLA’s military command structure—although they often act in concert with the SPLA.”⁵² In March 2018, The Sentry reported that Nilepet funds had apparently been used to provide supplies to the Padang militia and funds to its leaders.⁵³ Internal records and email correspondence reviewed by The Sentry indicate that Dar Petroleum played a role in providing supplies to this militia and other military units from September 2014 to July 2015. Dhieu Dau aide Gieth Abraham Dauson wrote many of the emails, and stated that he was operating on his boss’s orders. In total, The Sentry has viewed 11 separate email messages from Dauson requesting the delivery of a total of 251 barrels of diesel fuel from Dar Petroleum to military and militia forces in Upper Nile. Numerous emails show Dauson directing Dar Petroleum employees to provide diesel fuel to paramilitary units.



The Sentry has viewed 11 separate email messages from Dauson requesting the delivery of a total of 251 barrels of diesel fuel to military and militia forces in Upper Nile. Numerous emails show Dauson directing Dar Petroleum employees to provide diesel fuel to paramilitary units. Photo: The Sentry.

The messages are clear about both the recipients and destinations of the diesel fuel. Dauson often specifies the exact military unit or armed group due to receive the diesel consignment, frequently referencing the commander of specific groups by name. In several of the emails, Dauson requests that the fuel be taken directly from a Ministry of Petroleum and Mining fuel consignment stored at Dar Petroleum facilities in Paloch.⁵⁴ Recipients of the email included Deng Ngor Deng—a senior manager at Dar Petroleum’s facilities at Paloch who is reportedly a close relative of Dhieu Dau—and

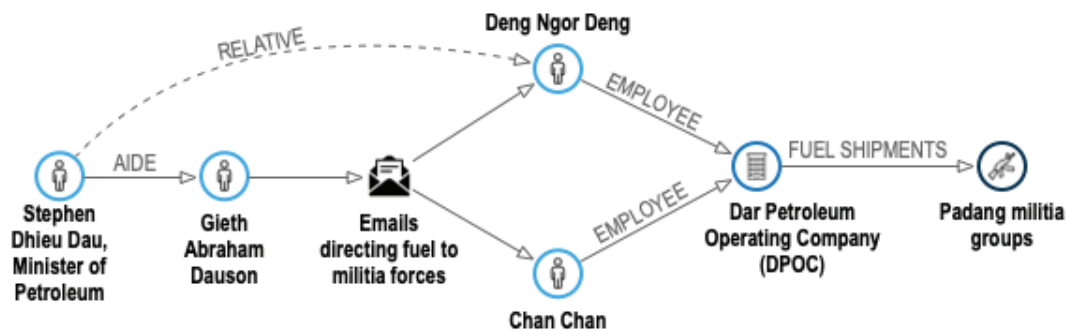


Chan Chan, another Dar Petroleum employee. Many of the requests refer to Colonel Tor Ajuot Deng, describing him variously as the commander of the “Petroleum Defense Force,” “Oil Protection Force” and “Community Forces.” Most of the fuel was ordered to be delivered to locations in Upper Nile state within about 100 miles of Paloch, including Akoka, Baliyet, Malakal, Melut and Renk.

In a letter dated September 5, 2014, Deng requests 15 barrels of diesel to be delivered to three units of the Petroleum Defense Force in Upper Nile: five barrels to be sent to a unit in the town of Renk, five barrels to a unit in Melut and five barrels to a unit in Paloch.⁵⁵ The letter is addressed to Dar Petroleum’s security chief. A handwritten note—signed and stamped by the Dar Petroleum security section head on the same letter—with the same date as the initial letter states: “To the field manager... forward for action... 15 drums.”⁵⁶

Fueling Violence

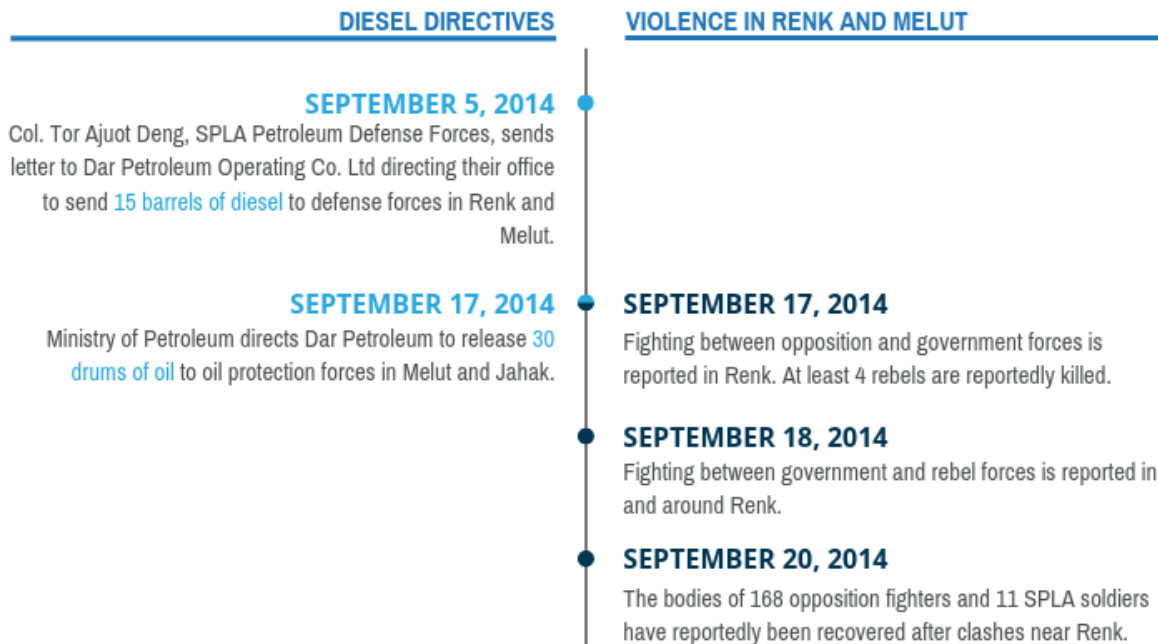
Email correspondence reviewed by The Sentry indicates that Dar Petroleum played a role in the provision of supplies to Padang militias from September 2014 to July 2015.



Contemporaneous media accounts report that militia forces fighting for the government were engaged in military operations that included violence against civilians throughout Upper Nile.⁵⁷ In at least one instance, fuel was ordered to be sent to a Padang militia at a location where Padang Dinka militias were reportedly engaged in heavy fighting. On April 22, 2015, Radio Tamazuj and the AFP news agency reported that clashes between forces loyal to Olonyi supported by Shilluk militia and army supported by the Dinka ethnic militia Abu Shouk and the White Army had occurred in several quarters of Malakal, resulting in dozens of fatalities, including at least four civilians. The following day, Dauson wrote an email to Chan Chan and Deng Ngor Deng that ordered them to provide 10 drums of diesel to Oil Protection Forces under Deng’s command. In the same email, Dauson instructed the Dar Petroleum employees to provide 10 barrels of diesel to SPLA forces in Malakal.⁵⁸



In several other instances, orders went out for diesel shipments to a location where troops were engaged in armed conflict. In addition to the 15 barrels of diesel Deng in September 2014, Dauson directed Dar Petroleum employees stationed at Paloch on September 17, 2014.⁵⁹ Throughout September 2014, there were reports of heavy fighting throughout Upper Nile, including the areas that received fuel consignments. On September 20, 2014, for example, Voice of America reported that “168 bodies of opposition fighters were recovered” after fighting in Melut and Renk that reportedly also left 11 SPLA soldiers killed.

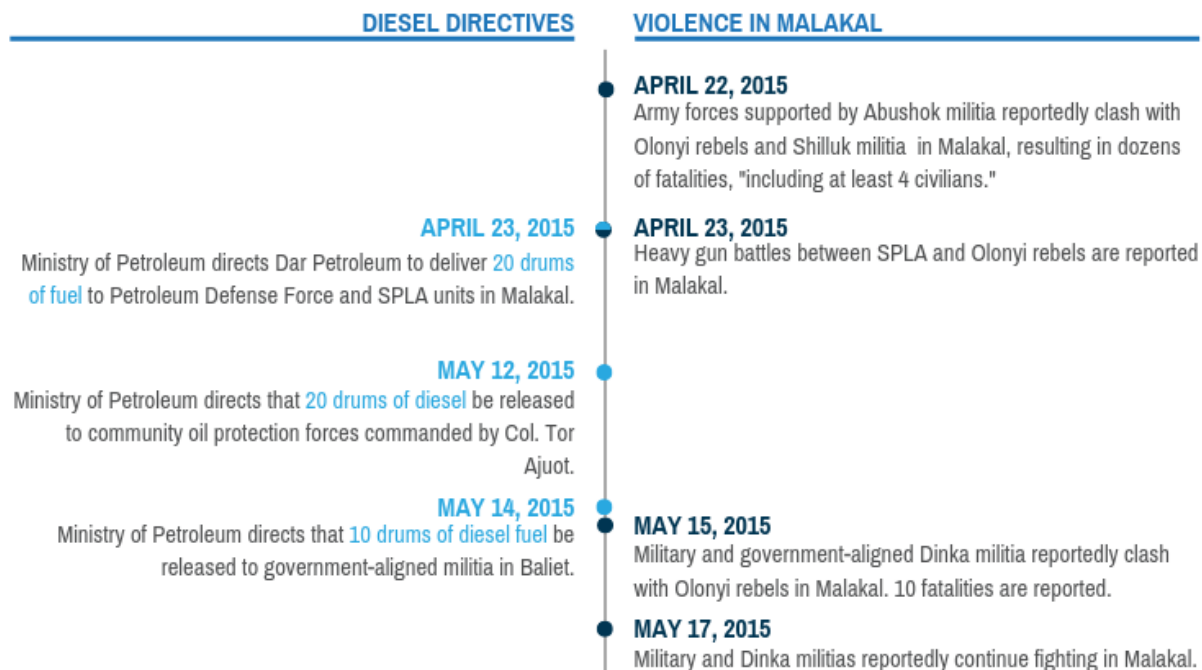


Several published reports assert that Padang Dinka militias have committed atrocities in Upper Nile state during the ongoing conflict. “Numerous witnesses said that members of a Dinka militia, which some called the ‘White Army,’ rampaged freely through the region during the government offensive,” according to a June 2017 report by Amnesty International documenting abuses that occurred in Upper Nile state. “Its members were armed with automatic weapons and wore military uniforms, and at least some of them wore white bandanas. While engaging in massive looting, they harassed, threatened and killed civilians.”⁶⁰

The Padang militia participated in a February 2016 attack on a UN Protection of Civilians site that resulted in dozens of fatalities, according to numerous reports by non-governmental organizations, journalists and South Sudanese legislators. “This attack was not an isolated event, but part of a concerted campaign by the Padang Dinka military and political elite of Upper Nile to push the Shilluk off the east bank of the White Nile, which is contested by both groups, and to cement control of an area that is to be called Eastern Nile state, in line with Kiir’s decree,” according to Small Arms Survey.⁶¹ A 2016 report by the Center for Civilians in Conflict pointed to the “involvement of Padang Dinka



fighters in the Malakal POC violence.”⁶² Onyoti Adigo Nyikwac, a politician who served as a leader of the minority in South Sudan’s National Assembly, told reporters that the Padang militia carried out the attack.⁶³



Organizing and supporting paramilitary forces—i.e. armed actors that operate outside of the formal military command structure—would appear to be difficult to reconcile with a provision of South Sudan’s constitution, which states: “No person or persons shall raise any armed or paramilitary force in South Sudan except in accordance with this constitution and the law.”⁶⁴ After leaving his post as petroleum minister, Dhieu Dau became South Sudan’s minister of finance and economic planning in July 2016, a position he held until March 2018. Gieth Abraham Dawson, the minister’s aide who liaised directly with Dar Petroleum, transferred to the finance ministry to remain on his staff.⁶⁵

Hazardous Waste

Oil production in Paloch and Adar has contaminated the environment and threatened the health of the adjacent population in Upper Nile state. An unpublished study commissioned by Dar Petroleum about the management of hazardous waste associated with its oil production in Upper Nile shows the extent to which the company is aware of its role in the environmental damage.

Prepared for Dar Petroleum by consulting firms Envirocare and Enviroserv, the internal study documents found elevated levels of heavy metals and several dangerous chemical compounds in sites around Dar Petroleum’s production facilities. In some instances, the researchers warned of “extremely high”



levels of dangerous chemicals. At dumpsites near the oilfields, the researchers found that high levels of accumulated lead and mercury, and some waste pits had elevated levels of arsenic. In numerous locations, the researchers found heightened levels of polycyclic aromatic hydrocarbons (PAHs),⁶⁶ a class of chemicals produced when petroleum, coal, garbage, wood and some other products are burned.⁶⁷ The study also documented elevated levels of benzene, toluene, ethylbenzene and xylenes—a group of compounds associated with oil production collectively known by the acronym BTEX.

The study paints a grim picture of waste management at Dar Petroleum’s facilities. “The yard is visibly contaminated,” it said of the Adar oilfield. Images included in the study of waste sites at Dar Petroleum’s facilities resemble open, unkempt garbage heaps. Mud pits at the oilfield used to store waste were compromised “as a result of liner decay, damage and theft,” the report found.⁶⁸ Dumpsites that contained “high levels of lead” and “extremely high levels of PAHs, BTEX and TPH” were characterized by “inadequate housekeeping.” And at Paloch, “chemicals washing out of the former yard has lead to contamination of areas outside” Operational Base Camp. The contamination thus extended beyond Dar Petroleum’s facilities.



A November 2018 report presentation by Dar Petroleum depicts observations at chemical yards and landfill of Dar Petroleum facilities taken as part of an integrated hazardous waste management feasibility study. Photo: The Sentry.

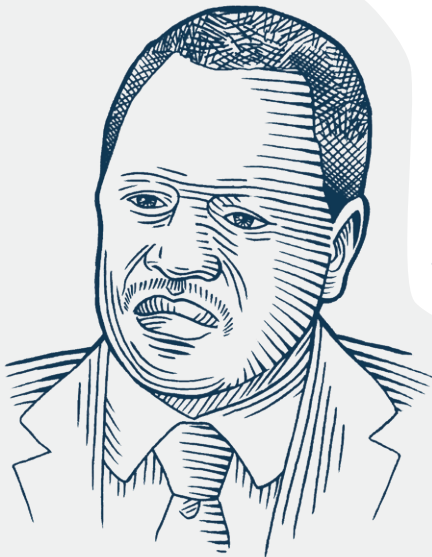


Upper Nile residents have long raised concerns about the public health impacts of oil-related pollution. “Oil production pollutants are suspected by communities to have caused many new health problems, such as increased infertility in women, a higher number of miscarriages, and eye and skin problems,” a 2014 study by Cordaid found. “According to medical staff in Melut and Koch, a link between the pollution caused by oil production and some of these health problems cannot be excluded. Communities are not made fully aware of hazards associated with the production of oil.”⁶⁹

“EnviroServ Uganda, as would be expected, respects the confidentiality of client information and thus is not willing to share findings and information from the report,” a representative from the company wrote in an email in response to questions posed by The Sentry in September 2019. “[Dar Petroleum] has shared the report with the relevant authorities in South Sudan.”

The known public health consequences of exposure to chemicals identified at Dar Petroleum’s facilities are significant and reflect similar concerns. Exposure to PAHs can harm fetal development.⁷⁰ Benzene is a known carcinogen, with the World Health Organization describing Benzene as “a major public health concern.”⁷¹ And high short-term exposure to metallic mercury can also cause a range of medical ailments, including lung damage and elevated blood pressure or heart rate, according to the International Petroleum Industry Environmental Conservation Association.⁷² Klaus Stieglitz, vice chairman of Berlinbased non-profit organization Sign of Hope that has previously investigated pollution concerns in South Sudan, speaks of an “oil catastrophe” affecting more than 600,000 people.⁷³

Who Benefits from South Sudan’s Oil Wealth?



Dar Petroleum agreed to pay \$686,056 to Crown Hotel in Juba to cover bills racked up by then-Minister of Petroleum Ezekiel Lol Gatkuoth—a dual US-South Sudan citizen—at a rate of \$30,000 to \$59,000 per month.

Invoices and correspondence exchanged between Dar Petroleum and senior officials at South Sudan’s petroleum ministry in 2018 indicate that the oil company agreed to pay \$686,056 to Crown Hotel in Juba to cover bills racked up by then-petroleum minister Ezekiel Lol Gatkuoth at a rate exceeding \$30,000 to \$59,000 per month.⁷⁴ The payment—along with several other documents that describe the use of funds earmarked for community development purposes—illustrates how the country’s oil wealth has underwritten the lavish lifestyles of senior politicians rather than to promote the well-being of the population at large.

In a letter dated March 2, 2018, Mohamed Benjamin Lino, a senior oil ministry official, wrote to Dar Petroleum’s top management about approval for a \$614,381 payment to Crown Hotel. In the letter addressed to Dar Petroleum president Zhuo Zuokun and his vice president Ramadan Chadar (who also served as a senior NSS officer), Lino wrote: “based on the directives of Hon. Ezekiel Lol Gatkuoth, Minister of Petroleum, I am writing to your esteemed office to clear the bill for Hon. Minister of Petroleum in Crown Hotel.”



On April 24, 2018, oil undersecretary Mayen Wol Jong provided a statement of the Crown Hotel account to Chadar, requesting that Dar Petroleum directly handle payment of the bill. The letter refers to an April 20, 2018 meeting between the oil minister and Dar Petroleum's president in which the latter agreed that the company would settle the Crown Hotel bill, noting that Chadar would handle the issue. By this time, the total cost had grown to \$686,056.

Other letters raise concerns about how the oil ministry and Dar Petroleum allocate funds earmarked for community development in the Transition Constitution from 2011 and the Petroleum Revenue Management Act. South Sudan requires that a significant portion of oil revenue is allocated to producing states and communities. "Key information about the two percent and three percent share for producing states and communities does not publicly get disclosed in accordance with the Petroleum Act, 2012, Petroleum Revenue Management Act, 2013 and other applicable laws in South Sudan," according to a May 2018 report by the Sudd Institute.⁷⁵

In a letter dated March 9, 2018, Lino authorizes Dar Petroleum to use \$80,000 from the Community Development fund to purchase a "white armored V8."⁷⁶ Another letter from Jong authorizes Dar Petroleum to use \$256,500 "to facilitate the current activities of oil production resumption."⁷⁷ An additional \$2,000 were approved in a letter dated August 6, 2018 to pay college tuition fees for the son of Malek Reuben Riak, a general placed under sanctions by the United Nations Security Council just under a month earlier for "actions or policies that threaten the peace, security or stability of South Sudan."⁷⁸

Infiltrated by Intelligence

Dar Petroleum has significant ties to South Sudan's National Security Service (NSS). Dar Petroleum vice president Ramadan Chadar Dhok is a major general in the NSS as of May 2017.⁷⁹ In addition to past service as a spokesperson, Maj. Gen. Chadar has also directed Sudd Security Services Co. Ltd, a security company confidentially owned and operated by the NSS, according to a memo reviewed by The Sentry.

Several people with direct knowledge of Sudd's operations claim it has had a presence at Dar Petroleum's facilities. Five independent sources who have worked in South Sudan's oil sector told

The links between the NSS and Dar Petroleum reflect a broader trend of the security agency's involvement in the country's oil sector.

The Sentry that they have observed Sudd Security at the oil fields operated by Dar Petroleum. Each of these people spoke to The Sentry under the condition of anonymity out of concern for retaliation. Sudd Security provides personnel who are stationed at oil facilities and is involved in water deliveries, among other activities, according to the sources. Three of the sources stated that the National Security Service controlled the company, albeit not in a public, official capacity.



Confidential
**REPUBLIC OF SOUTH SUDAN
NATIONAL SECURITY SERVICE (NSS)
JUBA**

Application Letter - Registration of Company Name

The Chief Registrar
Ministry of Justice

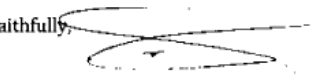
Dear Sir:

Re: SUDD SECURITY SERVICES CO. LTD

1. We are applying for the registration of The Company Name **[SUDD SECURITY SERVICES CO. LTD]** under the provisions of the Companies Act 2003.
2. This company is a property and established by National Security Service (NSS).
3. Please find enclosed the Articles of Association, and the registration fee required by the Act.

We look forward to a favourable response.

Yours faithfully,



Legal Department

A confidential memo filed with Sudd Security's August 2011 incorporate records indicates that the company is owned and established by the National Security Service (NSS).
Photo: The Sentry.

The links between the NSS and Dar Petroleum reflect a broader trend of the security agency's involvement in the country's oil sector. A March 2019 report by the Human Rights Council's Commission on Human Rights in South Sudan warned about the increasing militarization of South Sudan's oil sector. In March 2018, The Sentry reported that the Ministry of Petroleum was using oil revenue to finance military operations and support non-state armed groups.⁸⁰ "The armed conflict in South Sudan is being driven primarily by the need to control the oil-producing areas in Unity and Upper Nile states," the report said. "The oil industry in South Sudan—including the state-owned petroleum company, Nilepet—has been militarized and securitized, with the National Security Service having expanded its involvement in oil production and management."⁸¹ The report documented the apparent use of oil revenue for a wide range of security expenses while skirting oversight and circumventing normal revenue collection and procurement procedures.⁸²

Supporting the Fear Machine

In 2014, South Africa-based Vukani Aviation, owned by South African Nhlanhla Dube, formed a joint venture with the NSS, a secretive police force within the president's office reportedly responsible for abductions, extrajudicial killings, arbitrary detention, violence against civilians and intimidation of international aid workers and foreign government delegations in South Sudan to monitor the peace



agreement.⁸³ Other documents reviewed by The Sentry show that Vukani is among several international firms that partnered with the NSS between 2014 and 2016.

Vukani's joint venture with the NSS apparently began to take shape in late 2014. In a letter dated October 6, 2014, National Security Minister Obuto Mamur Mete requests that the Ministry of Transport, Roads and Bridges grant a license to Vukani to operate in South Sudan, citing a partnership under "strategic security programs."⁸⁴ The letter states that Vukani agreed to operate a charter plane and two helicopters in South Sudan. On December 15, 2014, Dube wrote a letter to South Sudan's companies registrar stating that the aviation firm had been "fully vetted" by the NSS and was commencing business operations in Juba.⁸⁵



A year into South Sudan's civil war, South African Nhlhla Dube's Vukani Aviation formed a joint venture with the National Security Service, an intelligence agency that has been accused of abductions, extrajudicial killings, arbitrary detention, violence against civilians and intimidation of international aid workers.

In the months that followed the formation of the partnership, Vukani Aviation and its leaders became embroiled in controversy in South Africa, with some members of parliament claiming the company was putting lives at risk at a government-funded flight training program run at a flight school partially owned by Dube.⁸⁶ Critics claimed that the company misled students at the South African Flight Training Academy (SAFTA) and intimidated those who voiced concern.⁸⁷ Reports also indicated that Dube, who has claimed he was once a pilot for former South African president Jacob Zuma,⁸⁸ was using planes purchased with the National Skills Fund public education entity for his own personal benefit.⁸⁹ Dube denied the claims, telling reporters "the manner in which [the flight school] has been portrayed makes you wonder if these are not engineered by people with an ulterior motive to sow seeds of false discourse around our operations, while diverting the nation's attention from the real issues that speak to transformation in South Africa's aviation industry."⁹⁰ The program ended after a government inquiry.

Public reports from the African Union, United Nations and human rights groups have clearly established the climate of fear and intimidation the NSS created in South Sudan. UN Panel of Experts reports from 2015 and 2016 detailed ongoing human rights abuses and power consolidation by the NSS through its crackdowns on journalists, humanitarian workers and anyone voicing opposition to the government. Punitive

measures included harassment, illegal detention, torture, extraterritorial kidnapping and extrajudicial killings.⁹¹ According to a report by Amnesty International, "South Sudan's authorities, especially the National Security Service (NSS) have harassed, intimidated and arbitrarily detained journalists while the government has failed to pass key laws to protect freedom of expression."⁹² Widespread reports have detailed how the NSS successfully lobbied to get a new national security bill passed that granted the intelligence service sweeping powers to surveil, detain and seize the property of those suspected of wrongdoing without guaranteeing them any right to due process.⁹³ This year, the UN Commission



on Human Rights reported that the NSS's conduct is turning South Sudan "into a police state built on fear and corruption."⁹⁴

Vukani's joint venture with the NSS was being forged just as debate about South Sudan's National Security Service Law intensified. "The bill would allow the security service virtually unfettered authority to arrest and detain suspects, monitor communications, conduct searches and seize property," Human Rights Watch said in a statement at the time the bill was being debated.⁹⁵ "Giving the NSS extraordinary powers without adequate safeguards will lead to abuses of power and violations of human rights," warned Edmund Yakani, coordinator of South Sudan's Community Empowerment for Progress Organization (CEPO).⁹⁶

The Sentry has identified a network of companies under NSS control, several of which have covert partnerships with foreign investors. The UN Panel of Experts also reported on the existence of this network of companies.⁹⁷ They include Sudd Security, which operates in the oil field, as well as Sudd Property and Security, National Gas and Oil Co., and Sudd Security & Investment.⁹⁸ Through Sudd Security, the NSS has established partnerships with several private security companies owned by non-South Sudanese nationals. These include Pinnacle Security—a partnership with a Ugandan private security firm—and Deway Security, a tieup with a Chinese private security firm of the same name.⁹⁹ Memoranda from the NSS attached to incorporation documents state that each company must first agree to partner with the NSS, through Sudd Security, before being incorporated.¹⁰⁰ In response to questions posed by The Sentry, Pinnacle's representative denied that the company ever entered into a joint venture with, or provided any services to, Sudd Security or the NSS.

In the heat of the civil war, several foreign companies operating in South Sudan thus lent their support to the NSS, an agency that has played a leading role in human rights abuses against the civilian population.



American arms dealer Ara Dolarian tried to sell \$43 million worth of weapons to General Paul Malong.

American Arms Dealer, South Sudanese Warlord

In early 2018, Ara Dolarian, an American arms dealer tried to sell \$43 million worth of weapons to General Paul Malong, a South Sudanese warlord ousted from the government who was in the process of forming an armed opposition movement in Kenya, according to a filing by US federal prosecutors in the Eastern District of California. Dolarian was charged on May 15, 2019 with "illegally brokering the sale of military-grade arms and munitions, money laundering and conspiracy."¹⁰¹ In June 2019, Dolarian pleaded guilty to one count of conspiracy to violate the Arms Export Control Act.¹⁰²

An invoice on Dolarian Capital letterhead addressed to Paul Malong lists \$43.2 million worth of weapons and ammunition, including mortar systems, RPG launchers, assault rifles and ZU-23 mobile anti-aircraft guns. According to the invoice, the



weapons were to be sold to First Monetary Security Limited, a Kenyan company ostensibly linked to Malong, illustrating how foreign companies can be used to facilitate weapons transfers.¹⁰³ This attempted weapons deal suggests that Malong retained access to a significant amount of funds following his departure from Juba. Since he used a Kenyan company to set up the deal, Kenya could potentially investigate the company involved and the source of funds.

Prior to his ouster, Malong was long considered among the most powerful men in South Sudan, and accused by critics of being responsible for some of the worst atrocities committed during the war. As governor of Northern Bahr-El Ghazal, he was likened to a king.¹⁰⁴ In announcing sanctions on Malong in July 2018, the UN Security Council said he ordered SPLA units to prevent the transport of humanitarian supplies. “Under Malong’s leadership, the SPLA attacked civilians, schools and hospitals; forced the displacement of civilians; carried out enforced disappearances; arbitrarily detained civilians; and conducted acts of torture, and rape,” the UN Security Council added.¹⁰⁵ Meanwhile, his family steadily accumulated wealth, much of it stashed abroad. The Sentry has documented the lavish lifestyle enjoyed by Malong, his family and close associates. They drive luxury cars, live in expensive houses and have displayed large amounts of cash in photos posted on social media.¹⁰⁶

DOLARIAN CAPITAL INC.
 Fresno California USA 93794
 Tel: [REDACTED]
 Fax: [REDACTED]
 Email: [REDACTED]
 Time Zone: US Pacific

21/05/2018
 INVOICE NO. 0743
 INSTRUCTIONS: N/A

Gen. Paul Malong / First Monetary Security Services Ltd.

QUANTITY	DESCRIPTION	UNIT PRICE	TOTAL
5,000	AKM (7.62X39mm) Full Kit, Unused	515.00	2,575,000.00
	Four Magazines, Sling, Magazine Pouch, Cleaning Kit		
50	DHSK (12.7X108mm) Full Kit Unused	21,000.00	1,050,000.00
50	DHSK Vehicle Mount and Cradle	3,600.00	180,000.00
100	DHSK Tri-Pod for ground operations	4,500.00	450,000.00
50	RPG 22 Launcher with Optics, Full Kit, Unused	900.00	45,000.00
500	PKM	5,750.00	2,875,000.00
10	120mm Mortar System complete with optics	32,500.00	325,000.00
20	Zu-23 two barrel trailer complete	310,000.00	6,200,000.00
2,000,000	7.62 x 39mm Stock	0.2500	500,000.00
1,000,000	12.7 x 108mm Stock	4.10	4,100,000.00
2,000	RPG 22	1,750.00	3,500,000.00
1,000,000	Zu-23	19.10	19,100,000.00
1,000	120mm HE Mortar Bomb	375.00	375,000.00
1,000,000	7.62x54mm	0.60	600,000.00
37	Shipping Containers	2,950.00	109,150.00
37	INCOTERMS:DDU Sea Port	6,700.00	247,900.00
27	Inland with permits	27,100.00	1,002,700.00
			\$ 43,234,750.00

Dolarian Capital Inc.
 Thank you for your business!

As meteoric as Malong’s rise may have been in South Sudanese politics, an equally dramatic fall from grace followed. After a protracted armed standoff at his home in Juba with troops under the command of Akol Koor Kuc, Malong was permitted to leave the country.¹⁰⁷ Yet even after Malong was removed from his post as chief of staff of South Sudan’s military, there were indications that he and his family remained awash in cash. When he was stopped outside of Juba in May 2017, Malong was carrying the equivalent of millions of US dollars in cash allegedly stolen from the SPLA treasury.¹⁰⁸ Malong left Juba for Kenya, where his family owns a mansion worth some \$2 million.¹⁰⁹

An invoice on Dolarian Capital letterhead addressed to Paul Malong, filed in federal case *United States of America v. Ara Garadeb Dolarian*, lists \$43.2 million worth of weapons and ammunition, including mortar systems, RPG launchers, assault rifles, and Zu-23 mobile anti-aircraft cannons.

Source: Document filed in *United States of America v. Ara Garadeb Dolarian*, United States District Court Eastern District of California.



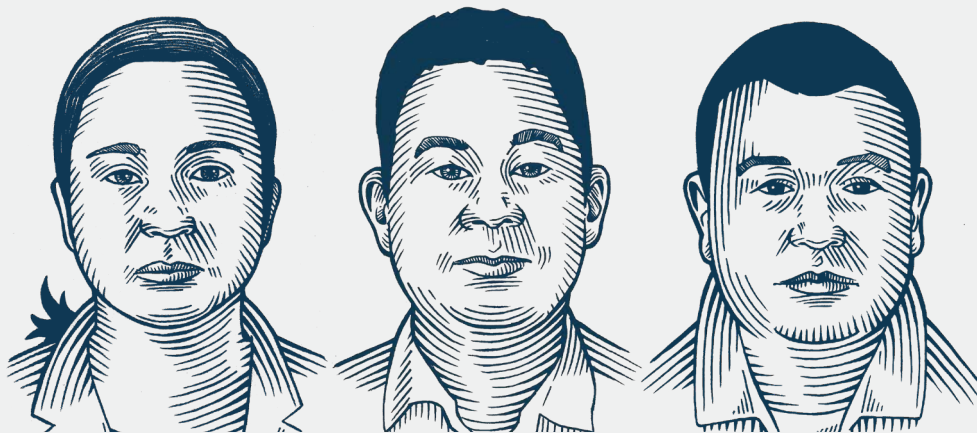
DOING BUSINESS WITH PROFITEERS

Even during the war, international investors have been willing to form commercial partnerships with top politicians and members of their families. Many of these companies operate in sectors subject to significant government discretion or which have substantial links to violence. This section provides examples of partnerships with members of President Kiir's family, senior military officials, and a warlord accused of recruiting child soldiers and commanding troops who have committed widespread atrocities.

Tainted Fortune: Chinese Miners, the President's Daughter and Thousands Displaced

A group of Chinese investors formed a partnership with Kiir's daughter and acquired mining licenses in South Sudan. Weeks later, the military drove thousands of people from the land where they held a permit.

In March 2016, three Chinese citizens—He Yuheng, Chen Huiping and Chen Yongqiang—partnered with Winnie Salva Kiir Mayardit—the daughter of South Sudan's president—to launch Fortune Minerals and Construction Ltd. in South Sudan. Fortune Minerals received its first two exploration licenses in mineral-rich areas of violence-wracked Central and Eastern Equatoria in August 2016.¹¹⁰



He Yuheng (left), Chen Huiping (center) and Chen Yongqiang (right) formed a mining partnership with Winnie Salva Kiir, the daughter of South Sudan's president. Six weeks after their company obtained a license, government forces drove tens of thousands of people from the land.



Six weeks after Fortune Minerals received its license in the Amadi state city of Mundri, government troops in the area, reportedly destroying healthcare centers,¹¹¹ committing mass rapes¹¹² and forcibly displacing thousands of people.¹¹³ By June 2017, amid reports of rampant sexual and gender-based violence, the UN Commission on Human Rights in South Sudan described Mundri as “the epicenter of the problem” due to the “recent increase in fighting... between rebels and government troops.”¹¹⁴

Despite the existence of a public mining registry that shows each company receiving mineral licenses, the public does not have access to key details about transactions surrounding the allocation of licenses. The terms of the license acquisition or payments from the companies to the government are not published, and the public is unable to access information about the beneficial owners of the mining companies. The company of the president’s daughter thus received rights to exploit South Sudanese natural resources without having to publicly disclose her involvement, or how much she and her Chinese business partners paid the government.

Kiir’s relatives have multiple partnerships with foreign investors. Corporate records reviewed by The Sentry indicate that Kiir family’s business portfolio includes dozens of companies, some of which list young children as shareholders. Members of the Kiir family also own stakes in banks, foreign exchange houses, airlines, oil companies, logistics firms, private security companies and more—often partnering with investors from across the globe. These business partners hail from more than a dozen countries around the world. There were joint ventures with several high-profile businesspeople and politicians.



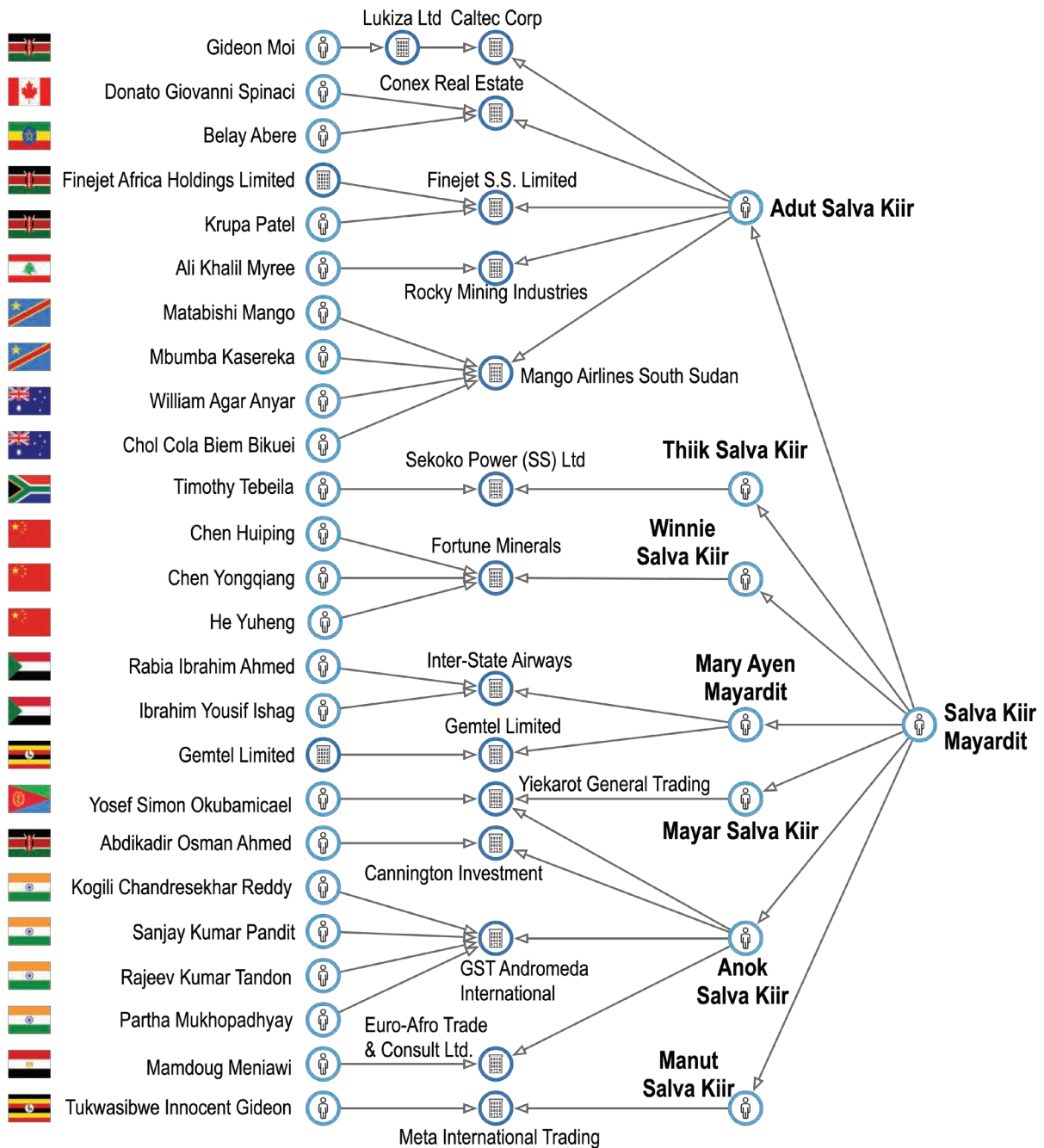
Gideon Moi, the son of former Kenyan President Daniel Arap Moi, was elected to Kenya’s Senate in 2013. In February 2014, he formed a company with President Kiir’s daughter Adut, his son-in-law Nardos Ghebeyehu, and his close advisor, Akot Lual Arech.

Just two months after the December 2013 massacres in Juba, Conex Energy Co., a company controlled by Kiir’s daughter Adut, his son-in-law Nardos Ghebeyehu and Akot Lual Arech—a close advisor to the president affiliated with the NSS—formed the joint venture Caltec Corporation with South Sudan-registered Lukiza Limited.¹¹⁵ Gideon Moi, an influential senator who is the son of former Kenyan President Daniel Arap Moi, has a partial ownership stake in Lukiza.¹¹⁶ Caltec’s website describes the firm as a “Special Purpose Vehicle (SPV) to specifically engage in the provision of services in the oil sector.” Waste management, drilling, logistics and air transportation are among the services it says it provides.¹¹⁷



Kiir's global corporate network

Members of President Kiir's immediate family are shareholders and directors in companies alongside dozens of foreign nations from 13 different countries.*



*These relationships represent shareholder, directorship, or beneficial ownership of the given company according to corporate documents on file with The Sentry.



Al-Cardinal: A Series of Scandals, Unrivaled Success

While the war was raging, Sudanese businessman Ashraf Seed Ahmed Hussein, who is widely known by his pseudonym “Al-Cardinal,” established the company Wara Wara Investments with Malong, who was the military’s chief of staff at the time and became a shareholder in the company. The name of the company is a nod to the birthplace of Malong. Wara Wara was incorporated on January 27, 2016— just one day after the UN Panel of Experts released its first report on the South Sudan conflict, in which Malong’s name was mentioned 17 times in connection with human rights violations.¹¹⁸

Al-Cardinal has partnered with powerful politicians and military officials in South Sudan on many other occasions. Despite being implicated in numerous large-scale government procurement scandals, Al-Cardinal owns expensive properties in London and Dubai, travels to the United States and has numerous US business partners.

In April 2006, just over a year after the signing of the 2005 Comprehensive Peace Agreement with Khartoum, Al-Cardinal reportedly received a contract from the pre-independence government of Southern Sudan to procure Toyota Land Cruisers for the army.¹¹⁹ The Ministry of Finance accepted an offer from Al-Cardinal’s reported partner in the deal, Arop Trading and Investment Company Ltd, which inflated the cost of 200 Hiluxes and 100 Land Cruisers by approximately \$24,000 and \$40,000 a unit, respectively.¹²⁰ Eight months later, Al-Cardinal purchased a £1,150,000 London property in cash (equivalent to £1,600,000 in 2018, or approximately \$1,957,258).¹²¹ In March 2007, reports surfaced that Al-Cardinal had sold 300 “significantly marked up” vehicles to the army, precipitating both his arrest and the arrest of Martin Malual Arop, Arop Trading’s owner.¹²²



Title Number	: AGL9083
Address of Property	: [REDACTED] Isleworth [REDACTED]
Price Stated	: £1,150,000
Registered Owner(s)	: ASHRAF SEEDAHMED HUSSEIN-ALI of [REDACTED] Isleworth, Middx [REDACTED]
Lender(s)	: None

Al-Cardinal purchased a £1,150,000 London home (left) in December 2006, eight months after receiving a controversial contract in April 2006 from the Ministry of Finance to procure Toyota Land Cruisers for the SPLA. Photos: (above) UK property records, (left) Google maps.





Ashraf Seed Ahmed Hussein—known widely as Al-Cardinal—continues to receive millions of dollars in contracts from South Sudan’s government.

Despite initial arrests, investigations into the matter faced obstruction from the beginning, and neither Al-Cardinal nor Arop were subjected to major punitive measures. Within a month of Arop’s reported arrest, he incorporated another company in pre-independence Southern Sudan.¹²³ In 2008, the government awarded Al-Cardinal another multimillion-dollar public contract.¹²⁴ While this procurement scandal only cost the pre-independence administration in Juba a few million dollars—out of billions of dollars that have gone missing from the country—Al-Cardinal has remained one of South Sudan’s most prolific and influential businessmen. Now active in mining, oil, procurement and construction, Al Cardinal has also forged business partnerships with some of the most influential people in South Sudan.

Since his involvement in the 2006 Toyota scandal, Al-Cardinal has often partnered with the government, prominent politicians, senior officials and their relatives. In November 2006, he incorporated three companies alongside Salva Kiir’s relative and close associate, Kiir

Gai Thiep: Al Cardinal Technologies Company Limited,¹²⁵ Junub Technologies Company Ltd¹²⁶ and Southern Al Cardinal for Building & Construction Co.¹²⁷ All three companies’ memoranda of association contained clauses providing to import or wholesale military-grade weapons, an objective unique even within a country where a single company’s objectives can range from mining to beekeeping.¹²⁸ Over the past decade, Al-Cardinal’s businesses have been awarded uniform contracts for the South Sudanese army;¹²⁹ partnerships with the Ministry of Telecommunications and Postal Services;¹³⁰ and contracts for the procurement of sorghum, lentils and other essential commodities.¹³¹ At the time of writing, his company held seven mining licenses across South Sudan—more than any other foreign investor.¹³²

With the outbreak of war in 2013, Al-Cardinal’s logistics company imported spare parts for the army’s recently acquired GAZ-34039 armored vehicles.¹³³ Russian export records available through a public database indicate that the first shipment of GAZ 34039-32 vehicles consigned to Green for Logistics Services LLC was declared in Mombasa, Kenya on August 11, 2014. Additional shipments were declared on August 22, September 29 and November 11, 2014. These records further illustrate that the same Russian company shipped more than 100 orders of spare parts for GAZ-34039 armored vehicles to Green for Logistics between November and December 2014. As reported by the C4ADS think-tank in September 2019, South Sudan’s Ministry of Interior received two shipments for GAZ-34039s in July and August 2014. Green for Logistics handled all subsequent purchases.¹³⁴ The armored vehicles have been photographed on the battlefield as recently as 2018.¹³⁵

While Green for Logistics handled wartime military procurement contracts, Al Cardinal General Trading was reportedly awarded a noncompetitive contract in 2015 to import 1,000 tractors through Belarussian supplier Minsk Tractor Works.¹³⁶ Although news reports indicated that the Office of the President rather than the Ministry of Finance managed the contract in this instance, Radio Tamazuj has reported that



the same lack of oversight prevailed.¹³⁷ According to Radio Tamazuj's reports, neither government officials nor members of Al-Cardinal group agreed to disclose the cost or the source of funding, and disputes over whether Kiir had "donated" the tractors or purchased them using South Sudan army funding remained unresolved.¹³⁸ Local reporters claimed National Security Service officers ordered them not to publish photos of the tractors, many of which appeared to be in poor condition and lacking parts essential for agricultural use.¹³⁹ When the tractors were finally delivered more than a year later, 200 of the 1,000 vehicles were reportedly given to the South Sudanese army rather than the food-insecure communities they had ostensibly been intended to serve.¹⁴⁰

A 2017 commitment letter from the Ministry of Petroleum indicates that in lieu of capital, Al Cardinal Investment Company Limited has been receiving payments in barrels of crude oil since January 2018.¹⁴¹ An October 24, 2017 commitment letter from the ministry indicates Al Cardinal Investment Company Limited was promised payment in barrels of crude in lieu of capital for its "outstanding bill" with the government.¹⁴² The letter outlined a schedule of 12 separate 300,000-barrel disbursements and a single 133,208-barrel disbursement, with the final installment due in May 2019.¹⁴³ The move appears to violate South Sudan's Petroleum Revenue Management Act of 2013, which states that "any contract, agreement or arrangement, to the extent that it encumbers or purports to encumber the assets of the Petroleum Revenue Saving Funds, whether by way of guarantee, security, mortgage or any other form of encumbrance is contrary to this Bill and shall be null and void."¹⁴⁴ The measure

**More than a decade
after his first deal in
South Sudan,
Al-Cardinal's reach has
become global.**

further stipulates that "Petroleum Revenue Saving Funds and Future unexploited Petroleum Reserves shall not be collateralized by Government borrowings or repayment of debts, guarantees, or any other liabilities not associated with the management of these resources, except in situation when National state of Emergency is declared."¹⁴⁵

A separate letter from the undersecretary of finance Biel Jock Thich and director general of accounts Simon Kiman Lado stated that "Alcardinal Investment LLC was contracted by the Government of the Republic of South Sudan to supply goods and services to the Government of South Sudan in the value \$299,614,428."¹⁴⁶ Notably, the letter omitted any details about the ministry that contracted Al-Cardinal's company; it similarly did not divulge any specifics about the goods and services provided.¹⁴⁷ South Sudan's Public Procurement Act states that "by default, the [Public Procurement] Unit shall conduct all procurement," and that some 80-85% of procurement contracts will be competitive open tenders.¹⁴⁸ The Sentry has found no indication that a committee approved this particular deal as part of such a tender, and was unable to confirm Al-Cardinal's status as a supplier on the online procurement portal.

More than a decade after his first deal in South Sudan, Al-Cardinal's reach has become global. He has businesses and partnerships in the United Kingdom and the United States, where he serves as special advisor on the board of FDC- Texas¹⁴⁹ and holds shares in an additional five companies, including Alcardinal General Trading Limited.¹⁵⁰ In 2017, he purchased 11 luxury apartments in Dubai.¹⁵¹



David Yau Yau: Recruiting Child Soldiers and British Investors

In some cases, international investors have established businesses with warlords who have long track records of involvement in atrocities. In early 2015, a pair of British businessmen—one of whom claims to own “one of the largest privately-owned investment and construction companies in Africa”—formed an oil services company with Lieutenant General David Yau Yau. This South Sudanese warlord forcibly recruited child soldiers and is reportedly responsible for widespread violence against civilians, according to a report prepared on behalf of the African Union.¹⁵² Incorporation records dated January 22, 2015, list Yau Yau as a 25-percent shareholder in National Depot Petroleum Development Co. Ltd.¹⁵³ The remaining shares in the company are divided evenly between the two British businessmen—

Abdelkarim Adam Eisa Mohamed and Dawd Adam Rife Abute—and an official from the Greater Pibor Administrative Area, where Yau Yau was chief administrator.¹⁵⁴



Lieutenant General David Yau Yau, a South Sudanese warlord who forcibly recruited child soldiers and is reportedly responsible for widespread violence against civilians, established a business with two British businessmen in 2015.

Yau Yau’s reported involvement in violence against civilians and child soldier recruitment was well documented by the time NDPD was launched.¹⁵⁵ The African Union, United Nations and human rights watchdogs have all reported that Yau Yau’s Cobra Faction militia committed violence against civilians and forcibly recruited and held child soldiers.¹⁵⁶ An African Union Commission of Inquiry into abuses committed during South Sudan’s civil war reported that it “heard eyewitness account of the killing of 24 women praying in a church and accusations of killings following an attack by a group associated with David Yau Yau.”¹⁵⁷ The same commission was told of a February 2014 “attack in Konyang Payam from the Murle tribe—by a group associated with David Yau Yau. They killed 28 people, including women and children.”¹⁵⁸ In 2013, several years before National Depot Petroleum was incorporated, there had been reports that Yau Yau’s troops “killed and raped civilians, looted property and slaughtered the livestock of those who will not join [his] rebellion.”¹⁵⁹

Mohamed and Abute, the two British businessmen, have extensive business interests in South Sudan and elsewhere in East Africa. Mohamed is Chairman of Al-Bedey Group of Companies, which, according to their brochure, works in “trade, construction, import and export, transportation and maintenance services.” It is also described as “one of the largest privately-owned investment and construction companies in Africa, achieving a yearly turnover of over \$200 million.”¹⁶⁰ Collectively, Mohamed and Abute have held shares in at least 13 companies in South Sudan that span banking, insurance, logistics, construction and oil.¹⁶¹ Mohamed and Rife are also the largest shareholders in National Credit Bank, which opened in South Sudan in May 2013 with great fanfare. Former IMF managing director Dominique Strauss-Kahn was present at the ribbon-cutting ceremony.¹⁶²



GOVERNMENT SPENDING IS JUST ANOTHER OPPORTUNITY TO LOOT

This section profiles the foreign investors who apparently benefited from public procurement programs in South Sudan over the past decade, including the \$922 million “Letters of Credit” program and a \$65 million transfer to a company owned by a South Sudanese general for goods that reportedly never arrived.

Cross-Border Cash Grab: Eritrean Traders and the Letters of Credit

Foreign investors were among the main beneficiaries of a \$922 million program marred by allegations of fraud and embezzlement, according to an audit report and corporate records reviewed by The Sentry.¹⁶³ Over \$320 million were awarded to, or subcontracted to, companies owned by Eritrean or Ethiopian traders.¹⁶⁴ Of that total, more than \$57 million in contracts are linked to companies owned by Eritrean businessman Ghebremeskel Tesfamariam Ghidey, widely known as Gebre.¹⁶⁵



The Sentry found that at least \$57 million in letters of credit were awarded or subcontracted to companies owned by Eritrean businessman Ghebremeskel Tesfamariam Ghidey.

After South Sudan’s government halted oil production in 2012 amid a dispute with Khartoum, shortfalls in US dollars made importing goods next to impossible, so the government secured \$922 million through oil-backed loans from Qatar National Bank and Stanbic Bank to finance procurement.¹⁶⁶ The funds were allocated as “letters of credit” to more than a thousand private companies.¹⁶⁷ These companies were supposed to procure and import goods from neighboring countries. The cash went out, but, according to the audit report, hardly any of the goods promised reached their ostensibly intended destinations.¹⁶⁸ The investigation by South Sudan’s auditor general into the program reviewed by The Sentry identifies widespread irregularities. Additional documents reviewed by The Sentry also indicate that many of the companies cited in the audit for failing to provide goods were owned by senior officials, members of their families or well-connected traders from Eritrea, Ethiopia, Kenya and Uganda.

Several Eritrean and Ethiopian business networks operating between Juba and Kampala, Uganda are reportedly among the largest beneficiaries of the letters of credit program. Eritrean-





The letters of credit program was intended to address shortages in commodities, including pharmaceuticals. Photo: A looted hospital in Malakal, where patients and medical staff were killed in fighting in 2014. AP image.

owned businesses based in South Sudan reportedly received at least \$100 million worth of LCs.¹⁶⁹ The Sentry's analysis of company ownership revealed that more than a third—\$320 million worth—of allotted LC contracts were awarded to South Sudan-registered companies majority owned by Eritrean or Ethiopian traders, or were subcontracted to companies in Uganda owned by Eritrean or Ethiopian traders.¹⁷⁰ The Sentry found that at least \$57 million in LCs identified in the audit report were awarded or subcontracted to companies owned by Gebre.¹⁷¹

South Sudan-registered companies owned by Gebre received 21 of the letters of credit identified in the audit report, worth a combined total of \$30 million. All but \$1.2 million of these letters of credit were reportedly allocated to Gebre's companies by South Sudan's trade ministry. According to a report in the *Mail & Guardian*, companies owned by Gebre received \$10 million in LCs to import cooking oil.¹⁷² The amount corresponded to two thirds of the country's annual consumption and, based on trade data, at best only \$3.4 million of oil were imported during the LC allocation period.¹⁷³ According to the audit report, Gebre's companies applied for the LC with five separate companies he controlled. In all, Gebre appears to have accessed five contracts each worth \$2 million.¹⁷⁴

Two South Sudanese government officials jointly own one of Gebre's companies that received LCs referenced in the audit report. An LC worth \$100,000 was reportedly awarded to Mayom General



Trading, a firm owned by Gebre alongside Deng Ajou Ajou—an official in South Sudan’s Office of the President—and Abraham Deng Wol Kon, a military officer who is a business partner of Kiir’s brother-in-law, General Gregory Vasili Dimitry.¹⁷⁵

For many of the payments allocated by South Sudanese government ministries, the auditor general’s report also lists the so-called “LC beneficiary,” the company registered outside of South Sudan subcontracted to import the essential goods and services needed in the country. Gebre owns at least three of the Ugandan companies listed as beneficiaries for LCs allocated to Gebre-owned South Sudanese companies: G.M.A. General Trading Co., SDRA General Trading (U) Limited and Denkel General Trading.

Denkel General Trading stands out because of the number of contracts it reportedly received to export goods from Uganda as part of the letters of credit program.¹⁷⁶ Denkel was incorporated in June 11, 2014, with Gebre listed as an 80 percent shareholder.¹⁷⁷ The company is listed in the report as the beneficiary for 44 letters of credit—worth a total of \$27.3 million—issued by 12 different South Sudanese government ministries.¹⁷⁸



However, three issues surrounding Denkel raise red flags about whether the company was able to deliver the promised goods. First, five of the letters of credit for which Denkel is listed as a beneficiary were reportedly allocated to South Sudan-registered companies within a month of being incorporated in Uganda, including two issued the day after incorporation.¹⁷⁹ Second, according to tax data reviewed by The Sentry, Denkel paid no taxes in Uganda during the period of the contracts in 2014 or 2015, during which all of the letters of credit linked to Denkel had been allocated. The company was not even registered with the Ugandan Revenue Authority until January 2016, according to data reviewed by The Sentry. Third, Denkel is listed as the beneficiary for a \$400,000 letter of credit allocated by South Sudan’s Ministry of Health to Chetan Pharmacy for pharmaceutical supplies. However, Denkel is not registered with Uganda’s National Drug Authority, a prerequisite for exporting pharmaceuticals legally from Uganda.¹⁸⁰

Gebre has been associated with other transnational financial transactions. Citing law enforcement sources investigating illicit transfers to businesses affiliated with Eritrea’s ruling party, the UN Monitoring



Millions in Letters of Credit for one person

12 companies owned by Ghebremeskel Tesfamariam Ghidey received or benefited from over 65 Letters of Credit from 12 ministries, states, or administrative areas. The majority of these contracts listed Denkel General Trading as the beneficiary, even when the Letters of Credit were awarded to another company owned by Ghebremeskel Tesfamariam Ghidey.



*Each company listed Ghebremeskel Tesfamariam Ghidey as a shareholder according to corporate documents viewed by the Sentry. The Letter of Credit figures appear in the Auditor General's report, reviewed by The Sentry.

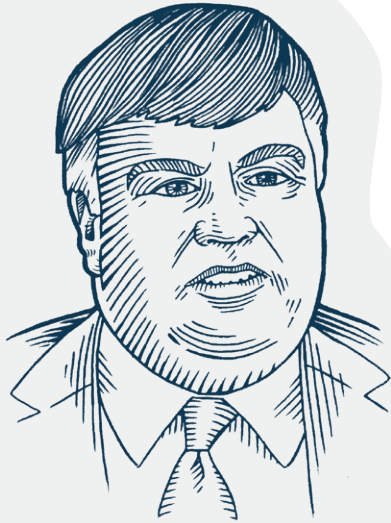


Group on Somalia and Eritrea named Gebre as one of the recipients of “illicit funds” originating from Arlington, Virginia, a suburb just outside Washington.¹⁸¹ Two additional sources with knowledge of Gebre’s operations told The Sentry that he has close ties to the Eritrean government and likely conducts business on behalf of senior officials in Asmara. These sources describe Gebre as influential and well connected with South Sudan’s military and security apparatus as well.

The auditor general’s report was presented to South Sudan’s National Assembly but quickly buried and ultimately never published. None of the companies that reportedly failed to deliver supplies faced sanctions or government repayments. Government officials involved in the program have also avoided consequences. The institutional failures that plagued the program have yet to be addressed. No formal inquiry has taken place into why two large international banks were even willing to provide the loans, given that the recipient government was renowned for high levels of corruption and weak internal controls.

Amid widespread continued commodity shortages, the government amassed hundreds of millions of dollars in debt—and the next generation of South Sudan’s citizens may be left footing the bill. In March 2017, the International Monetary Fund reported that South Sudan had “an outstanding liability to the Qatar National Bank amounting to about \$610 million, originating from short-term credit facilities (guaranteed by the Government of South Sudan) that fell into arrears in 2015.”¹⁸²

Under the Radar: a General, a British Tycoon and a Money Trail



David Greenhalgh and his company are implicated in a government investigation into \$65 million that reportedly left South Sudan for services that South Sudanese authorities and government correspondence indicate were never delivered.

David Greenhalgh, a British national, built an aviation consulting firm that earned him millions of dollars.¹⁸³ With business operations across Africa, he now splits time between the United Kingdom and Uganda, where he became tabloid fodder for his fondness of drag racing, propensity for throwing lavish parties and legal spats with a girlfriend who allegedly siphoned millions of dollars from his accounts.¹⁸⁴ Documents reviewed by The Sentry raise questions about the source of funds used to underwrite Greenhalgh’s extravagant lifestyle.

The documents indicate that Greenhalgh and his company are implicated in a government investigation into \$65 million that reportedly left South Sudan for services that South Sudanese authorities, in correspondence with Macedonian authorities, said were never delivered.¹⁸⁵ Funds originating from the deal reportedly transited through bank accounts held by Greenhalgh’s companies in multiple jurisdictions and were eventually flagged as suspicious and frozen.¹⁸⁶

The first transfer reportedly occurred on December 15, 2009, when pre-Independence Southern Sudan’s Ministry of Finance paid \$65 million to Uganda-registered Cascade Construction,



as payment for “a mobile system for aviation management and monitoring central unit, complete with radar and other equipment.”¹⁸⁷ The Ugandan company that allegedly received the payment was reportedly owned by Bior Ajang Duot, who served as undersecretary in the Ministry of SPLA Affairs at the time, a position sources say entails discretion over contract allocations.¹⁸⁸ Shortly thereafter, the funds were reportedly transferred to an account held by Airservices MK Dooel, a Macedonia-registered firm owned by Greenhalgh.¹⁸⁹

The funds reportedly paid to Cascade—and then to Airservices—apparently changed hands numerous times, passing through banks in several foreign jurisdictions before millions were used to purchase property and vehicles outside South Sudan.¹⁹⁰ Some funds were reportedly paid to Gimex, a Ugandan company that shares an address with Cascade Construction that is owned by a close associate of Greenhalgh.¹⁹¹ Large amounts of cash were reportedly then withdrawn from Gimex’s accounts in round dollar amounts, a red flag for banks and regulators. Millions of dollars reportedly shuffled back and forth between a few companies closely linked to Greenhalgh. A portion of the funds served to buy vehicles and property in Uganda, according to the investigation by South Sudanese authorities.¹⁹²

The patterns of the financial flows caught the attention of monitors in Macedonia and South Sudan. Macedonian authorities questioned the origin of a related \$30 million transfer into an account in Skopje and temporarily froze the funds.¹⁹³ In a letter to Macedonian authorities, the South Sudanese authorities noted that more than a year after the money was paid, the promised goods had not arrived.¹⁹⁴ The same correspondence and an investigation by South Sudanese authorities stated that the funds moved to or from accounts without a business rationale where contracts did not justify the transfers and that “the flow from the account is unusual and suspicious,” suggesting money laundering.¹⁹⁵ Key details about the transactions raise money laundering red flags, such as the same parties appearing in multiple transactions over a short time period, the consistent use of rounded amounts and financial activity inconsistent with legitimate or expected activity of the company.¹⁹⁶ Cascade Construction’s involvement is particularly noteworthy since a senior military official owns it and because the transactions profiled are inconsistent with the company’s core business objectives.

When the Ugandan government was contacted after Airservices’ funds were frozen in Macedonia, Uganda’s attorney general Kiddu Makubuya brushed off any concerns.¹⁹⁷ On February 8, 2011, in response to an investigative inquiry by the Basic Court of Skopje, Makubuya stated, “Cascade Construction has the full support and endorsement of the government of Uganda in the implementation” of its contract with Airservices. “Financial transactions that have been undertaken [to Air Services MK Dooel] herein don’t have any ingredients of illegal, corrupt and or fraudulent activity,” he added, calling the South Sudanese authorities’ investigation a “misunderstanding.”¹⁹⁸ Insisting that “the project is of particular national and security importance,” Makubuya called the deal a “milestone of cooperation between the government of Uganda and Southern Sudan.”¹⁹⁹ Makubuya resigned from the cabinet in 2012 after an investigation by the Public Accounts Committee of Parliament into a compensation scandal.²⁰⁰

The investigation by South Sudanese authorities noted the \$30 million was eventually released from Macedonia, mentioning that an additional \$18 million was held in Macedonia only until February 13, 2011.²⁰¹ In a letter to the Macedonian public prosecutor on February 14, 2011, the South Sudanese

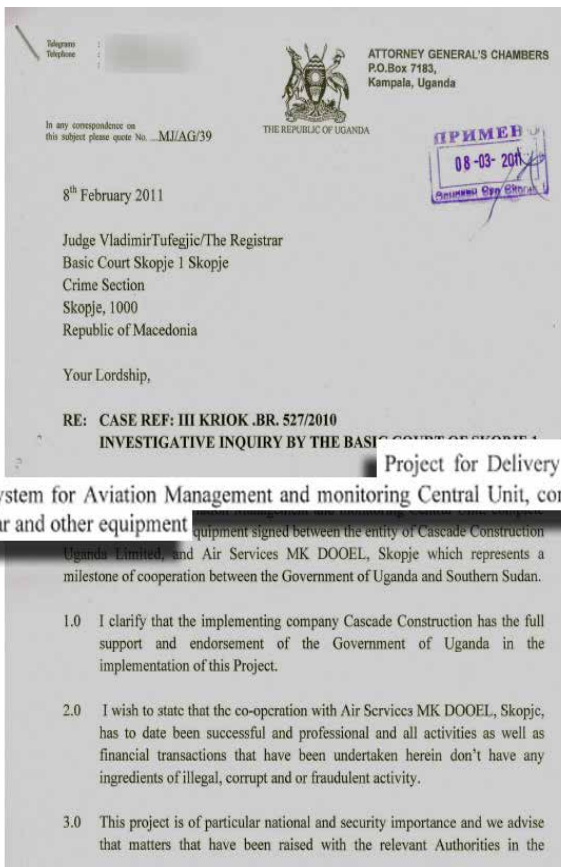


authorities said “the goods that should have been procured since December 2009 have not yet reached Southern Sudan” and “the flow of money from the [Cascade Construction] account is unusual and suspicious.” South Sudanese authorities requested that Macedonian authorities extend the freeze on the account until they could establish a process of repatriation, but the funds had already been released at that point.²⁰²

The Ugandan attorney general’s letter raises additional questions about whether or not the parties to the deal complied with some countries’ restrictions on weapons sales to Southern Sudan at the time.²⁰³ When the deal reportedly took place, the European Union maintained a comprehensive

arms embargo on South Sudan.²⁰⁴ Any European company or citizen involved in the sale, supply, transfer or export of arms and related materiel of all types, including weapons and ammunition, military vehicles and equipment, paramilitary equipment and spare parts, would violate the embargo.²⁰⁵ This activity would include providing technical assistance, brokering services, financing or financial assistance, whether directly or indirectly.²⁰⁶

Neither Greenhalgh nor Duot have faced legal sanctions for their alleged involvement in this transaction. After public reports of Duot’s involvement in a separate corruption scandal in 2015, he was removed from his post and reassigned to the Ministry of Foreign Affairs. Greenhalgh is still involved in business operations in South Sudan. He namely provided a loan to prominent South Sudanese businessman Obac William Olawo to be used for his company, Golden Wings Aviation.²⁰⁷ The loan was extended two months after the UN Panel of Experts reported that Golden Wings was involved in transporting weapons to conflict zones within South Sudan.²⁰⁸



Letter dated February 8, 2011, from the Uganda Attorney General to the Basic Public Prosecutor for Organized Crime and Corruption in Skopje, Macedonia responding to concerns about the contract between Cascade Construction and Aircservices MK Dooel. Photo: The Sentry.



RECOMMENDATIONS

Dismantling South Sudan's violent kleptocratic system, which attracts financial facilitators and commercial enablers from the world over, is the key to creating the necessary conditions for peace, human rights and good governance in the country. This section provides recommendations for how governments and the private sector—especially banks—can disrupt the global financial networks that facilitate and make possible the looting of South Sudan. Banks, policymakers, regulators, law enforcement, international development institutions and the South Sudanese government itself all must act against these international financial facilitators and commercial enablers while also targeting the underlying conditions that allow the powerful to exploit South Sudan's natural resources and state assets at the expense of the country's peace and stability. Creating robust regulatory and compliance frameworks, enacting financial tools of pressure that provide leverage to counter peace spoilers and undertaking regulatory reform that shifts the economic and political power structures from the personal financial interests of elites in South Sudan to good governance and respect for democratic institutions are all critical in this regard. Only then will the country be able to overcome the parasitic kleptocratic networks exploiting South Sudan at the expense of its people.

1. Recommendations for Banks

More than half of the banks in South Sudan are controlled by officials defined in the banking world as politically exposed persons (PEPs). Politically Exposed Persons can be understood as individuals who are or have been entrusted with a prominent public function and their family members. Financial institutions with relationships around the world have served as the getaway cars for the massive graft that has plagued the country. As a result, banks must be at the forefront of efforts to expose and dismantle the international networks responsible for this corruption. While South Sudanese banks have minimal direct ties to financial centers such as New York, London and Johannesburg, these institutions are nevertheless connected to the global banking system through nested accounts and correspondent banking relationships held with other institutions in East Africa, the Gulf and Europe.

Consequently, financial institutions around the world must be on guard for illicit financial activities of South Sudanese PEPs and their networks. The individuals and companies involved may seem unremarkable to compliance departments unfamiliar with the typologies of money laundering and other financial crimes endemic to South Sudan and to others that do business with the PEPs who have captured the country's political system. Thus, banks operating in East Africa, the Gulf and elsewhere where businesses have a stake in South Sudan have an outsized importance and ability to make a difference in the lives of millions of South Sudanese merely by applying the same enhanced compliance practices that these institutions normally undertake for high-risk jurisdictions and business environments.



Banks and financial institutions should undertake the following actions to protect themselves from upstream and downstream money laundering, sanctions evasion and corruption risks while also allowing for the responsible financial inclusion that the people of South Sudan so desperately need in order for the country to grow economically:

Engagement with Respondent Banks. International financial institutions should work with their branches and respondent banks in the region to provide facilities and financial services to legitimate South Sudanese businesses and transactions. The banks can proceed in line with their risk appetite and policies while protecting the integrity of the global financial system against illicit finance.

Working with international banking partners. International financial institutions should work with their banking partners in Eritrea, Ethiopia, Kenya, Uganda and other known transit or intermediary countries such as China, Egypt, Malaysia, the United Arab Emirates and Qatar to ensure that their systems and controls are reasonably designed to identify and mitigate the risks from transfers involving illicit funds originating from South Sudan.

Update global policies with risk indicators. International financial institutions should review their transaction monitoring and red flag system to ensure the typologies of corruption and money laundering typical of South Sudan are effectively reflected. Additionally, where this is not currently in place, international financial institutions should add South Sudan as a country representing a higher risk of money laundering and corruption to their global AML policies. This should be done in order to trigger enhanced due diligence (i) at customer onboarding, (ii) for all deals involving South Sudan or South Sudanese PEPs and (iii) of business relationships and/or transactions.

Enhanced Due Diligence, Enhanced Ongoing Monitoring, Screening and Transaction Reviews. Financial institutions should take measures to identify accounts held and/or beneficially owned by senior South Sudanese PEPs, carry out a comprehensive assessment to identify their broader international networks, and determine measures needed to mitigate the risks involved in such accounts and customer relationships. Financial institutions should also undertake increased screening, enhanced ongoing monitoring and transaction reviews to identify, investigate and report potentially suspicious financial activity related to South Sudan, especially with respect to international networks profiting from such activity. Additionally, financial institutions should carry out enhanced due diligence on high-value letters of credit or similar instruments issued to companies beneficially owned and/or controlled by South Sudanese PEPs, influential public officials, military officers, their families and their business associates, including on all parties to a transaction. This should include ongoing monitoring of the transaction through to completion.

Know your client's business. Commodity banks should work closely with clients who have interests in oil or mining or who source oil and/or other natural resources from South Sudan, particularly when offering open account credit, to manage the risks of illicit financial activity involved in these sectors. Banks should understand their clients' end-to-end supply chain and the environmental risk assessments completed in order to identify potential risks associated with money laundering or laundering the proceeds of corruption or environmental crimes.



Staff training and awareness. Financial institutions should provide training to relevant staff, particularly those working in trade finance or commodities trading with South Sudan or countries that trade with South Sudan and have a focus on oil, mining and commodities export industries, to identify red flags for money laundering and corruption. This will enhance their ability to detect and disrupt suspicious activity that may constitute illicit financial flows from South Sudan stemming from unlawful conduct including but not limited to money laundering, sanctions evasion, the misappropriation of state assets, human rights violations and other forms of corruption and financial crimes.

2. Recommendations for Governments and Multilateral Institutions

Governments and multilateral institutions around the world have the moral responsibility and the regulatory authority to act. A new approach would prioritize expanding financial pressure through “network sanctions” and anti-money laundering measures. “Network sanctions” freeze the assets of not just one individual for whom a change in behavior is sought, but also the individuals or entities who act on their behalf or provide support for the primary individual’s activities. In addition, network sanctions focus on the companies or properties that are “owned and/or controlled by” the primary target. Network sanctions target both the domestic and international collaborators benefiting from violence and looting. In recent years, the United States has begun to employ a unique network sanctions strategy to address grand corruption in East and Central Africa by, for example, targeting Israeli businessman Dan Gertler in Congo along with 33 of his international companies and a Belgian business associate working on his behalf. In South Sudan, the US Department of the Treasury sanctioned retired Israeli General Israel Ziv for being a leader of an entity whose actions have the purpose or effect of expanding or extending the conflict in South Sudan, along with several companies owned or controlled by Ziv. The United States, European Union, United Kingdom, Canada, Australia and other jurisdictions with the ability to implement financial sanctions such as those applied to Gertler and Ziv should deploy network sanctions to make it more difficult to benefit from the violence and instability plaguing South Sudan.

Network sanctions should be deployed in tandem with anti-money laundering measures, which can help deprive the kleptocrats of the lifestyle and affluence that they desperately covet. This includes targeting real estate outside of South Sudan—where elites often hold their ill-gotten wealth—and sectors of the South Sudanese economy that have been fully captured by ruling kleptocrats for personal enrichment, such as the oil industry—where the elites steal the funds.

The following are recommendations for regulators and policymakers from governments and multilateral institutions:

A. United States:

Expand Sanctions Authorities and Enforcement. The US president should issue a new executive order, or amend Executive Order (E.O.) 13664, to provide additional authorities for targeting the illicit financial activity described in this report. These measures should make it easier to target individuals and entities responsible for, or who facilitate, corruption, money laundering, and human rights abuses



in South Sudan, while minimizing the impact on South Sudan's broader population. Specifically, such additional authorities should include:

- **Update sanctions designation criteria to include family members.** A new, or amended, executive order should update existing criteria to allow for the designations of persons who are the spouses or dependent children of any person whose property and interests in property are blocked pursuant to (i) E.O. 13664 or (ii) any South Sudanese person blocked pursuant to E.O. 13818. It is common for South Sudanese kleptocrats to conceal ultimate beneficiaries of assets and obfuscate ownership and/or control of property by hiding their ill-gotten wealth in the names of family members. This criterion would be an effective measure to strengthen the impact of financial actions against targeted individuals and prevent sanctions evasion. Similar designation criteria appeared in the Zimbabwe and former Burma sanctions programs in the US.
- **Target spoilers undermining peace.** A new, or amended, executive order should also contain criterion that allows for designations of persons determined to be responsible for or complicit in, or to have engaged in, directly or indirectly actions or policies that obstruct, undermine, delay or impede, or pose a significant risk of obstructing, undermining, delaying or impeding, the adoption of the Government of National Unity or peace agreement in South Sudan. This criterion, which is similar to a provision in E.O. 13726 of April 19, 2016 (addressing Libya), provides a basis for individuals to be sanctioned for obstructing, undermining, delaying, or impeding these critical milestones toward peace in South Sudan.
- **Block corrupt officials access to luxury goods and property abroad.** A new executive order should prohibit US persons from exporting luxury goods to South Sudan and facilitating the sale of real estate to South Sudanese officials outside of the country. In addition to an outright prohibition, the executive order should add a sanctions criterion that could apply to any foreign person who has, directly or indirectly, imported, exported or re-exported luxury goods to or into South Sudan or facilitated the sale of high value real estate to South Sudanese officials outside of the country. According to the IMF, South Sudan had an estimated per capita GDP of \$1,525.30, making it one of the poorest countries in the world. Despite this, government elites and their cronies continue to travel overseas to spend lavishly, import expensive goods and buy expensive properties in neighboring Uganda and Kenya. Curtailing the ability of South Sudan's elites to spend or otherwise launder the illicit proceeds of their corruption will serve as a powerful deterrent to incentivize a change in behavior.
- **Target captured business sectors.** Finally, the new executive order should limit or prohibit US persons from conducting business with foreign persons who are determined to be active in key sectors of South Sudan's economy determined by the US secretary of the Treasury. This authority should focus on sectors of South Sudan's economy that are captured by corrupt regime elites. These investigations should begin



with South Sudan's oil and mining industries and could result in business prohibitions or requirements to report publicly on due diligence measures. South Sudan's violent kleptocracy exploits these sectors for personal profit while the country's civilian population reaps little reward. This would build on the 2018 Department of Commerce addition to the Entity List of 15 South Sudanese companies and ministries involved in the oil sector and apply the pressure consistently to the entire sector, rather than specific entities. Coordinated action with the European Union, particularly with the United Kingdom, would further restrict the number of oil trading companies willing to do business with South Sudan.

Go after entire networks, including international facilitators. When implementing existing or future sanctions authorities, the United States government should investigate and, if appropriate, use existing sanctions powers to target the individuals and entities highlighted in this report and their support networks in order to prevent malign actors profiting from state capture in South Sudan from accessing the international financial system.

Pursue asset seizure orders on criminally derived assets. The United States should dedicate US law enforcement resources to investigate the proceeds of state corruption, violence and human rights abuses in South Sudan in order to seek asset seizures abroad, where PEPs own property (particularly in Kenya and Uganda). Where foreign assets that might become subject to a forfeiture order in U.S. courts are identified, the United States should seek assistance from the correspondent foreign governments to seize those assets, consistent with existing mechanisms for such actions. The Department of Justice should establish an interagency team to trace and seize the proceeds of South Sudanese corruption, based on existing evidence uncovered by The Sentry, the United Nations and others.

Sound the alarm on corrupt real estate acquisitions. The United States should declare the purchase of luxury real estate outside the country by South Sudanese PEPs to be a primary money laundering concern. South Sudanese elites are using the proceeds of corruption to purchase real estate and conceal illicit funds abroad with relative ease. The Treasury Department's Financial Crimes Enforcement Network (FinCEN) should build on its September 2017 advisory and issue a finding, pursuant to Section 311 of the Patriot Act, that the purchase of real estate by South Sudanese PEPs is a class of transactions that is a primary money laundering concern. The finding would require domestic financial institutions and financial agencies to take certain special measures to address the primary money laundering concern presented by these transactions. The existing FinCEN advisory highlights real estate as a key typology for money laundering among South Sudanese PEPs, and real estate is a key topic for FinCEN overall. Imposing special measures under Section 311 for real estate purchases outside of South Sudan by South Sudanese PEPs would build on these agency priorities.

Engage partners on anti-money laundering and financial pressure. The United States should engage in diplomatic efforts with the United Kingdom and EU member states to encourage them to issue parallel banking advisories to those issued previously by FinCEN. Such advisories would amplify the regulatory impact on international financial institutions that hold South Sudanese money. Representatives to the Financial Action Task Force (FATF) and the regional FATF-style body Eastern



and Southern Africa Anti-Money Laundering Group (ESAAMLG), which has already prioritized targeting corruption, should elevate attention on South Sudanese money laundering through real estate purchases in order to increase financial institution focus on these transactions.

B. European Union:

Impose sanctions on human rights violators and their global networks. The European Union should include corruption criterion and derivative sanctions language in the EU human rights sanctions regime currently under consideration for imposing asset freezes and visa bans against individuals involved in grave human rights violations. It is critically important for this new sanctions instrument to be enacted expeditiously. The European Union should also utilize its existing South Sudan sanctions authority to target human rights violators in South Sudan.

Engage partners on anti-money laundering and financial pressure. The European Union should engage in efforts with the United Kingdom and the United States to issue parallel banking advisories that would increase the regulatory impact on international financial institutions that hold South Sudanese money. The EU's recent Council conclusion calling for "financial accountability" provides a strong basis for this engagement.

Add South Sudan to its blacklist of countries and jurisdictions that are failing in the fight against money laundering and terrorist financing. The European Commission is revising its list of governments with strategic deficiencies in efforts to combat money laundering and terrorist financing. South Sudan and the countries its elites and their international networks use as the primary destinations for the laundering of the proceeds of financial crime should be included in the new list of jurisdictions that the European Commission has announced it will issue that requires European banks to carry out enhanced checks by conducting enhanced due diligence on transactions from those jurisdictions that appear on the Commission's list.

C. United Kingdom:

Impose autonomous sanctions against corrupt networks. The United Kingdom should immediately move forward with autonomous sanctions against these networks under its powers set forth within the Sanctions and *Anti-Money Laundering Act 2018*. To that end, The Sentry has identified examples of British citizens who are reportedly associated with senior government officials or military officials responsible for gross human rights violations or abuses in South Sudan, including by providing financial services, or making available funds or economic resources, that could contribute to these activities in South Sudan. These individuals have property and other economic interests on the United Kingdom and travel to the United Kingdom. Since the United Kingdom embraces its impact-driven approach to multilateralism, the UK government enjoys significant leverage to designate persons by issuing sanctions under the Statutory Instrument 2019 No. 438 *The South Sudan (Sanctions) (EU Exit) Regulations 2019*. Designations could include an asset freeze, prohibition on making any economic resources available to such persons and their wider networks including in Sudan, as well as listing them as excluded persons under section 8B of the *Immigration Act 1971*.



Pursue asset seizure orders on criminally derived assets. The United Kingdom should support law enforcement's use of civil recovery measures, including unexplained wealth orders, interim asset freezing orders, etc. included in the *Criminal Finances Act 2017 (amending the Proceeds of Crime Act 2002)* to identify and seize further assets in the United Kingdom. At the same time, the United Kingdom should allocate resources to investigate the proceeds of state corruption, violence and human rights abuses in order to trigger asset seizures abroad, where elites own property.

Engage partners on anti-money laundering and financial pressure. The United Kingdom should engage in efforts with the United States and EU member states to issue parallel banking advisories that would amplify the regulatory impact on international financial institutions that hold South Sudanese money. Representatives to FATF and the regional FATF-style body ESAAMLG should elevate attention on South Sudanese money laundering through real estate purchases in order to increase financial institution focus on these transactions.

Issue a public advisory to its financial institutions warning about the money laundering risks associated with South Sudanese PEPs. The National Crime Agency, working with Her Majesty's Treasury, should mirror FinCEN's 2017 anti-money laundering advisory on political corruption risks in South Sudan to warn financial institutions in its jurisdiction about the typologies described in this report and issue guidance for financial institutions to take risk-based steps to identify and limit any exposure they may have to funds and other assets associated with South Sudanese corruption. This will allow banks to allocate their resources to identifying suspicious behavior emerging from South Sudan.

Sound the alarm on corrupt real estate acquisitions. The United Kingdom should declare the purchase of luxury real estate outside the country by South Sudanese PEPs to be a money laundering concern and work to prevent the misuse of its real estate sector.

D. Australia:

Go after entire networks, including international facilitators. Australia should investigate and, if appropriate, use existing sanctions powers to target the individuals and entities highlighted in this report and their support networks in order to prevent malign actors profiting from state capture in South Sudan from accessing the international financial system and moving assets to Australia, which is home to a large South Sudanese diaspora community.

Investigate and sound the alarm on corrupt real estate acquisitions. In early 2018, Australia initiated the process to seize the Melbourne house of a South Sudanese military general. The Australian Federal Police, AUSTRAC (Australia's financial intelligence unit) and other authorities should continue to investigate properties possibly belonging to South Sudanese PEPs and prevent misuse of its real estate sector.

Enact autonomous sanctions against corrupt networks. Australia should reintroduce and pass the autonomous sanctions bill that will target corrupt networks laundering South Sudan's state assets. The International Human Rights and Corruption (Magnitsky Sanctions) Bill 2018 was introduced



in December 2018 but lapsed at dissolution of the last Parliament in April 2019. The bill allows for the imposition of sanctions “for the purposes of compliance with United Nations obligations or other international obligations, or for the purposes of preventing or responding to gross human rights abuse or violations, or acts of significant corruption.”

E. Canada:

Go after entire networks, including international facilitators. Canada should investigate and, if appropriate, use existing sanctions powers to target the individuals and entities highlighted in this report and their support networks in order to prevent malign actors profiting from state capture in South Sudan from accessing the international financial system and moving such assets to Canada.

Issue a public advisory to its financial institutions warning about the money laundering risks associated with South Sudanese PEPs. The Canadian Department of Finance should mirror FinCEN’s 2017 anti-money laundering advisory on political corruption risks in South Sudan to warn financial institutions in its jurisdiction about the typologies described in this report and issue guidance for financial institutions to take risk-based steps to identify and limit any exposure they may have to funds and other assets associated with South Sudanese corruption. This will allow banks to allocate their resources to identifying suspicious behavior emerging from South Sudan.

F. Kenya:

Enact and enforce sanctions against South Sudanese profiteers and their international collaborators. Kenya should implement United Nations sanctions against UN-listed South Sudanese officials, including by enforcing the travel ban and freezing physical property such as homes that should be considered as “financial assets” of the sanctioned person. According to the UN Security Council Resolution 2206 (2015) on South Sudan, member states are to “freeze without delay all funds, financial assets and economic resources which are on their territories, which are owned or controlled, directly or indirectly, by any individuals or entities that may be designated by the Committee, or by any individuals or entities acting on their behalf or at their direction, or by entities owned or controlled by them, and decides further that all Member States shall for this initial period ensure that neither these nor any other funds, financial assets or economic resources are made available, directly or indirectly for such persons’ benefit, by their nationals or by persons within their territory.”²⁰⁹

Investigate and sound the alarm on corrupt real estate acquisitions. The Sentry’s investigations have revealed properties owned by South Sudanese elites. Kenya’s Ethics and Anti-Corruption Commission and Financial Reporting Centre should investigate and seize real estate properties possibly belonging to South Sudanese Political Exposed Persons and prevent the misuse of its real estate sector.

Issue warning on the money laundering risks associated with South Sudanese political corruption. Kenya’s Central Bank should further build on the circular sent to the country’s financial institutions in October 2017 emphasizing their legal obligation to freeze the accounts of UN-sanctioned South Sudanese officials and requiring that Kenyan financial institutions report back to the central



bank on what measures they have undertaken to implement these measures. The Kenyan Bankers Association should similarly work with its member banks to assist them in addressing these risks.

Implement National Action Plan components related to corruption. Kenya has recognized that corruption is a human rights issue, within the scope of its National Action Plan on Business and Human Rights, in order to implement the UN Guiding Principles on Business and Human Rights. As one of the first countries in Africa to issue a National Action Plan, Kenya's various implementing agencies should ensure that real estate acquisitions by foreign PEPs from a high-risk and conflict-affected jurisdiction like South Sudan are addressed. Kenya could also work within its National Action Plan to require public reporting on enhanced due diligence measures taken with respect to conduct of business in key South Sudanese sectors connected to corruption.

G. Uganda:

Enact and enforce sanctions against South Sudanese profiteers and their international collaborators. Uganda should implement United Nations sanctions against UN-listed South Sudanese officials, including by enforcing the travel ban and freezing physical property such as homes that should be considered as "financial assets" of the sanctioned person. According to the UN Security Council Resolution 2206 (2015) on South Sudan, member states are to "freeze without delay all funds, financial assets and economic resources which are on their territories, which are owned or controlled, directly or indirectly, by any individuals or entities that may be designated by the Committee, or by any individuals or entities acting on their behalf or at their direction, or by entities owned or controlled by them, and decides further that all Member States shall for this initial period ensure that neither these nor any other funds, financial assets or economic resources are made available, directly or indirectly for such persons' benefit, by their nationals or by persons within their territory."²¹⁰

Investigate and sound the alarm on corrupt real estate acquisitions. The Sentry's investigations have revealed properties owned by South Sudanese elites. Uganda should investigate and seize real estate properties possibly belonging to South Sudanese PEPs and prevent the misuse of its real estate sector.

Issue warning on the money laundering risks associated with South Sudanese political corruption. The Central Bank of Uganda should issue a circular to the country's financial institutions emphasizing their legal obligation to freeze the accounts of UN-sanctioned South Sudanese officials and requiring that Ugandan financial institutions to report on measures they have undertaken to implement these measures. Uganda's own National Risk Assessment related to money laundering identified this as an area of concern. The central bank and other agencies should act on the patterns identified in that Risk Assessment and this report.

H. South Africa:

Leverage UN Security Council membership for more effective sanctions and enforcement. South Africa should utilize its current position as a United Nations Security Council member to advocate for network sanctions and for sanctions on the grounds of corruption and natural resource theft in order to



target those profiting from the crisis in South Sudan. South Africa should also work with other members of the Council to press member states at the regional level to enforce any asset freezes, travel bans and other actions that the Council has imposed.

Investigate and sound the alarm on corrupt real estate acquisitions. South Africa should investigate and seize real estate properties possibly belonging to South Sudanese PEPs and prevent the misuse of its real estate sector.

Issue warning on the money laundering risks associated with South Sudanese political corruption. South Africa's financial intelligence unit should issue an anti-money laundering advisory to the country's financial institutions emphasizing their legal obligation to freeze the accounts of UN-sanctioned South Sudanese officials and requiring that South African financial institutions to report on measures they have undertaken to implement these measures.

I. World Bank and IMF:

Resume work on asset recovery. South Sudan should request that the World Bank resume and broaden the work of the StAR to investigate and return stolen state resources. As part of a new South Sudan Forum on Asset Recovery (SSFAR), the Revitalized Transitional Government of National Unity should engage with community leaders and civil society to integrate the public's interest in providing evidence of wrongdoing and investigating egregious acts of corruption.

Assess progress and reform prior to providing support. The World Bank and IMF must condition future technical and financial assistance on a credible reform of the country's institutions of accountability. The starting point should focus on implementing the Chapter IV provisions of the peace agreement. As a first step, the promulgation of the peace agreement into law by the National Assembly should be prioritized, but these institutions must conduct meaningful and credible assessments of key issues prior to providing support. These include:

Assess government institutions and corruption risks. In addition to pushing the government of South Sudan to improve macro-economic stability and strengthening economic buffers during annual Article IV Consultations, the International Monetary Fund should utilize such consultations to work with South Sudan to realize a dramatic improvement in governance, including strengthening institutions and accountability mechanisms. . In addition, the IMF should utilize its suite of fiscal governance assessment tools (e.g. Public Investment Management Assessment (PIMA), Fiscal Transparency Evaluation-FTE) to evaluate progress in improving accountability and governance shortcomings in South Sudan. These steps should be a critical component for accessing external financial support from development partners.

Ensure responsible financial inclusion. Both the World Bank and IMF have been leaders in addressing the crisis of de-risking and financial inclusion affecting countries like South Sudan. These institutions should work with member governments and financial institutions to ensure that efforts to conduct enhanced due diligence and implement responsible business practices do not lead to large-scale de-risking.



3. Recommendations for the Government of South Sudan

Competitive corruption between South Sudan's politicians is a primary driver of conflict in the country. In order to prevent a return to war, steps to mitigate graft are imperative. These steps should aim to strengthen and empower institutions of accountability. Standards related to transparency and human rights protections are internationally accepted. In order to shed its status as a pariah in the international community, the South Sudanese government should work assiduously in support of comprehensive reforms, including on the recommendations laid out below.

As a first step, the National Legislative Assembly must endorse the profound reforms in Chapter IV of the 2018 peace agreement and the government must implement them. Institutions of accountability need the necessary government funding to enable them to perform their tasks. This funding should be at arm's length and secure to ensure the independence and transparency of the institutions. Furthermore, a legal framework for operating these institutions is necessary to ensure their effectiveness. The steps outlined below could enhance transparency, accountability and oversight.

Undertake Institutional Reform. After the peace agreement is signed into law, South Sudanese authorities must create clear benchmarks for institutional reform that outline progress during specified periods. These benchmarks could focus on the appointment of credible leadership of these institutions and the creation of arm's-length funding and oversight mechanisms. The international community, both bilateral donor governments like the United States and United Kingdom, as well as multilateral institutions such as the World Bank and IMF, should work with South Sudanese authorities on these benchmarks and help to ensure compliance.

Launch an Independent Audit. The government should seek assistance from the United Nations to investigate state capture, first allowing external experts to investigate corruption and then cooperating with prosecutors to address systemic violence and corruption. This process could also support independent audits of government accounts that lead to other regulatory actions and controls, such as stricter policies with respect to the printing of currency and management of the country's foreign reserves.



METHODOLOGY

This report and its findings are based on extensive interviews, documentary research, and financial forensic analysis undertaken by The Sentry. Individuals who spoke to The Sentry did so under the condition that their names would not be revealed out of concern about potential retaliatory action. The Sentry established the authoritativeness and credibility of information derived from interviews with such individuals through independent sources, expert commentary, financial data, documentation, press reports, and other information.

The Sentry endeavored to contact the persons and entities discussed in this report and afford them an opportunity to comment and provide further information. In most cases, these persons and entities did not respond to The Sentry's requests. Responses that were received have been included in our analysis and are otherwise reflected in the report itself. To distinguish comments received by The Sentry through this response process from other publicly available statements made by these entities, the report specifically notes which statements were received in response to questions posed by The Sentry.

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