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Deadly Enterprise

Dismantling South Sudan's War Economy
and Countering Potential Spoilers

By Justine Fleischner
December 2015

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“Deadly Enterprise” is the third in a series of in-depth, field research-driven reports on the dynamics of profit and power fueling war in the Horn, East and Central Africa. Violent kleptocracies dominate the political landscape of this region, leading to protracted conflicts marked by the commission of mass atrocities by state and non-state actors. Enough's Political Economy of African Wars series will focus on the key players in these conflicts, their motivations, how they benefit from the evolving war economies, and what policies might be most effective in changing the calculations of those orchestrating the violence—including both incentives and pressures for peace.

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Cover image: Children play on an anti-aircraft gun in Leer town, Unity State, South Sudan. May 2014. (AP/Josphat Kasire)

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Executive Summary and Recommendations

On the two-year anniversary of the start of South Sudan's brutal civil war, a peace agreement has been signed and implementation is underway. Yet personal political and economic interests continue to threaten the prospects for peace in South Sudan, as well as the economic future of the country for its citizens. If those spoilers benefiting financially and politically from the continuation of the conflict are not countered, the peace agreement will remain imperiled.

As U.N. experts have documented, the government of South Sudan has acquired new and more deadly weapons, including amphibious tanks, helicopter gunships,¹ and Chinese- and Israeli-manufactured assault rifles² which are slowly replacing the battle-worn Kalashnikovs previously favored by the government's Sudan People's Liberation Army (SPLA).³ The SPLA-In Opposition (SPLA-IO, or IO) has been accused of benefiting from ill-gotten gains stashed overseas, diaspora remittances, and opaque business transactions with "war profiteers" to fund its military campaign on the ground. While the fighting forces on the ground have sustained themselves on next to nothing, using many of same survival tactics relied on during the long civil war with Sudan (1983-2005), including predatory behavior towards civilians and the outright looting and destruction of entire villages, elites on both sides have also benefited financially from the civil war.

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This report lays out the main modalities of financing used by the government of South Sudan and the SPLA-IO in order to provide an overview of the war economy and political incentives in order to identify specific policy interventions to support the transition towards peace. Nevertheless, disrupting the war economy and managing potential spoilers remains a challenging endeavor. The violent kleptocracy⁴ that has emerged in South Sudan is the product of long-standing exploitative economic practices with their origins in the Sudan-SPLA civil war.⁵ Thus dismantling the kleptocracy and managing potential spoilers will require a total reorientation of the current system away from the economics of exploitation and predation that have existed in what is today South Sudan for the better part of the last 60 years. A starting point for this process, which will take years if not decades to achieve, is to begin to create accountability for economic crimes, support transparency in government institutions and spending, address potential spoilers, and return at least a portion of the proceeds of corruption back to the people of South Sudan.

While South Sudan's oil income has declined dramatically due to falling global oil prices⁶ and reduced production as a direct result of the conflict,⁷ all of the country's oil revenues are currently controlled by an elite clique surrounding the president and his most trusted advisors. Some sources have estimated that the government currently receives around \$60 million a month in oil revenues,⁸ although the actual total oil income is unknown.⁹ A recent report by Global Witness notes, "We don't know what price was paid for the oil, on what terms the cargoes are to be delivered, or what the Government has done with the cash."¹⁰ Opaque financial arrangements between the oil companies and traders and the government of South Sudan further obscure the use and transfer of oil funds.¹¹ There are allegations that some officials have transferred oil revenues into personal accounts.¹² Without a transparent system in place and a single oil account, it is difficult to track the money that comes in as oil revenue. In addition, those officials with access to the hard currency brought in as oil revenue are in some cases able to leverage the difference between the official and black market exchange rates to turn huge profits on the dollar.¹³ At the time of publication, the official exchange rate was 2.9 SSP to the U.S. dollar¹⁴ and the black market rate was 17 to 18 SSP to the dollar,¹⁵ giving a 586 to 620 percent return on the dollar.¹⁶

The government of South Sudan also continues to rely on its close military relationship with the government of Uganda and has used this relationship in the past to purchase military equipment.¹⁷ There are also a host of allegations surrounding the recent acquisition of four Mi-24 helicopter gunships that currently fly under the South Sudanese flag.¹⁸ Military experts have underscored the complexity of operating and maintaining these gunships and have speculated that the SPLA may be receiving technical support from outside contractors or its neighbors, although these allegations could not be independently verified by Enough. While the reported withdrawal of Ugandan forces from South Sudan is an important step forward, long-standing military ties are unlikely to be severed completely, especially if Sudan continues to airdrop

weapons and ammunition to the SPLA-IO and affiliated militias and provides safe haven to Joseph Kony, the leader of the anti-Kampala Lord's Resistance Army (LRA).¹⁹

The SPLA-IO seems to sustain itself by relying on the wealth of key individuals, diaspora remittances, and funds provided by “war profiteers”—that is private sector investors gambling that risky investments will yield big gains after the conflict has ended. Unlike government forces, the opposition fighters—and even high-level opposition officials—do not receive regular salaries. The IO has been described as “cash strapped and Thuraya poor.” As a result, according to interviews with IO and SPLA sources and backed up by findings by Small Arms Survey, a significant source of weapons and ammunition for the IO remains captured government stocks and what their forces defected with from the SPLA, including tanks and other heavy weapons.²⁰ Another significant source of weapons and ammunition for the SPLA-IO is support from Sudan, which has been substantiated by two independent research organizations, Conflict Armament Research and Small Arms Survey.²¹

At the same time, hardline elements within the government and the opposition, as well as splinter groups and other potential spoilers, have expressed their opposition to the peace agreement and the power-sharing arrangement it contains. These actors and individuals pose a direct threat to the implementation of the peace agreement. One hardline group with a great deal of influence is the Jieng Council of Elders (JCE), an ethnically Dinka lobby group composed of a number of former government officials that has publicly expressed its opposition to the terms laid out in the peace agreement.²² The power-sharing arrangement laid out in the agreement will inevitably result in some government loyalists having to step down from office. As a result, there is significant overlap between those hardline elements opposed to the peace agreement and those individuals who have benefited politically and financially from the conflict.

Potential spoilers, including politically and financially exposed individuals at the highest level, should be the primary target of asset investigations and financial audits to curtail the damage they are able to inflict on the implementation of the peace agreement.

The Crisis Management Committee (CMC), a national body that was set up after the conflict broke out to manage emergency resources, operated with little independent oversight. The CMC, opaque business transactions, and the use of the country's oil revenues should be subject to external review and scrutiny by the African Union's Joint Monitoring and Evaluation Commission (JMEC)²³ chaired by the former president of Botswana, H.E. Festus Gontebanye Mogae, as well as the U.N. Panel of Experts and those involved in any subsequent U.S.-led investigation into grand corruption in South Sudan.

For its part, the opposition continues to drag its feet on implementation for a host of reasons ranging from legitimate security concerns to internal divisions, disorganization, and competition over political positions and appointments. There is also deep resentment over the killings of ethnic Nuer in Juba, which the African Union Commission of Inquiry on South Sudan (AU Col) report found were “committed pursuant to or in furtherance of a State policy.”²⁴ The incident continues to be a key issue for many Nuer people allied to IO. Significant losses on the battlefield, difficulties in accessing military hardware and equipment, and limited means to support the vast patronage network on which the IO relies have contributed to divisions within the military leadership of the IO. The defection of three top generals from the ranks of the IO’s military leadership²⁵ has revealed the extent of these internal divisions. As a result, it is necessary to hold the IO leadership accountable for managing its own internal divisions. The United States and the Intergovernmental Authority on Development (IGAD) should take steps to target potential spoilers and ensure they do not find backers in the region. More broadly, opaque financial flows and business transactions that have helped to sustain the IO should also be scrutinized by JMEC in order to prevent a return to the “thieving and looting”²⁶ that went on after independence.

While ceasefire violations have been rampant and are likely to continue given the complexity of local conflict dynamics, cattle raiding, and revenge attacks, there are nevertheless signs of progress in support of the implementation of the peace agreement that should not be overlooked. The withdrawal of Ugandan forces from South Sudan, progress made on finalizing transitional security arrangements, and the appointment of former president of Botswana Festus Mogae as the Chairperson of JMEC are all important steps for peace in South Sudan. Nevertheless, this positive momentum must be sustained by strong international support and the continued threat and selective use of coercive measures against those who might seek to undermine the implementation of the peace agreement for their own personal political and economic gain. Despite being the subject of much rhetorical concern in New York, Washington, London, and Addis Ababa, the available tools and international legal and financial frameworks available to counter the spoilers of peace and their political and financial interests are not being fully deployed by concerned governments.

In order to bring the conflict to an end and transition the war economy toward peace, these efforts should focus in on five key areas of concern: a) holding perpetrators of financial crimes to account; b) dealing with potential spoilers; c) prioritizing specific provisions of the peace agreement; d) enhancing civil society efforts to hold their own leaders to account; and e) providing incentives for the implementation of the peace agreement alongside targeted coercive measures.

The Enough Project recommends:

1. Holding Perpetrators of Financial Crimes to Account

- a. The United States, United Kingdom, and other partners should increase their global efforts to trace, freeze, seize, and return the proceeds of corruption back to the people of South Sudan leveraging global criminal and anti-money laundering networks such as the U.K. National Crime Agency's International Corruption Unit (ICU) and by collecting intelligence provided by regional financial intelligence units (FIUs) through the Asset Recovery Inter-Agency Network for Eastern Africa (ARIN-EA). Recovered assets should be used to fund community reparations.
- b. The U.S. Department of Treasury's Financial Crimes Enforcement Network (FinCEN) should issue an advisory to all U.S. financial institutions regarding the risk of possible money laundering activity and illicit transactions in South Sudan. FinCEN should use information provided to them by financial institutions in response to the advisory to determine if specific institutions or accounts in South Sudan should be designated as primary money laundering concerns under section 311 of the Patriot Act. Should this occur, FinCEN's special measures under section 311 could prohibit U.S. financial institutions from maintaining correspondent accounts connected to the primary money laundering concern.
- c. The United States and other donors should address impunity for economic crimes by providing the Hybrid Court for South Sudan with the necessary technical and legal expertise to investigate and prosecute economic crimes, including pillage and grand corruption.
- d. At the same time, the U.S. interagency-supported Department of Justice-led Kleptocracy Asset Recovery Initiative should open its own investigation into grand corruption in South Sudan, given the likelihood of a strong U.S. nexus, including U.S. companies, accounts, and citizens engaged in these activities in South Sudan and the East Africa region.

2. Dealing with Potential Spoilers

- a. For any real impact, targeted sanctions must be more widely imposed at a higher level and more robustly enforced. The U.S. Treasury Department's Office of Foreign Assets Control (OFAC) should focus its investigations on politically and financially exposed individuals and their enablers and facilitators. If necessary, Treasury should propose

intelligence community collection requirements to gather information on possible targets and their networks. OFAC should use information gathered to make additional designations pursuant to U.S. Executive Order 13664. The U.S. government should work to ensure that all individuals and entities designated domestically are also designated for sanctions by the U.N. Security Council pursuant to resolution 2206.

- b. The U.S. should sustain its diplomatic pressure on regional states to prevent potential spoilers from seeking state sponsors in the region and to ensure that U.N. sanctions designations are enforced. OFAC and FinCEN should support efforts by regional governments and banks to provide training on sanctions enforcement and prevent money laundering. Kenya, Uganda, and Ethiopia should also make sure they meet their reporting requirements under U.N. Security Council resolution 2206 on steps they have taken in compliance with their obligations as U.N. member states.
- c. The U.N. Security Council should impose a global arms embargo to more closely monitor weapons flows into South Sudan and potentially pursue targeted sanctions designations against individuals and entities that facilitate arms transfers to groups in South Sudan.

3. Prioritizing Specific Provisions of the Peace Agreement

- a. Donors should ensure that JMEC, the commission overseeing implementation of the peace agreement, has the necessary resources and technical expertise to fulfill its broad sweeping mandate, including financial forensic accountants and oil industry transparency experts to implement the ambitious reform agenda laid out in the agreement.
- b. The region and the international community should take steps to ensure South Sudan's compliance with auditing and external oversight provisions laid out in the section of the agreement on resource, economic, and financial management, including the closure of all non-official oil accounts.
- c. The U.N. Mission in South Sudan (UNMISS) and European donors should provide immediate assistance in support of the transitional security arrangements, including food, water, and shelter at troop cantonment sites. There should also be a robust screening process in place to confirm troop numbers and prevent gross payroll fraud, commonly used by military commanders for their own personal enrichment.

4. Enhancing Civil Society Efforts to Hold Their Own Leaders to Account

- a. Donors should focus their efforts on supporting existing civil society efforts to demand the full implementation of South Sudan's own beneficial ownership and public disclosure rules laid out in the 2012 Petroleum Revenue Management Act and the 2011 Public Financial Management and Accountability Act.
- b. Donors should amplify civil society voices by investing in public opinion polling and media training, and by demanding investigations into attacks on local journalists and civil society activists as a condition for the normalization of donor assistance to the government of South Sudan.
- c. Donors should partner with civil society networks in South Sudan to develop and disseminate information on the peace agreement—specifically on provisions for financial transparency and accountability—to allow civil society groups to claim the public space allocated to them for their full participation during the transition.

5. Providing Incentives for Implementation Alongside Coercive Measures

- a. Once significant progress on peace implementation has been made, donors should work with the government of South Sudan to assess the viability of physical infrastructure and rehabilitation projects alongside robust auditing and accounting practices to prevent the misuse of donor funds and spur reconstruction and development efforts.
- b. Donors should work with the government of South Sudan to overhaul security sector reform efforts in keeping with human rights due diligence standards focusing specifically on human rights training, screening and organizational reforms, and the safe storage for weapons and ammunition that currently present a direct threat to civilians.
- c. The United States and other donors should partner with the government of South Sudan to assess what kinds of technical and legal support could potentially help facilitate private sector investment in the future. These efforts should focus on reforming the legal, financial, and regulatory frameworks that currently make it difficult to invest in South Sudan.

Introduction

On the two-year anniversary of the start of South Sudan's brutal civil war, there remains a glimmer of hope that the peace deal²⁷ signed by the SPLA-IO and former detainees on August 17, and signed by the government of South Sudan on August 26, may finally be gaining some traction. Signs of progress include the appointment of a JMEC chair to oversee implementation of the peace agreement, progress made on transitional security arrangements, and the withdrawal of Ugandan forces from South Sudan. Nevertheless, hardline elements within both the government and the opposition continue to pose a direct threat to the implementation of the peace agreement, leading some to question whether or not the agreement is already "on life support."²⁸ Amid a critically urgent humanitarian situation with 4.6 million people severely food-insecure; 1.66 million internally displaced, and almost 646,000 refugees in other countries,²⁹ war fatigue has set in at every level. In Malakal, government soldiers never seem to have enough to eat, while opposition forces in southern Unity state lack access to weapons and ammunition, and can no longer protect their families and communities from government offensives. It is civilians across South Sudan who continue to bear the brunt of the conflict as the country's leaders continue to pursue their own political and economic interests.

For the government, the number of officials with access to the country's hard currency is limited. In Juba, fuel shortages lasting weeks at a time and the high rate of inflation³⁰ are having a devastating impact on the lives of citizens at every socioeconomic level. Most significantly, the South Sudanese Pound (SSP) has lost value compared to the U.S dollar. This has precipitated the expansion and growth of an illicit parallel exchange market that benefits an elite few at the expense of the general public.

In an effort to support the peace agreement, which by itself does not resolve many of the most pressing challenges facing South Sudan, but rather provides a basis for the warring parties to return to Juba to get to work on an ambitious reform agenda it lays out, the ongoing research reflected in this report focuses on understanding the war economy and what policy interventions and tools exist for supporting the transition towards peace, specifically dealing with the political and financial motivations fueling the conflict.

This report is based on dozens of interviews conducted by the author in Juba, Bentiu, and Malakal, South Sudan; Addis Ababa, Ethiopia; and Nairobi, Kenya between July and November 2015. Interviewees included government and opposition officials, SPLA and SPLA-IO commanders, low-level fighters on both sides, civilians displaced by the conflict, civil society leaders, academics, economists, geologists, U.N. officials, and international experts on specific sectors of the war economy. The aim of this report is to provide a starting point for better understanding the war

economy and the actors and networks that it benefits in order to bring South Sudan's war machine to a halt.

The report first lays out the main sources of conflict financing for both the government and opposition, then describes their reliance on civilian militias, how they are compensated, and their motivations for fighting. Many of the same tactics learned and deployed during the long civil war with Sudan have reemerged in the context of this conflict, including the capture of state oil revenues by elites to fund the war effort and obstruction and manipulation of humanitarian aid, which is also briefly discussed. The next section lays out other sectors of the economy that are less directly related to conflict financing but are nonetheless important for understanding the war economy. These sectors include gold mining, timber logging, and wildlife poaching. Finally, the impact of the threat of high-level targeted sanctions is assessed, based on interviews with sanctioned commanders and sources close to the mediation. The policy recommendations laid out above are woven throughout the discussion.

Government Sources of Support and Conflict Financing

The government is primarily funding the conflict with oil money and currency speculation schemes leveraging the difference between the official and black market exchange rates. The government has also received loans on future oil production,³¹ although its most recent requests have been rejected,³² and to a lesser extent, from doing business with “war profiteers” making a profit off the conflict or interested in investing in South Sudan once conflict has ended. According to the South Sudanese Minister of Finance and Economic Planning, the government has a deficit of 7.5 billion SSP (or \$2.6 billion) and a total indebtedness estimated at 12.3 billion SSP (\$4.24 billion).³³ The Bank of South Sudan (the central bank) lacks cash and is reportedly printing local currency³⁴ (although government officials have denied the latter³⁵) in response to the economic downturn, fueling inflation. The oil revenues controlled by the government provide the primary inflow of hard currency into South Sudan. As the economy has shrunk, so too has the number of individuals with the power and authority to access and allocate state resources using these dollar accounts. Officials depend on these accounts to do business in the region and overseas and benefit personally from the difference in the official and black market exchange rates. Thus, in practice, there is little distinction between government budgets and the ability of a handful of powerful officials to control and benefit from the resources of the state. As the IMF has reported, “The rationing [of foreign currency in South Sudan] entails a hidden transfer of resources from the government to those with privileged access to foreign exchange at the official rate. The number of foreign exchange houses grew rapidly as they became beneficiaries of foreign exchange allocations.”³⁶

The Bank of South Sudan (central bank) has increasingly been bypassed by the Finance Ministry,³⁷ and this is further obscuring information on the management and allocation of state oil revenues and currency. JMEC should investigate and review transactions and individuals involved in the misappropriation of government resources, who should be the primary targets of asset investigations to curtail the damage they are able to inflict on the implementation of the peace agreement. Other external actors seeking to take action against South Sudanese officials who misappropriate state assets should focus their investigations on those who have access to the country's primary revenue stream: the oil sector.

Other interventions that are necessary to overhaul economic transparency and accountability in South Sudan include the implementation of many of the provisions laid out in the peace agreement for economic accountability and transparency,³⁸ including the closure of all non-official oil accounts.³⁹ But as a recent report by Global Witness points out, the transitional government, donors, and JMEC will collectively have to decide which reforms should be prioritized to transform the oil sector in South Sudan. Some of the most pressing reforms that should be prioritized in addition to the closure of all non-official oil accounts are transparency with respect to the bidding and trading process, the identification of all loans and contracts collateralized against future oil production, and the full implementation of South Sudan's 2012 Petroleum Revenue Management Act and the 2011 Public Financial Management and Accountability Act, which include strong public disclosure rules and other transparency measures that in many cases exceed international standards.⁴⁰

As a complement to regional efforts to improve financial transparency and accountability during the transition, FinCEN should also issue an advisory to all U.S. financial institutions regarding the risk of possible money laundering activity in South Sudan. FinCEN should then use the information it is provided by U.S. banking and financial institutions to determine if specific banks or accounts should be designated as primary money laundering concerns under section 311 of the Patriot Act. Should this occur, FinCEN's special measures under section 311 could prohibit U.S. financial institutions from maintaining correspondent accounts connected to the primary money laundering concern.

A Hardliner Mouthpiece: The Jieng Council of Elders

The Jieng Council of Elders (JCE) is a group of influential current and former government officials from the Dinka ethnic majority, and the council was established after the conflict broke out in response to key developments in the peace negotiations that they felt unfairly favored the SPLA-IO. JCE members have expressed concern about the prospect of Riek Machar's return to government by force,⁴¹ which they deeply oppose. The JCE attempted to position itself as a civil society group representing the Dinka ethnic community, but its members were never actually

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elected by the community. As one community member from Rumbek remarked, “Where did these people come from? Nobody elected them. Who do they represent?”⁴² The JCE also has strong ties to high-ranking generals within the state security apparatus.

What is clear is that the JCE is extremely influential with the president and other key government officials. The JCE has also worked to develop and support official policies, such as the deeply controversial move to create 28 states.⁴³

More serious allegations against the JCE include its outspoken opposition to the peace agreement and to the powers the peace agreement gives to the first vice president. During an interview with Radio Tamazuj in September, Chairman of the JCE and former Chief Justice Ambrose Riing/Riny Thiik commented, “The powers of the elected president have been removed from him and made someone who was not elected as a co-president. If you read the agreement carefully, you will miss that it makes Riek Machar co-president, not just a vice president and the agreement essentially renders the sitting president powerless and more ceremonial. These were the issues which the Council pointed out as we see them as source of potential conflict.”⁴⁴ Such statements by a former high-level government official and community leader tend to inflame tensions in their home areas and make the dissemination of accurate information on the peace agreement and the roles and responsibilities of key officials leading the transition more difficult.

In order to combat hardline rhetoric and minimize the ability of individuals and groups like the JCE to dominate public discourse, greater efforts need to be made to secure adequate public space for civil society voices to be heard and amplified. Public opinion polling, public lecture forums, and freedom for the press are crucial to fostering this space and countering the hardline narratives of groups like the JCE that can only claim to represent their communities. Donors should prioritize support for activities that amplify civil society discourse and elevate the voices of the public, and donors should demand that the government of South Sudan investigate attacks against journalists and uphold legal protections for civil society activists.

South Sudan's Defunct Crisis Management Committee

Soon after the conflict broke out, the government set up the Crisis Management Committee (CMC) to manage the country's emergency response and resources.⁴⁵ The CMC was chaired by the vice president and included other influential ministers.⁴⁶ The CMC reportedly took over the disbursement of government salaries immediately following the conflict and hired up to 1,000 paymasters to travel across the country and pay out salaries directly to government officials, according to multiple sources close to the government of South Sudan. According to sources, the CMC was defunct within 90 days. If true, the CMC wielded vast government powers with little oversight. It is also believed that the CMC paymasters may have uncovered evidence suggesting

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significant payroll fraud. But against the backdrop of the civil war and given the CMC's short existence, there was little opportunity to pursue a purge of the payroll system, one of the main vehicles for corruption at the local level.

With respect to the CMC, two steps should be taken: 1) the corruption and payroll fraud uncovered by the CMC should be made public; and 2) there should be an audit of the CMC led by JMEC, and there should be full public disclosure of the use of the CMC's budget.

Uganda: The Government's Stalwart Ally

The direct military intervention of Uganda at the outset of the conflict was critical to securing Juba and recapturing the state capital of Jonglei, Bor. Since then, Uganda's role in the conflict has been hotly debated, especially by the SPLA-IO. Throughout the conflict and the peace process, Uganda has provided South Sudan with vital political and military backing.⁴⁷ As part of the peace agreement, Uganda has agreed to withdraw its forces from South Sudan, but military ties are unlikely to be severed completely, especially if Sudan continues to arm the SPLA-IO and other spoilers fighting against the government of South Sudan, as well as provide safe haven to the anti-Kampala Lord's Resistance Army. Sources confirm the presence of troops close to the border in Gulu, northern Uganda. There are also allegations that Ugandan military support may be used to help maintain and operate South Sudan's Mi-24 helicopter gunships, although these allegations could not be independently verified by Enough.

U.S. diplomatic engagement and pressure on Uganda and President Museveni in particular was critical to securing the belated signature of President Kiir on the peace agreement on August 26, in Juba, according to sources close to the mediation. Agreement on the withdrawal of Ugandan forces was also a significant sign of progress within the region, also signifying a de-escalation of the proxy conflict playing out between Kampala and Khartoum. The United States in particular, however, needs to sustain its diplomatic engagement with Uganda in order to ensure that Ugandan actors continue to play a positive role during the implementation phase of the peace agreement.

Political Opposition to the Peace Agreement and Conflict Dynamics on the Ground

Political opposition to the peace agreement at the highest levels has also had an impact on the ability of the SPLA to enforce the ceasefire agreement on the ground. Disorganization among the security forces, their alleged involvement in intercommunal conflicts and local land disputes, a firmly entrenched culture of impunity, and reported predatory behavior toward local communities,⁴⁸ denied by the SPLA,⁴⁹ have collectively contributed to the continuation of conflict dynamics on the ground. According to multiple reports, including from the IGAD Monitoring and

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Verification Mechanism in South Sudan (MVM) teams tasked with monitoring ceasefire violations, in August and September, SPLA and IO forces clashed in multiple areas before the ink had even dried on the peace agreement. Both sides accused each other of violating the ceasefire agreement.⁵⁰ The MVM teams documented opposition-led attacks against the SPLA in Unity state,⁵¹ although opposition leaders denied that they had initiated these attacks and said that they had been attacked first in the incident.⁵² In September, government forces attacked opposition-controlled areas of Upper Nile state, using helicopter gunships to displace IO forces from their positions on the west bank of the Nile River in order to secure control over the Malakal airport.⁵³ In October, the SPLA razed villages in Western Equatoria with helicopter gunships⁵⁴ as a reaction to armed activity around Mundri.⁵⁵ The SPLA previously intervened in local disputes in Yambio and Maridi, Western Equatoria, partly in response to conflict between the local community and Dinka pastoralists.⁵⁶ (In August, the SPLA announced it would investigate incidents in Yambio.⁵⁷) In Jonglei and Unity states, there has been an uptick in revenge attacks and cattle raiding,⁵⁸ which are likely to continue involving both the organized forces and civilian militias.

It is important for military observers to be able to accurately distinguish the different types of violence occurring in different areas and for the SPLA leadership to be held accountable for military offensives into opposition-controlled areas, or for acts of violence against communities and civilians. This will require the robust presence of the Ceasefire and Transitional Security Arrangement Monitoring Mechanism (CTSAMM) on the ground visiting remote areas with access to both government and opposition strongholds.⁵⁹ Localized violence, including cattle raiding and other types of intercommunal violence will also have to be addressed, both at a political level and in terms of conflict mitigation programs that should be deployed to affected communities.

Opposition Access to Material and Financial Support

The SPLA-IO is allegedly sustained by the personal wealth of key individuals, diaspora remittances, and investments from “war profiteers” gambling that risky investments will yield big gains once the conflict has ended. Several IO delegations have toured the United States, Canada, and Australia seeking diaspora support.⁶⁰ These sources of funding are vital to sustaining the IO because opposition fighters and officials, unlike the government of South Sudan, lack access to the state’s financial resources and do not receive regular salaries. In fact, the CMC reportedly was able to quickly identify who had fled or defected to the IO and halt payments on the salaries of those individuals. The government of South Sudan also froze the accounts of soldiers who had defected to the opposition.

According to Small Arms Survey and Conflict Armament Research, the IO has two main sources of weapons and ammunition: 1) government stocks and the equipment with which they defected;⁶¹

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and 2) limited resupplies of weapons and ammunition from Sudan⁶² (which IO has publicly denied receiving⁶³). A significant source of military hardware, weapons, and ammunition for the SPLA-IO is captured government stocks and the equipment they defected with from the SPLA. The SPLA-IO also continues to rely on limited resupplies of weapons and ammunition from Sudan. Numerous interviews with SPLA and IO sources were consistent in terms of the level of support and types of weapons supplied by Khartoum. Evidence collected by Conflict Armament Research in November 2014 supports eyewitness accounts that Sudan has supplied the IO with airdrops of ammunition manufactured by Sudan in 2014.⁶⁴ In its interim report, the U.N. Panel of Experts notes, “With the fighting... involving frequent exchanges of fire between both sides, continued recruitment and the absence of a national arms industry, both sides require external resupplies, especially of ammunition, to sustain the fighting.”⁶⁵

One self-proclaimed interlocutor for the SPLA-IO with Khartoum was newly minted SPLA Lt. Gen. James Gai Yoach, the former commander of a splinter faction of the South Sudan Defense Forces (SSDF) which failed to reintegrate into the SPLA after the signing of the 2006 Juba Declaration and remained allied with Khartoum.⁶⁶ In June, James Gai accepted amnesty with the government of South Sudan and was promoted to the rank of Lieutenant-General.⁶⁷ Gai claims that he personally facilitated arms transfers to the SPLA-IO, specifically the acquisition of PKM machine guns, 12.7-millimeter ammunition, and rocket-propelled grenades (RPGs).⁶⁸ No advanced weapons systems, heavy artillery, anti-aircraft guns, or other high-caliber weapons were provided to the SPLA-IO by Khartoum, according to James Gai.⁶⁹ This information is consistent with claims made by the SPLA-IO that most of the high-caliber weapons and heavy equipment in its possession, including tanks, which IO forces often cannot operate due to fuel shortages and maintenance issues, were captured from the SPLA.

The IO is increasingly strapped for cash, weapons, and other equipment, which has fueled discontent within its ranks. The IO has also been characterized as having weak command and control, but Machar is nevertheless responsible for forces under his command as the internationally recognized leader of the SPLA-IO. Other challenges facing the IO leadership include internal division, disorganization, and competition over positions and political appointments, as well as deep resentment over the killing of ethnic Nuer in Juba. Salva Kiir is deeply hated among the ranks of the SPLA-IO, and it is difficult to imagine how Machar’s forces will maintain troop discipline in Juba. As a recent report published by Small Arms Survey notes: “The institutional base of the SPLM-IO is weak, political control of the civilian leadership over the senior military commander is less than complete, and there is no consensus on military and political objectives, negotiating positions, and the structure of the organization.”⁷⁰ As a result, it is necessary to hold the IO leadership accountable for managing its own internal divisions and cutting off its military ties to Khartoum.

More broadly, opaque business deals and financial transactions should be scrutinized and carefully investigated. These include transactions involving well-known war profiteers with long-standing ties to the IO leadership. The U.S. should also investigate deals involving firms, accounts, and individuals based in the United States. All business transactions, concessions, and bidding processes must meet the minimum requirements laid out in South Sudan's own laws. Ensuring war profiteers do not cash in on the destruction and loss of life they helped sustain should be a primary concern of JMEC, the United States, and donors during the transitional period.

The Role of Militias Fighting for the Government and Opposition

Although they have at times denied such involvement, the SPLA and SPLA-IO have faced accusations from a range of people, including witnesses, opponents, and international leaders and investigators, for mobilizing civilians to temporarily increase their force strength and go on military offensives.⁷¹ As a result, the line between soldier and civilian in South Sudan is often blurred. SPLA soldiers and civilians often fight side by side and share many of the same hardships and burdens. The key strategic advantage to using civilian militias is that they have the support of their own communities, including access to food and shelter. As a result, they are less likely to engage in predatory relationships with the communities from which they come. In fact, these local security arrangements are often seen as providing protection to their communities and benefit from strong local support.⁷² Thus civilian militias loyal to either the government or the opposition generally do not require salaries. They sustain themselves on the loot of war when they go on the offensive, including cows and women, and these forces are fueled by local grievances, revenge, and cycles of intercommunal violence that were present before the start of the civil war. The motivations of these fighters are both individual and collective, and motives include the personal loss of friends, family, and colleagues, as well as stolen cattle and revenge attacks.⁷³

Government-Allied Civilian Militias

The government has faced accusations from the U.N. Panel of Experts, Human Rights Watch, the AU Commission of Inquiry, Small Arms Survey, Radio Tamazuj, and others for using civilian militias. The alleged government-allied civilian militias include the Mathiang Anyoor group from the Greater Bahr el Ghazal region and the Bul Nuer in Unity state. The SPLA has, not surprisingly, denied claims that it has mobilized these militias to fight alongside the organized forces.⁷⁴

The U.N. Panel of Experts, notes, "The Presidential Guard played a crucial role in the fighting that erupted in Juba in December 2013, as well as the so-called 'Mathiang Anyoor' militia that was subsequently integrated into the National Security Service."⁷⁵ The African Union Commission of Inquiry report notes, "A majority of the newly trained soldiers were not regularly integrated into the SPLA. According to officials, between 330 and 700 of these soldiers were eventually integrated

into the Tiger Unit (Presidential Guard) following a commissioning ceremony attended by [the] President. It was not clear, from the Commission's consultations, what happened to the rest of the newly trained recruits."⁷⁶

In Unity state, UNMISS, Small Arms Survey, and Human Rights Watch have documented evidence of attacks involving government forces with ethnic Bul Nuer militias. These Bul Nuer forces allegedly played a role, alongside the SPLA, in the scorched earth campaign that took place in southern Unity state between April and June 2015.⁷⁷ The horrific impact of the military offensive on civilians in southern Unity state was carefully documented by UNMISS, HRW, and Amnesty International.⁷⁸ Following the release of the Human Rights Watch report in particular, state officials and military commanders said they would investigate and needed to verify the incidents in question. Presidential Spokesman Ateny Wek told Al Jazeera, "The truth of the matter is that government troops are not guilty of such crimes, because they apply the rule of engagement." Wek added, [But] if its (sic) proven, and we find the culprits, we will bring them to book ... We will not hesitate." Al Jazeera has noted that South Sudan's government has blamed alleged rights abuses on a "a few individuals" who can face national legal proceedings, though Human Rights Watch alleges that the attacks were more "widespread and systematic to be blamed on a few rotten apples."⁷⁹

In terms of local conflict dynamics and the implementation of the peace deal, it is difficult to imagine how outrage directed against the Bul Nuer from other Nuer communities in Unity state will be managed, particularly if allegations of the human rights atrocities and cattle raiding committed by government forces and allied militias are true.⁸⁰

Opposition-Allied Civilian Militias

As with the SPLA, the U.N. Panel of Experts, the AU Commission of Inquiry, and others have accused the SPLA-IO of relying heavily on civilians to fight alongside the forces that defected from the SPLA and police at the outset of the conflict. These militias include the ethnically Nuer White Army⁸¹ and the ethnic Shilluk militia forces loyal to Lt. Gen. Johnson Olony.⁸² Other militias and defected units have also recently declared their allegiance to the SPLA-IO. These militias are unpaid and survive based on support from their own communities when they are in their home areas. The White Army, in particular, has been implicated in grave human rights abuses in Bor, described in the AU-Col report.⁸³

One of the most well-known civilian militias in South Sudan is the Nuer White Army. In Jonglei state, they mobilized within days of the outbreak of the conflict in Juba. Alongside forces under the command of Gen. Peter Gadet, the White Army made significant military gains, including capturing Bor, but it also allegedly committed horrific human rights abuses and led revenge

attacks against Dinka civilians.⁸⁴ Subsequent efforts by the SPLA-IO leadership to train the White Army were only marginally successful. Although command and control has improved between the SPLA-IO and some of the civilian militias—which are heavily influenced by spiritual leaders and the cattle camp youth leaders they traditionally follow—understandings about conduct in war diverge significantly between the professionally trained SPLA-IO contingents and the White Army fighters. One professional soldier from the SPLA-IO tasked with training the White Army in Pagak, in Upper Nile state, recalled a conversation he had had with a White Army fighter he was training that exposed the extent of this gap in expectations and understanding. The White Army fighter told the SPLA-IO trainer, “I understand the words you are saying to me, but they don’t make sense in my head.” In other words, the fighter could not reconcile his own understanding of how war was waged with what he was being told by the SPLA soldier.⁸⁵

Militia forces under the command of Lt. Gen. Johnson Olony, who is based in Tonga, Upper Nile state, call themselves Agwelek. The force is a mix of SPLA fighters that were with Olony in the SSDF and new recruits from the Shilluk community.⁸⁶ Olony, who had been aligned with the SPLA, defected to the SPLA-IO in May. As Small Arms Survey describes, “Johnson’s alliance with the SPLA had always been tenuous because his primary objective was defending the interests of the Shilluk. Their primary challenge came from the Dinka who formed the backbone of the SPLA and who had displaced many of the Shilluk to the east bank of the Nile and who claimed Malakal as their town, while the Shilluk had no such conflict with the Nuer. These problems were never resolved and Johnson grew increasingly alienated, ended his alliance with the SPLA, and soon aligned with the IO.”⁸⁷ According to the IGAD Monitoring and Verification Mechanism in South Sudan (MVM), on May 15, SPLA-IO forces attacked government forces south of Malakal with Shilluk forces led by Olony and together forced the SPLA from its position.⁸⁸ Land management and demographic issues in Upper Nile remain a critical concern of Olony and many Shilluk people who have strongly denounced President Kiir’s plan to create new states.⁸⁹ In an interview with the BBC, Olony reportedly called the plan a “naked power grab” and said the government’s management of land had provoked force from his group in the past and could do so again.⁹⁰ While Olony is under the command of Machar, the alliance seems tenuous given Olony’s history of shifting allegiances.

What to Do with These Militias?

Given the blurred line between soldier and civilian and the prominence of militias in South Sudan, both as fighting forces to augment the strength of the so-called organized forces on the ground and as community protection forces, addressing these groups has always been contentious. Efforts to integrate these forces into the SPLA and the police forces have created a host of issues from poor levels of training and discipline to a total lack of centralized command and control. Similarly, civilian disarmament campaigns and confrontations between the organized forces and the community protection forces in South Sudan have often been bloody and ill-conceived, given

the inability of state security forces to truly provide protection to communities from cattle-raiding and revenge attacks.⁹¹

Demobilizing these militias, addressing community grievances, and ending cycles of violence and revenge will require a host of policy interventions, including robust security sector reform, justice and accountability for human rights violations, and locally-owned and locally-led reconciliation efforts between communities, many of which are ongoing.

There is also a need for political commitments at the highest level to ensure these forces are demobilized and peace dividends are provided to communities, including reparations so that war-affected communities can begin to rebuild. In support of these efforts, donors must provide much-needed support to forces in their cantonment areas and ensure a screening process is in place to identify the number of forces in the cantonment areas and prevent gross payroll fraud, a common vehicle used by commanders to enrich themselves by exaggerating the size of their forces. Convincing fighters to return to their homes will require providing them with services in their home areas, including security, and will require the full support of the top leadership of the SPLA and SPLA-IO.

The Manipulation of Humanitarian Aid

An important aspect of the war economy in South Sudan involves control over the delivery of humanitarian aid, which was also a prominent feature of the Sudan-SPLA civil war.⁹² Many of the same tactics learned and deployed by the SPLA then have reemerged in the context of this new civil war. In fact, these dynamics have been exacerbated by the intensity of the conflict and the intimacy of the violence between neighboring communities. The U.N. protection of civilian (PoC) sites where tens of thousands of internally displaced persons (IDPs) are currently seeking protection have also been politicized in ways that are deeply important to understand and recognize in the context of the humanitarian response. While a full discussion of this important topic is outside the purview of this policy report, the war economy in South Sudan remains deeply entangled with the delivery of humanitarian aid in ways that deserve greater attention.

Other Sectors of the War Economy

While much of the most violent conflict is occurring in the oil-rich Greater Upper Nile region, South Sudan also has reserves of other high-value natural resources that have attracted regional and global attention. Gold mining, timber logging, and wildlife poaching have also contributed to the war economy, although on a smaller scale compared to the oil sector. With some exceptions, such activities are mostly localized and tend to benefit local commanders or politicians that are able to effectively capture these resources through their close ties to their own communities. Proceeds

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from these smaller-scale, decentralized activities go primarily toward sustaining local militias and armed groups, but benefit local communities as well.

Gold

The mining sector for gold and other minerals in South Sudan is a particularly important sector to watch, especially because the moratorium on mining concessions that had been put in place in November 2010 was lifted last year,⁹³ ostensibly to open up new sources of revenue for the government. Very few mining companies are currently prepared to begin operations with the conflict ongoing, and production thus remains mostly artisanal. In Eastern Equatoria state, members of the Taposa ethnic group have mined gold for decades in their home region of Kapoeta, trading gold nuggets for weapons and ammunition and goods from traders in Kenya, Uganda, Somalia, and Sudan. South Sudanese government officials have also reportedly tried to capitalize on the artisanal gold production and control the activities of mining companies in their areas, including offering huge land concessions for exploration in exchange for payment upfront from foreign companies and investors. In Central Equatoria, the gold trade is centered around Yei and attracts brokers from around the region. Interviews with South Sudanese geologists and mining experts suggest that there are likely significant gold reserves in South Sudan, as well as other minerals and marble. Diamonds may possibly be found in South Sudan as well. Nevertheless, so long as insecurity and poor legal and regulatory frameworks remain major risks for potential investors, it is unlikely that large-scale mechanized mining will be able to take place in South Sudan. In the meantime, small scale mining and exploitation is likely to continue.

For communities in South Sudan that rely on artisanal gold production, like the Taposa, the lack of accountability for resource extraction or respect for community land rights have made it difficult for them to secure access to a fair market rate for the gold they do produce. The capture and control of the market by officials at the local, state, and national level, as well as gold traffickers in the region, has given rise to serious doubts over whether or not the provisions contained in the 2012 Mining Act⁹⁴ and 2015 Mining (Mineral Title) Regulations⁹⁵ are sufficient to address the challenges facing the gold sector in South Sudan. As with the oil sector, implementation is key. Ultimately, if South Sudanese courts fail to uphold their own laws, there is little hope that the proceeds of local gold production will fully benefit local communities.

Logging

South Sudan's forests have been exploited for decades, dating back to the Sudan-SPLA civil war and earlier. More recently, researcher Mareike Schomerus has documented the Uganda People's Defense Force's logging and exporting of timber in Eastern Equatoria during the counter-LRA-mission in the area.⁹⁶ The UPDF has also been implicated in illegal logging in Congo.⁹⁷

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Forests are one of South Sudan's most valuable and readily available resources.⁹⁸ According to the Illegal Logging Portal, South Sudan has the world's largest and Africa's oldest teak plantations.⁹⁹ A 2007 report by the U.N. Environment Programme (UNEP) suggested that, "existing teak plantations alone could potentially generate up to USD 50 million per year in export revenue."¹⁰⁰ Most of South Sudan's wood is exported through Uganda, which is the main economic lifeline connecting South Sudan to the East Africa region. The Juba-Nimule highway, built by USAID, provides an easy export route for South Sudan's high-end teak and mahogany woods to Uganda. Nevertheless, the exploitation of South Sudan's forests by a host of local and external actors, as well as limited enforcement of existing legal and regulatory frameworks, has contributed to economic losses to communities and extensive environmental degradation.¹⁰¹

Efforts to more closely monitor and control illegal logging in South Sudan have been hamstrung by many of the same issues that affect other extractive industries in South Sudan. Illegal logging is also linked to charcoal production, which is sold locally in South Sudan and provides an important source of income for families in rural areas.¹⁰² In order to halt the exploitation of South Sudan's high-end woods, prevent deforestation, and ensure communities receive sustainable benefits from their forests, provisions for financial transparency and accountability relevant to other sectors of the economy must also be enforced regarding land management and logging. In particular, efforts to strengthen environmental protections should be understood as critical to the economic health and wellbeing of communities and their forests in South Sudan.

Poaching

South Sudan's wildlife reserves are significant and under constant threat.¹⁰³ While South Sudan's wildlife population never had a chance to recover from the Sudan-SPLA civil war, allegations of poaching in South Sudan, both for ivory and bush meat, and cross-border poaching involving South Sudanese civilians and members of the security forces, including SPLA soldiers and police,¹⁰⁴ are deeply concerning. South Sudan is also home to one of the largest land migrations in the world of White-eared Kob, a species of antelope.¹⁰⁵

While bush meat and ivory are significant sources of conflict financing for other conflicts in the region, and for groups like the Janjaweed and the LRA,¹⁰⁶ there is little evidence to suggest that poaching is a significant source of conflict financing for armed groups in South Sudan. A much more likely scenario is that isolated SPLA and police units may engage in cross-border poaching for subsistence or for their own personal economic gain, rather than as part of a larger systematic effort to fund the war effort. Nevertheless, local officials and commanders need to do more to ensure their forces are not targeting park rangers and endangered wildlife in South Sudan's national parks, in the Democratic Republic of the Congo's Garamba National Park, and in other

neighboring areas. These officials and commanders should reinforce troop discipline and improve the management and safe storage of weapon and ammunition so that there is greater accountability for the use of government arms. State officials in Central and Western Equatoria should also investigate illicit ivory markets in Yei and Maridi.

During a stockpile assessment training in Torit, Eastern Equatoria, in November 2013, the author came across dozens of horns and tusks being kept in a weapons storage facility by the South Sudan Wildlife Service. An official claimed that the ivory had been taken from a group of poachers in the area and was going to be destroyed. Poaching in South Sudan is often carried out with the support of local security forces. More recently, another researcher uncovered significant evidence of poaching by South Sudanese in Garamba National Park in Eastern Congo. Interviews with park rangers suggested that out of the 130-150 elephants poached each year in the park, South Sudanese poachers were responsible for 80 percent of those deaths. A kilogram of ivory may go for \$200, leading to huge profits from poaching. As a direct result of the civil war in South Sudan, South Sudanese poachers pose an even greater threat to park rangers and elephant populations in Garamba, according to local park officials.¹⁰⁷

While gold mining, logging, and wildlife poaching may not constitute significant sources of conflict financing, they are nevertheless part of the war economy in South Sudan. Communities only receive marginal economic benefits from these activities, while the long-term picture for South Sudan looks increasingly bleak. Conservation and environmental protection efforts can only be effective once the war has been brought to an end and basic provisions for financial transparency and accountability are in place. In order to support these efforts, donors should ensure that the JMEC has the necessary resources, technical expertise, and support to quickly and effectively fulfill its role in overseeing these measures as part of its role in implementing the overall provisions of the peace agreement signed in August 2015. The region and the international community should also take steps to ensure South Sudan's compliance with auditing and external oversight provisions contained in the peace agreement.

The Impact of Targeted Sanctions on Political Calculations

Some analysts have questioned the effectiveness of targeted sanctions as a tool to influence the calculations of South Sudanese individuals. In some cases, they have argued that targeted sanctions might be detrimental to the implementation of the peace agreement.¹⁰⁸ Enough Project interviews with sanctioned generals on both sides and high-level sources close to the mediation suggest otherwise. Sanctioned generals interviewed by the Enough Project expressed concern and defensiveness at their designations and said that they were unfairly targeted and accused of horrific atrocities that had tarnished their reputations as liberation fighters and professional soldiers. They also expressed concerns that they would be the first to face investigation and

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prosecution before the hybrid court while those most responsible for crimes committed would never face justice. They also shared that their families, especially those living in the region, have suffered as a result of their being on the U.N. sanctions list.

While the sanctioning of ground commanders has itself done little to alter the political calculations of key decision makers, the credible threat of asset freezes and travel bans against high-level officials has provided a significant source of leverage for the international community in influencing the calculations of both President Kiir and Riek Machar. The threat of targeted sanctions and focused regional and international diplomatic pressure on the government of South Sudan after President Kiir failed to sign the peace agreement by the August 17 deadline was instrumental in gaining his belated signature on August 26. While it is difficult to ascertain just how much the threat of asset freezes and travel bans has weighed on South Sudanese leaders, what is clear is that they depend on access to USD accounts and assets to conduct business in the region; access hospitals and medical services in nearby Kenya and South Africa; pay for schools for their children in the region, the United States, Australia, and Canada; and move freely between their homes in Juba and those of their families overseas. Thus South Sudanese elites are vulnerable to the impact of targeted sanctions, even if they are only selectively enforced.

Two important conclusions can be drawn from this assessment. First, the credible threat of individual asset freezes and travel bans can serve as an effective form of coercive pressure against individuals who seek to obstruct the implementation of the peace agreement and should be sustained by the international community. Second, the United States and the U.N. Security Council should seek to target individuals that are both politically influential and financially exposed, rather than ground commanders who have few financial assets in the region, rarely travel abroad, and ultimately wield little control over the overall political decision-making process.

Levying and implementing sanctions that effectively target the South Sudanese actors who most threaten peace and security requires attention to sanctions enforcement at the regional level. To prevent potential South Sudanese spoilers from seeking state sponsors in the region, the United States and other international partners must maintain diplomatic pressure on regional states, including Kenya, where significant South Sudanese assets are held.¹⁰⁹ The U.N. Security Council should revisit its position on an arms embargo, which was recommended by the U.N. Panel of Experts and which would provide a basis to more effectively monitor weapons flows into South Sudan. The U.N. Security Council should pursue investigations and additional sanctions designations against individuals and entities that facilitate and profit from illicit transfers of arms and ammunition to fighting forces on the ground.

As a complementary measure to ensure sanctions are regionally enforced, the U.S. Treasury's Office of Technical Assistance (OTA) should support efforts by regional governments and banks to

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identify the assets of targeted individuals. Kenya, Uganda, and Ethiopia should also make sure they meet their reporting requirements under U.N. Security Council resolution 2206 on the steps they have taken in compliance with their obligations as U.N. member states as described in the resolution.

At the same time, the United States, United Kingdom, and other global partners should redouble their efforts to trace, seize, freeze, and return the proceeds of corruption to the people of South Sudan. Recovered assets should go toward the payment of reparations to communities devastated by the conflict. Key regional and international supporters and facilitators should also be investigated.

Conclusion

Financial interventions, including global investigations into the proceeds of corruption, prosecutions of economic crimes that include pillage and grand corruption, asset freezes and travel bans targeting individuals who obstruct the implementation of the peace agreement, and the closure of all non-official oil accounts are essential steps needed to support the implementation of the peace agreement and transition the war economy toward peace. These measures would also ensure that officials do not return to the “thieving and looting” that took place after independence. Alongside these coercive measures, the international community must also ensure that the financial, technical, and diplomatic resources are available to support the peace agreement. This includes resources for JMEC, support for transitional security arrangements, and a willingness to pressure regional governments to ensure stolen assets are not held elsewhere in the region. Additionally, hardliners who actively seek to undermine the peace agreement should be counterbalanced by donor efforts to secure adequate public space for civil society voices to be heard during the transition. Strong donor support that complements, but does not overwhelm the needs of government institutions will also be necessary to support a peaceful transition. Finally, South Sudan must seek to diversify its economy in ways that provide ordinary citizens access to the economic dividends of peace. South Sudan’s vast natural resource wealth, including not just oil, but forests, wildlife, and mineral wealth, must be carefully and transparently managed. Only by dismantling the war economy can South Sudan finally achieve a sustainable peace.

Endnotes

¹ U.N. Security Council, “Interim report of the Panel of Experts on South Sudan established pursuant to Security Council resolution 2206 (2015),” S/2015/656, pp. 19-22, August 21, 2015, available at http://www.un.org/ga/search/view_doc.asp?symbol=S/2015/656. The report of the African Union Commission of Inquiry on South Sudan includes numerous witness references to the use of tanks in conflict. African Union Commission of Inquiry on South Sudan, “Final Report of the African Union Commission of Inquiry on South Sudan,” paras. 413, 448, 449, 454, 527; pp. 124, 132-133, 135-136, 157, dated October 15, 2014, released publicly October 27, 2015, available at <http://www.peaceau.org/uploads/auciss.final.report.pdf>.

² U.N. Security Council, “Interim report of the Panel of Experts on South Sudan,” S/2015/656, pp. 20, 21.

³ One opposition source described how it is a sign of prestige if you return from battle to the village with one of the “new black guns” captured from a government soldier. The African Union Commission of Inquiry on South Sudan interviewed a group of women about an attack on April 17, 2014 on a U.N. Protection of Civilians (PoC) site in Bor and noted, “The women reported that when they (the attackers) came, the type of machine guns (they) were using were very new, and that showed (*sic*) that the government provided the weapons to the attackers.” African Union Commission of Inquiry on South Sudan, “Final Report,” para. 544, p. 161. A report on the attacks in Bor and Bentiu in April 2014 notes with regard to the Bor attack, “Officers (*sic*) that in addition to AK-47s, which were predominantly used, some attackers used machine guns” (para. 92, p. 20). [...] “Once inside the PoC site, the [quick reaction force] opened fire on the attackers, with rifles, machine guns, and rounds from an armoured personnel carrier (APC). Information suggests firing was directed outward, as firing inside the PoC site would have endangered IDPs and UNMISS personnel” (para. 102, p. 22). U.N. Mission in the Republic of South Sudan, “Attacks on Civilians in Bentiu & Bor April 2014,” January 2015, available at <http://reliefweb.int/sites/reliefweb.int/files/resources/UNMISS%20HRD%20-%20Attack%20on%20Civilians%20in%20Bentiu%20and%20Bor%20-%20January%202015.pdf>.

⁴ The Enough Project uses the term “violent kleptocracy” to refer to a system in which a country’s wealth is captured and controlled almost exclusively by a small group of powerful elites within the government. These officials rely on state structures and institutions, including the state security apparatus, for their own protection and personal economic gain. Kleptocracy exceeds corruption as a state-based system of economic exploitation, and violence is the primary means by which the government seeks to stay in power. Patronage networks also play an important role in the system and tend to reinforce existing power dynamics. Nevertheless, these systems can also be deeply unstable, and competing kleptocratic networks within the government may become rivals for control over the state. Such competition can lead to an increase in violence and state repression, and potentially civil war, as in the case of South Sudan.

⁵ For an excellent analysis of the roots of the kleptocracy in the liberation struggle see Clémence Pinaud, “South Sudan: Civil War, Predation, and the Making of a Military Aristocracy,” *African Affairs* 113 (451) (April 2014): 192-211.

⁶ Brent crude oil prices, which averaged more than \$100 per barrel in 2011 are now estimated to average \$54 per barrel. For more on the shifts in global oil prices see U.S. Energy Information Administration, “Today in Energy: 2011 Brief: Brent crude oil averages over \$100 per barrel in 2011,” January 12, 2012, available at <http://www.eia.gov/todayinenergy/detail.cfm?id=4550>; U.S. Energy Information

Administration, "Short-term energy outlook," November 10, 2015, available at <http://www.eia.gov/forecasts/steo/> (last accessed December 2015).

⁷ Kim Lewis, "Conflict Stifles South Sudan's Oil Industry," Voice of America, July 13, 2015, available at <http://www.voanews.com/content/oil-conflict-revenue-investment-production-instability-sudan-globaldata/2859593.html>; Ilya Gridneff, "Prolonged South Sudan Conflict Seen Costing Economy \$28 Billion," Bloomberg News, January 14, 2015, available at <http://www.bloomberg.com/news/articles/2015-01-14/prolonged-south-sudan-conflict-seen-costing-economy-28-billion>; Reuters, "South Sudan oil revenue at \$3.38 bln, hit by conflict and price falls," January 3, 2015, available at <http://www.reuters.com/article/2015/01/03/southsudan-crude-idUSL6NOUI02D20150103#ilgqs4oYbJhtLHdZ.99>.

⁸ Africa Intelligence Indian Ocean Newsletter, "In IMF view, a kleptocratic State bordering on bankruptcy," May 1, 2015, available at <http://www.africaintelligence.com/ION/politics-power/2015/05/01/in-imf-view-a-kleptocratic-state-bordering-on-bankruptcy,108071799-EVE>; Sudan Tribune, "South Sudan seeks to generate non-oil revenues through economic diversification," May 4, 2015, available at <http://www.sudantribune.com/spip.php?article54828>.

⁹ Crude oil prices have dropped by more than 50 percent since mid-2014, reducing the per barrel value of the oil South Sudan is producing, which is lower in both volume and quality as well. More of the already-reduced profit margin is lost in repayment of oil loans, oil transit fees to Sudan, and other expenses. See, for example, Radio Tamazuj, "S Sudan's oil revenue only about \$10/barrel," April 2, 2015, available at <https://radiotamazuj.org/en/article/s-sudans-oil-revenue-only-about-10barrel>. For an infographic showing the fees and flows of revenue from oil see Global Witness, "Turning the Tide: Building a clean oil sector through South Sudan's Peace Agreement," Infographic: "How does oil in the ground become cash in the bank?" (London: November 2015, available at <https://www.globalwitness.org/en/reports/turning-tide/>).

¹⁰ Global Witness, "Turning the Tide," p. 5.

¹¹ For more detail on the needs and prospects for greater transparency in the management of South Sudan's oil revenues as assessed in late 2015 see Global Witness, "Turning the Tide." For more on opacity in the oil deals amid positive potential seen in 2012 in the legal frameworks for oil revenue management, see Global Witness, "Blueprint for Prosperity: How South Sudan's new laws hold the key to a transparent and accountable oil sector," pp. 1-2 (London: November 2012), available at <https://www.globalwitness.org/en/reports/blueprint-prosperity/>.

¹² For more on convergence between the public and private interests and allegations of public oil revenues being diverted for private use see The Sentry, "The Nexus of Corruption and Conflict in South Sudan" (Washington: July 2015), available at <https://thesentry.org/reports/south-sudan/>.

¹³ A December 2014 IMF report notes, "The parallel market emerged in September 2011 as the Bank of South Sudan (the central bank) decided to peg the currency at an overvalued level and ration foreign exchange.¹⁰ The rationing entails a hidden transfer of resources from the government to those with privileged access to foreign exchange at the official rate. The number of foreign exchange houses grew rapidly as they became beneficiaries of foreign exchange allocations. Since 2011, the parallel market rate has responded closely to monetary stimuli and expectations about oil flows; the widening of the parallel market premium in recent months reflects the challenges regarding oil production and the expansion in monetary aggregates." International Monetary Fund, "Republic of South Sudan 2014 Article IV Consultation—Staff Report; Staff Statement; and Press Release," para. 9, p. 7 (Washington: December 2014), available at <https://www.imf.org/external/pubs/ft/scr/2014/cr14345.pdf>. See also The Sentry, "The Nexus of Corruption and Conflict in South Sudan."

¹⁴ Bank of South Sudan, home page, available at <https://bosshq.net/> (last accessed December 7, 2015).

¹⁵ The Enough Project has been monitoring the black market rate and triangulated these figures with multiple sources between August and December of this year.

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¹⁶ If a trader took one dollar and exchanged it on the parallel market rate for 17 to 18 SSP, and then changed the SSP back into dollars at the official 2.9 rate, he or she would receive 5.86 to 6.20 U.S. dollars, or a 586 to 620 percent profit.

¹⁷ Nicholas Bariyo, "Uganda to Supply South Sudan Weapons," *The Wall Street Journal*, October 16, 2014, available at <http://www.wsj.com/articles/uganda-to-supply-south-sudan-weapons-1413475592>; Sudan Tribune, "South Sudan and Uganda sign military cooperation deal," October 15, 2014, available at <http://www.sudantribune.com/spip.php?article52727>.

¹⁸ U.N. Security Council, "Interim report of the Panel of Experts on South Sudan," S/2015/656, p. 19.

¹⁹ A recent publication by the Enough Project confirms earlier reports that Joseph Kony is most likely seeking safe haven in the Kafia Kingi enclave of Sudan. See Ledio Cakaj, "Tusk Wars: Inside the LRA and the Bloody Business of Ivory" (Washington: The Enough Project, October 2015), available at http://www.enoughproject.org/files/Tusk_Wars_10262015.pdf.

²⁰ U.N. Security Council, "Interim report of the Panel of Experts on South Sudan," S/2015/656, p. 22 (paras. 76-77); John Young, "A Fractious Rebellion: Inside the SPLM-IO," pp. 19, 29, (Geneva: Small Arms Survey, September 2015), available at <http://www.smallarmssurveysudan.org/fileadmin/docs/working-papers/HSBA-WP39-SPLM-IO.pdf>.

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²⁵ Tesfa-Alem Tekle, "Machar says defected rebel commanders are welcomed to rejoin movement," *Sudan Tribune*, September 5, 2015, available at <http://sudantribune.com/spip.php?article56287>; Obaj Shago, "Gatdet's defection: A threat to peace process," Eye Radio, August 13, 2015, available at <http://eyeradio.org/gatdets-defection-threat-peace-process/>; Dominic Santo, "10 Opposition leaders defect," June 29, 2015, available at <http://eyeradio.org/10-opposition-leaders-defect/>.

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⁸⁸ In a separate report, the IGAD MVM noted that South Sudanese government forces reportedly retook control of the area after several days, and then on June 23 and June 27 the SPLA-IO and allied Shilluk forces again retook the area by force and controlled it for a time. In an incident described separately by the IGAD MVM, following the June 27 seizure of Malakal, IO forces fired into a site for the protection of civilians in Malakal. One person was killed and seven were injured in the incident. See IGAD Monitoring and Verification Mechanism in South Sudan, “Summary of Latest Reports of Violations of the Cessation of Hostilities Agreement (COHA) Investigated and verified by the IGAD Monitoring and Verification Mechanism in South Sudan Reporting Period: 27 April 2015 – 7 July 2015.”

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