The Nexus of Corruption and Conflict in South Sudan

THE SENTRY
Dismantling the Financing of Africa’s Deadliest Conflicts

The Sentry is an initiative of the Enough Project, with its supporting partners C4ADS and Not On Our Watch (NOOW).

Photo Credit: John Wollwerth / Shutterstock.com
A wrecked tank near Juba, South Sudan.
Executive Summary.

South Sudan was born amid great hope. The citizens of the world’s newest nation voted with one voice in support of independence for a country that boasted vast natural wealth. Goodwill from the international community brought significant international development assistance and the country was expected to quickly transition to self-reliance, for the most part, on the basis of its own oil revenues. Instead, South Sudan has plunged into civil war, economic collapse, and creeping international isolation. The country’s elites have built a kleptocratic regime that controls all sectors of the economy, and have squandered a historic chance for the development of a functional state. These predatory economic networks play a central role in the current civil war, because much of the conflict is driven by elites attempting to re-negotiate their share of the politico-economic power balance through violence.

This report maps out the corruption and the conflict-financing system in South Sudan and describes the likely channeling of illicit money flows. The primary goal of this report is to focus on the mechanics of the system, rather than specific individuals or their networks of facilitators and enablers. While seemingly focused on the government, the report acknowledges that the rebels were also part of this kleptocratic system in the past, and are likely to be involved again in the event of a negotiated settlement. The Sentry continues in-depth investigations into illicit economies, funding streams, and supply chains of the armed opposition.

This report identifies four major vectors along which the country’s wealth and revenues are diverted towards the personal and institutional interests of elites:

I. The Extractives Sector: the extractives sector, which is the largest source of national revenue, is mismanaged and highly opaque
II. The Military State: the military controls the economy; directly by taking the largest share of the budget and indirectly through closely held companies and contracts
III. State Spending: the procurement system is prone to corruption, waste, and a lack of tangible results, and suppliers tied to elite interests are regularly awarded lucrative contracts
IV. Money Laundering Hub: the emerging financial sector in South Sudan has been exploited by elites who use it as a laundering and revenue-generating vehicle

South Sudan’s economy is currently facing a major financial squeeze with oil revenues drying up and conflict and corruption minimizing the effectiveness of foreign investments and humanitarian donations. As the economic situation worsens, the illicit economy has expanded. Key elites and institutions have maintained their funding lines and dominant economic positions, while others have sought to diversify their economic holdings to stay abreast of the new reality. Understanding the financial drivers of the conflict and the motivations of the major players is essential to negotiating a peaceful settlement in the region. Our findings strongly suggest that, in addition to a political strategy, the international community and regional actors should pursue a more deliberate strategy to diminish the incentives and resources that are funding and fueling the current conflict.

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Methodology.

The following report is based on open source reporting from the South Sudanese government, media, academia, and private sector, as well as over 50 interviews conducted both remotely and on site in Juba, Nairobi, and Cairo. Information generated through interviews was validated, to the best of our ability, using public and open source records, including using over 300 business, property, and tax registries; global trade and shipping databases; and native language open-source materials including court documents, local reporting, and social media. The report does not claim to be exhaustive, but aims to be representative of existing corruption trends in South Sudan.

Unless specifically stated, the mention of any entity or individual in this document or any attachments thereto does not imply the violation of any law, statute, or international agreement, and should not be construed as such.

While all information is extensively sourced and caveated where appropriate, we acknowledge that a lack of complete transparency of reporting and information disclosure in South Sudan poses data collection challenges. The country ranks 171 out of 175 countries in the 2014 Corruption Perceptions Index and investigative reporters face severe repression. Freedom House, Reporters without Borders, and the Committee to Protect Journalists unanimously report that freedom of the press has declined significantly in recent years. South Sudanese officials have pushed for “patriotic journalism,” causing journalists and anti-corruption activists to self-censor in order to avoid arrest or physical harm. Moreover, government transparency initiatives are underfunded and consistently receive only a fraction of their allocated funds. In the first quarter of 2015, the Anti-Corruption Commission received only 64% of its allocated budget, and the National Audit Chamber, which has published a series of honest and detailed audit reports, received only 17%.

Validation of corporate information is also extremely difficult. South Sudan’s business registry is difficult to access and requires ministerial sign-off for formal requests, which can be arbitrarily denied. Ministries and other official government ministries release reports infrequently and have severely limited capacity. The lack of transparency is only exacerbated by the fact that the adult literacy rate is only 27%. In a post-independence survey, nearly half of the country’s civil servants had only a primary education, and at the time of the country’s first oil receipts, it lacked basic infrastructure such as a Central Bank or a Ministry of Finance building. This lack of physical infrastructure is emblematic of the lack of institutionalized self-reporting and internal due diligence procedures, making it difficult for the government to self-monitor and to be held accountable for its activities. Where practicable, we provide competing statistics and cite to multiple sources.
Context.

South Sudan’s current conflict stems in large part from a long-running competition within the elite class for power and profits. Only about 10 to 20% of the country’s revenue goes to the states and rural areas while the rest remains in Juba and has become the prize for which the country’s armed actors are maneuvering. Corruption has become the lifeblood of politics, providing the means to co-opt armed actors, maintain the political power balance, and fund patronage networks. Despite the formal economy’s free-fall, the illegal economic activity continues to flourish. There has been a great deal of speculation about the amount of money that has been diverted, but many assert the total amount to be in the billions of dollars. In 2012, President Salva Kiir accused 75 ministers and officials of having stolen $4 billion in state funds and requested the money be returned, but according to news reports, only 1.5% of this sum was actually recovered. Furthermore, only a fraction of the recovered wealth was actually reinvested into the country and revenues from the oil sector are rarely reinvested in critical sectors of the economy, as evidenced by the lack of implementation of the Petroleum Revenue Management Bill, which would allocate oil revenue to non-oil sectors of the economy. The lack of development outside the oil sector has left South Sudan among the world’s poorest nations. Meanwhile, elites on both sides have the resources to sustain an armed conflict that began in December 2013 and has since killed tens of thousands of people, displaced over 2 million, and has left 4.6 million, or around 40 percent of the population, food insecure.

Since South Sudan’s independence, the government has largely squandered its economic potential and political goodwill, becoming a kleptocracy where political power is leveraged to secure wealth. The signing of the Comprehensive Peace Agreement in 2005 between Sudan and the SPLA was followed by large increases in government funds. In 2004, the total revenue managed by the SPLM Ministry of Finance was $120,000, but by 2006 it had expanded to $1.7 billion, and between 2008 and 2014, South Sudan’s total budget was SSP 52 billion, or US$18.2 billion. The country has been a major recipient of international assistance, estimated at roughly US$130 dollars per capita until 2013. This aid has allowed South Sudan levels of public spending almost three times that of Kenya, despite having an economy only one-fifth the size. Potential oil revenue is also significant; by one estimate, investing 15% of oil revenues in a future generations fund, as recommended in the 2013 Petroleum Revenue Management Bill, would allow the state to raise over $50 billion for social welfare over the 36 years of projected oil production. As of July 2015, there is no evidence that the future generations fund of the bill has been formally implemented. The proposed figure of $50 billion may be overly optimistic, however, as the general trend is towards falling production and declining reserves, but regardless of the exact figure, the vast majority of this wealth has passed through a narrow set of hands and been subjected to significant leakage, waste, and outright theft.

Since independence, South Sudan has been controlled by a small, rotating set of elites who move seamlessly between positions in government and the frontlines of the rebellion, as political situations change. In July 2013, President Kiir reshuffled his entire cabinet, removing prominent elites, such as former Vice President Riek Machar, and firing a group of ethnically diverse cabinet ministers and high-level officials. Most of these individuals had played leading roles in the country’s economic and political decisions in the post-independence government, and after being pushed out of the government, many joined a political opposition bloc that soon devolved into an armed opposition. Meanwhile, President Kiir has sought to consolidate power around his loyalists, particularly those from his home state of Warrap. Despite this disproportionate representation in ruling circles, the people rarely benefit. Warrap remains one of the least developed states in the country, with a detailed study released in 2013 showing that 93% of households were “severely food access insecure.”
Meanwhile, the entire strategy of the armed opposition seems designed to force a better deal for themselves at the negotiating table, and the best way of doing so appears to be by choking the government’s oil wealth. In numerous incidents, the armed opposition has attacked key oil infrastructure to halt oil production, which may leverage the negotiating table in their favor. All parties to the current conflict have also continued to re-arm. The government has made outside weapons purchases, while field investigations by Conflict Armament Research appear to confirm that the armed opposition receives weapons and ammunition via airdrops, which based on the make, model and year of the weapons, they believe provides a strong indication of new direct supplies from Sudan to the armed opposition in 2014.

Few believe that the current conflict has materially changed the system. Pre-conflict politico-economic interests have only been temporarily disrupted, and are now being re-negotiated through violence.

The Extractives Industry.

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Oil is the South Sudan’s government primary source of hard currency, as well as its collateral for the foreign loans keeping the economy afloat. Oil accounted for as much as 98% of South Sudan’s revenues just after independence, but its share had declined to 70% by the 2014-2015 budget as a result of disputes with Khartoum and the ongoing fighting. Between 2008 and 2011, oil revenues amounted to US$8.24 billion or 96% of its total revenues, and 77% of total expenditures, while total crude oil sales between April 2013 and May 2014 amounted to US$3.3 billion sold across 46 shipments. The portion of this that Juba retains is uncertain; for one, Juba routinely complains that Khartoum takes more than its agreed-upon share, an allegation complicated by the fact that most infrastructure, even the meters to actually measure oil flows, are controlled by Khartoum. South Sudan’s reported figures regularly rely on optimistic underlying estimates that likely inflate the real value; the latest budget, for example, was calculated on the assumption of oil prices at $101 per barrel. Instead, Brent crude was trading at $63 per barrel in June 2015, and when combined with ancillary costs like South Sudan’s fixed transit fee of $26 per barrel, the Government of South Sudan is likely earning as little as $9-12 per barrel, the lowest price in the world for crude oil.

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Another worrisome long-term trend is the government’s seeming willingness to mortgage the country’s oil future to meet short-term spending and security goals. According to the IMF, as oil receipts have fallen, the government has increasingly resorted to collateralizing future oil sales to secure foreign loans, often at high interest rates, and has also taken on debt to fund the purchase of weapons. In December 2014, the IMF reported that South Sudan had already borrowed $328...
million through a $1 billion line of credit extended by foreign oil companies operating in South Sudan. At least $59 million of this was overtly allocated for the purchase of weapons in the first half of 2014, while another $158 million was a short-term loan for the Juba Airport construction project, one of the country’s longest running, most delayed, and most expensive projects. In addition to loans from oil companies, the government has, in the past, borrowed from financial institutions, often at exceedingly high interest rates and also likely secured against future oil revenues. The net effect of this borrowing has been cuts to civil service salaries and other basic expenditures. In 2013, according to local media, the government delayed paying staff for almost two months while oil proceeds went back to the oil companies in repayment for their outstanding loans. As of May 2015, Juba had reportedly secured a $500 million loan from Qatar National Bank as per statements by the Presidential spokesman, following a $250 million credit line reportedly extended in 2014 at a significant interest rate of “less than six percent.” President Kiir, during a public speech on July 8, 2015, acknowledged the existence of the line of credit to Qatar National Bank and that unnamed individuals had abused this line of credit. Shortly following this statement, he added that he has ordered the dismissal of the corrupt individuals.

The Military State.

South Sudan’s military spending is the highest in the region, which was only 6% of the total security budget, was more than the country’s entire infrastructure budget and almost equal to the accountability budget, which includes key oversight departments such as the Audit Chamber, the Anti-Corruption Commission, the National Bureau of Statistics, and the Reconstruction and Development Fund. The SPLA is one of the few areas for which the South Sudanese government does not receive donor funds and as a result the military has essentially taken over the budget, leaving development priorities almost exclusively in the hands of foreign donor agencies. In 2012, donors funded 75% of South Sudan’s health sector. South Sudan’s reliance on foreign donors to fund development is the all the more worrisome given that donor support has been redirected towards humanitarian efforts. Meanwhile, security spending has steadily grown and currently makes up at least 40% of the budget, as seen in the officially reported figures for 2015, while only 5 percent of the budget was allocated to education. However, these figures fail to capture the true gap between military and non-military government spending.

The SPLA and government ministries routinely overspend their annual budgets and receive additional “off-budget” funds. In the first quarter of 2015, the Office of the President had overspent its allocated budget by 349%, the Ministry of Defense by 150%, and the Veterans Affairs department by 113%. This money came from other government agencies, meaning that the War Widows and Orphans Commission received only 5% of its funding, the Human Rights Commission only 29%, and even the Ministry of Agriculture and Forestry, in whose sector almost 80% of the population works, received only 56%. The SPLA also provides virtually no information about its allocations, even when required to do so. In the 2013 audit of the government’s 2008 financials, only 7 out of 40 SPLA divisions reported their payroll figures as required to the Auditor General, even when repeatedly asked to do so.

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The South Sudanese “military” is a very large organization that binds together conventional forces, paramilitaries, and militias through a large and complicated patronage system that requires significant funding to maintain. In the run-up to independence in 2011, no fewer than eighteen armed groups were ‘bought out’ and integrated into the SPLA. The security force payrolls expanded from an estimated 40,000 in 2004 to 240,000 soldiers in the army alone in 2011, augmented by an additional 90,000 strong paramilitary reserve of policemen, prison warders, and wildlife guards.
became senior generals: the government had at least 745 generals in 2011, each with their own networks to manage. Even with the removal in early 2013 of 100 senior officers, payroll is one of the single greatest expenses for the government. Between 2008 and 2013, for example, an average of 40% of the entire South Sudanese budget went to payroll, of which 73% was security and veterans’ spending, and most is spent with little oversight. This is in addition to SSP 3.97 billion allocated to the security and defense sector, which represents 35% of the 2014/2015 national budget. The major security ministries—Defense, Interior, and Intelligence—rarely report their payroll spending even when pressured by the Auditor General, while the Ministry of Interior, which includes the police, prisons and fire, provided less than 20% of its payroll records and less than 30% of its total operating expenditures for review.

Corruption in the SPLA payroll reflects the extent to which corruption has permeated the system. Maintaining salaries of soldiers, especially those integrated into the army from militias, is strategically vital because failing to do so would create strong incentives for rebellion. The importance of these ‘loyalty payments’ is reflected in the size of allocated salaries. In 2014, an SPLA infantryman was being paid SSP 320 per month (roughly US$107), while a Ugandan private’s salary was increased in 2013 to 310,000 Shs per month (roughly US$93). Despite this importance, there are numerous instances where the Defense Ministry has delayed payments, and where commanders have stolen soldiers’ salaries. As reported by academics, journalists, and President Kiir, the problem of “ghost soldiers,” or soldiers who only exist on payroll documents, is believed to be one of the primary means of the diversion of funds to security elites. The SPLA’s own internal audit is reported to have discovered 40,000 “ghost soldiers,” while the Interior Minister publicly admitted to 11,000 “ghost police” in 2013 compared to an estimated end-strength of 52,000 police.

Outside the security ministries, many former senior commanders have been demobilized into ministry positions or into the private sector. The result is what the non-partisan South Sudanese think-tank, the Sudd Institute, terms a “liberation hierarchy.” In this hierarchy, military officials still occupy key decision-making posts and prefer to use their military over civilian rank, and positions continue to be awarded on the basis of wartime seniority, rather than merit or technocratic ability. With the civil-military balance heavily tilted towards the military, it is fairly simple for SPLA generals to siphon off other budgets, as they appear to do regularly. As one regional advisor noted, “the technical advisors help prepare budget allocations, but then the army generals wheel into the minister’s office and they make the real allocations.” This interference ranges from re-allocating ministry funds to using other ministries’ funds to disguise military transactions. In one invoice flagged by the Auditor General, SSP 1.8 million, or US$630,000, was allocated to purchase water tanks for the Ministry of Finance, but the letter of authorization to settle the invoice stated its purpose was to provide transport services to SPLA units.

Juba is not under an arms embargo and has made several large on-budget weapons purchases since 2005, including roughly 60 Ukrainian T-72 main battle tanks at a reported cost of $260,000 per unit. Weapons procurement, however, is still driven by the SPLA’s recent history as a guerilla army. Acquisition procedures are ad-hoc and marked by corruption, major cost overruns, inadequate paperwork, and a lack of transparency. In 2014, at least two major Chinese weapons shipments came to light only after an investigative journalist from Bloomberg acquired the bill of lading and other shipping documents that showed $38 million in automatic rifles, grenade launchers, ammunition, grenades, rockets, and anti-tank weapons systems being delivered between May and June 2014.

On-budget expenses, however, may only constitute a portion of total security spending. One of the most important parallel security ministries is the Office of the President, which maintains its own private security budget. In the 2013-2014 budget, which overlaps closely with the onset of the conflict, the office had reportedly been allocated SSP 201 million (US$70.35 million), but actually spent SSP 800
million (US$280 million), or 297% of its allocated budget. The personal security budget of the President in particular increased 10,000%, but even seemingly innocuous line items, such as “supplies, tools, and materials,” i.e. office stationery, increased almost ten-fold from an allocated SSP 43 million (US$15.05 million) to a realized SSP 414 million (US$144.9 million). An anonymous source from the Ministry of Finance in May 2015 reportedly told the Sudan Tribune that the ‘stationery’ funds raised several red flags, and that the common belief was that they were being used to conceal direct military costs. Spending out of the President’s office has traditionally been subject to very little oversight, and little attempt has been made to trace the end use of its allocated funds.

The beneficiaries of these off-budget funding lines include the government’s most important security forces. Notably, the Presidential Guard, commanded by US-sanctioned Major General Marial Chanuong Yol, is widely believed to be the best-equipped and most loyal force for Kiir. The funding for this group is allegedly drawn directly from the personal security budget of the President, rather than the broader defense budget. Reports indicate that privately funded militias, particularly the Kiir loyalist ‘Mathiang Anyoor,’ committed the bulk of killings of Nuer civilians in Juba. The force was allegedly trained at the Pantit Military Training Academy in Aweil among other locations, and purportedly passed through SPLA headquarters and Kiir’s private farm in Leer before arriving in Juba. Kiir himself has publicly stated that the force was raised and trained without any resources from the official army, and said only that, “they were fed by the people.” He also justified his use of private militias by curtly noting that, “If I didn’t bring Mathiang Anyoor from Bahr al-Ghazal, would we be staying here in Juba now?” Outside of domestic budgets, Kiir has also relied on other regional actors. In particular, the South Sudanese government has maintained a close military relationship with Uganda. The UPDF appears to have signed a MoU for the deployment of military troops to South Sudan. Senior Ugandan officials including President Museveni and Defense Minister Kiyonga have admitted in recent public statements that UPDF troops are present in South Sudan, and the Ugandan government has confirmed the deployment of 3,000 troops, allegedly with payments from Juba to subsidize the deployment. Moreover, as recently as October 2014, reports surfaced of South Sudan attempting to buy military hardware from Uganda.

State Spending.

Nearly every facet of state spending is rife with fraud, waste, and mismanagement. Purchases and contracts are regularly awarded without adequate bidding procedures, to well-connected companies, at inflated prices and with minimal documentation and oversight. Road construction and vehicle imports are among the greatest sources of budget overruns. In the 2012-2013 budget period, the Ministry of Roads and Bridges overspent its budget by 1513%. The South Sudanese government has poured millions of dollars into the Juba Airport expansion project, but there have been few visible results. According to a press release, as of 2015, the government has borrowed an additional US$158 million to resume the project. President Kiir himself has publicly lamented that the project has “really taken our money since 2005.”

A major facet of state spending in South Sudan is the widespread disregard for reporting standards and lack of documentation of beneficial ownership and who receives profits from companies and assets registered in the country. In theory, South Sudan has significant regulations in place. Setting up a new company requires thirteen specific procedures, three times the average of OECD-member countries, including working through the business registry, the payam (local authority), the Ministry of Finance, Chamber of Commerce, Ministry of Labor, and the opening of at least two separate bank accounts. Theoretically, this should provide significant information and opportunities for due diligence.
diligence. However, the results have been quite different in practice, and the procedures simply added extra layers of bureaucracy. Accessing the business registry requires numerous ministerial approvals, and often the documentation obtained is fraudulent, is said to have been “misplaced,” or does not include the names of owners and shareholders. Moreover, South Sudanese elites, including politically exposed persons, are widely believed to hold undocumented shares in companies and to receive payments in exchange for facilitating business transactions. In line with their obligations under the Transitional Constitution of 2011, all executive and constitutional office holders in South Sudan must make confidential declarations of their income, assets, and liabilities, including those of their spouses and children. The Anti-Corruption Commission requires financial disclosures on an annual basis. According to a presidential spokesperson, Kiir’s last disclosure was in 2012 and he does not have a bank account, either inside or outside the country. Such financial relationships, however, can be almost impossible to validate but can offer ‘protected’ companies preferential access to contracts and impunity from the legal system. Currently, only companies in the oil sector and banks are required to disclose beneficial ownership data.

Shell companies are also used to divert state wealth on a large scale. During the “Dura Saga” from 2008 to 2009, the government sought to set up a stockpile of dura, a grain that is a staple of the South Sudanese diet, to hedge against famine. Large contracts were awarded, but the vast majority of the goods were never delivered. Many of the companies involved clearly lacked the capacity to source the required amounts of grain, while others displayed high-risk red flags. It is likely that several companies involved were shell companies set up days and in some cases even hours, before being awarded contracts.

Money Laundering Hub.

As of July 2015, South Sudan’s economic position was dire. The drop in oil receipts has drastically reduced the amount of hard currency available to the government, and the illicit economy has expanded as the licit economy falters. Military spending has reached record levels, both in absolute terms and as a share of the overall budget. Furthermore, corruption in contracts and awards appears to continue, with various procurement scandals alleged by government ministers and independent media between 2014 and 2015 related to procurement, telecommunications, and construction awards.

South Sudan’s illicit actors have also diversified their operations into the few remaining profitable sectors in ways that are causing significant long-term harm to the economy, as well as imposing significant human costs. Most notable has been the involvement of elites in the financial sector, particularly speculation in the parallel currency market by well-connected elites that depreciates the currency and causes inflation. The diversion of dollars into the parallel currency market is increasing pressure on the Central Bank’s foreign exchange reserves. In December 2014, the IMF warned that these reserves amounted to less than three weeks of imports. In response, the Central Bank has resorted to borrowing and printing money, leading to inflation. At the peak of the oil crisis in May 2012, the decline of dollars led to annual inflation of 80%, which after a brief period of monetary stability, has picked up again with the current fighting, reaching almost 25% according to official figures, with unofficial estimates even higher. Food prices in particular have skyrocketed. Cereal prices in rural areas have increased 300% or more, and one recent estimate indicated that as much as 85% of the average household’s budget may now be going towards food, risking a significant threat of impending famine. This trend may only intensify as the Central Bank appears to be printing significant volumes of money. The amount of printed currency in 2014 grew 56%, with half of that concentrated in the last three months of the year.
South Sudan’s financial sector, while in its infancy, has expanded significantly in recent years. Financial institutions have proliferated, and by November 2013 there were at least 28 licensed commercial banks, which the IMF estimated hold 97% of capital. These 28 banks include many foreign banks. The availability of banking services has reportedly reduced the difficulties of servicing illicit financial transfers as it grants facilitators greater access to the larger financial system outside South Sudan. Bulk cash couriers are giving way to faster and safer wire transfers, available to some without the required disclosures or paperwork. In addition, some banks, as seen in board of directors lists, may be influenced by elite interests.

Currency speculation is one of the most lucrative illicit schemes available to well-connected individuals. Officially, the exchange rate has not changed since independence, and in 2015 it still officially stands at 3.16 SSP to the dollar. The black market rate has worsened dramatically, especially in recent months. During a visit to Juba in November 2014, the black market rate was approaching 5 SSP to the dollar, but in March 2015 it was reported to be 9 SSP to the dollar, and in June 2015, it hovered between 12 and 15 SSP to the dollar. Those who are able to take advantage of this opportunity for arbitrage can profit tremendously. Currently, taking one dollar and exchanging it at the black market rate for 15 SSP, and then exchanging it back into dollars at the official 3.16 rate, one would receive five U.S. dollars, or a 400% profit.

Private FOREX bureaus have become a lucrative business, and the IMF reports that with minimal oversight, these institutions present a high risk for money laundering and servicing illicit transactions. The State Department reported that while $1.3 million in U.S. currency is supposed to be disbursed weekly from the Central Bank of South Sudan to commercial banks, only about $450,000 is being delivered, with the rest diverted into the parallel market. Various elites are alleged to own or have stakes in private FOREX bureaus, which, if true, could constitute a significant conflict of interest. In a nod to the attraction of the sector, a 2014 report by the International Monetary Fund indicates that there were 79 licensed foreign exchange houses in South Sudan in mid-2013, an unusually high number given the small size of the South Sudanese financial sector. For comparison, Kenya has 86 licensed foreign exchange bureaus, despite an economy almost five times as large.

Conclusion.

The ongoing conflict in South Sudan is in large part a means to an end – to renegotiate the country’s political power balance and the economic profits that it ensures. Attempts to end an increasingly violent civil war, however, requires looking beyond the direct perpetrators of violence and acknowledging the close nexus between the systemic corruption that permeates the South Sudanese governance structure and the incentives that have brought about the current conflict. Currently, both the direct perpetrators and their facilitators further up the conflict value chain are enabled by a kleptocratic system that has captured and controls all available revenue streams in the country. Within this system, some elites who are both directly and indirectly connected to the violence continue to benefit, while others who have been ejected from the system are fighting to negotiate their return.
A more sustainable path to peace in South Sudan is possible but it requires acknowledging the structural causes that have driven the country’s rapid decline into violence. An elite pact privatized the economy and institutionalized a kleptocracy, and in the process poisoned the country's politics. Today, an elite bargain appears the most likely path to halt this vicious spiral of violence. To reverse this process, it is thus essential to unpack the predatory nature of the South Sudanese state and the perverse incentives that an influx of money channeled through a narrow set of elites has created. Only by reforming and forcing the South Sudanese state to actually serve its people, instead of its leaders, can the country actually move towards a more sustainable peace. Effectively addressing the conflict in South Sudan requires focusing on the underlying drivers, namely the various trends that collectively constitute South Sudan’s violent kleptocratic system.

Pressuring the key beneficiaries of South Sudan’s kleptocratic system and choking their illicit financial flows is likely a key source of leverage in impacting the cost-benefit analysis of armed conflict in South Sudan. It is also appears to be the most appropriate of the range of enforcement measures available to the international community. Direct perpetrators of violence are often field commanders and other localized actors who are relatively immune from international pressure. Their facilitators and enablers, however, include government officials, military officers, businessmen, investors, money transfer organizations, shippers, and others who are necessarily more connected to international systems of finance, trade, and investment, and will necessarily feel the impact of international pressure. These points of convergence, where illicit financing schemes rely on legitimate global financial infrastructure, at times represent the most profitable and vulnerable links in the conflict value chain, and are also where policy, enforcement, and regulatory efforts should be focused.
Endnotes.

24 “Public Expenditures In South Sudan: Are They Delivering?,” World Bank, available at www-wds.worldbank.org/external/default/WDSContentServer/WDSIBIB2013/05/08/0044424464_20130508115303/RenderedPDF/77429BR10Econ0Box377296800PUBLIC0.pdf


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