

IX. Complete Corruption and Governance Review

South Sudan should support a joint World Bank-IMF country review of corruption and governance risks. This would be the first high-profile, international study of state capture and corruption under the IMF's updated Article IV Consultations, and the results should determine how international donors and multilateral organizations support South Sudan's economy. International financial support should be contingent on reaching anti-corruption standards that prevent misuse of assistance.

How would this action improve economic governance?

The urgency of donors to rehabilitate South Sudan's war-torn economy should be balanced with the reality that international assistance has been misused or outright stolen in South Sudan through corruption and poor governance. Development banks and international financial institutions are central to South Sudan's stability and prosperity, and the review would highlight how to reform the way assistance flows into the country.¹¹³

- The primary objective of the review would be to focus on the best practices for the efficient and equitable distribution of public resources to reduce poverty and promote fair competition in the private sector.
- The in-depth review would help donors coordinate a recovery program for the country—in consultation with the transitional government and civil society—that explicitly addresses corruption. In the coordinated review on corruption in the country, the study would pinpoint where donors and banks should watch out for corrupt practices in procurement processes.
- This review would set new standards for anti-corruption policies. A key purpose of the review would be to address the traps in the distribution of donor assistance and make accountability recommendations, such as publishing the beneficial owners of companies with which donors contract.

Has this policy worked?

The IMF's new review process, the Framework for Enhanced Fund Engagement, commits the IMF to review corruption and governance risks in country evaluations.¹¹⁴ The framework aims to promote more systematic, effective, candid, and evenhanded engagement on governance vulnerabilities. Tying financial support to governance improvements has precedence. In the Ukraine, the IMF made the formation of an independent corruption court a condition for releasing a \$1.9 billion loan.¹¹⁵ In addition, the World Bank can assess government institutions before providing additional financing and debar companies from receiving World Bank funds for failing to disclose beneficial ownership.¹¹⁶

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What are the steps to implementation?

South Sudan will likely turn to lending agencies, including the United States' new International Development Finance Corporation (IDFC),¹¹⁷ to promote foreign investment and provide low-risk financial guarantees to investors and lenders. The review should be a precondition to unlocking bilateral and multilateral financing. Following the review, international donors should fund oversight bodies, including the ACC and parliamentary oversight bodies to guard against misappropriation.

- **South Sudan:** The government, under the R-TGoNU's Board of Special Reconstruction Fund (BSRF), should immediately request an Article IV Consultation team of evaluators to travel to South Sudan.¹¹⁸
- **IGAD, AU, United Nations:** The World Bank and IMF should spearhead the review, consult early and often with civil society, and invite other multilateral lenders, such as the African Development Bank and China Development Bank, to participate.
- **International Partners, Donors:** The United States and EU—as two of the top donors to multilateral lending agencies—should make lending contingent on the review. Donors should also revamp the standards for financial transparency in the development sector and require beneficial ownership records independent of the World Bank-IMF review. An initial step for donors could be to appoint anti-corruption advisers that focus on due diligence in procurement and implementation contracts.¹¹⁹