

Untapped and Unprepared

Dirty Deals Threaten South Sudan's Mining Sector

April 2020



THE SENTRY

SUMMARY

The Sentry's latest investigative report in The Taking of South Sudan series shows how opaque corporate landscapes and inadequate due diligence processes in the mining sector can disproportionately benefit South Sudan's ruling clique and undermine scrutiny of possible misconduct.

Despite implementing a regulatory framework for the mining sector in 2012, South Sudan's mineral development remains highly susceptible to state capture. Some government officials, their relatives, and their close associates have exploited an environment defined by kleptocratic arrangements, insufficient oversight, and toothless accountability mechanisms. For example:

- President Salva Kiir's daughter partly owns a company with three active licenses.
- Another company with three licenses lists former Vice President James Wani Igga's son as a shareholder.
- In the gold-rich region of Kapoeta, Governor Louis Lobong's relatives have established a number of mining enterprises, including one that received a provisional gold dealers' license.

State government officials have begun issuing exploration licenses independently of the central government, and mining companies with no authorization to conduct exploration have been observed on other companies' licenses. Additionally, the military has developed mining interests in an effort to address budgetary shortfalls. It controls one mining company with active licenses and has established joint ventures with others. These enterprises raise concerns about the oversight of the military's extrabudgetary funds and call into question the legitimacy of the application review process.

The national mining cadaster shows that several companies with little financial or technical capacity have been granted licenses, while businesses controlled by individuals named in connection with fraud or other acquisitive crimes have received others. For example, Ashraf Seed Ahmed Hussein Ali, or "Al-Cardinal," who was sanctioned by the United States under the Global Magnitsky program in October 2019, reportedly owns the company currently holding the greatest number of licenses.

South Sudan's young mining sector already exhibits a number of warning signs for corruption and competition-fueled violence. In order for the country's natural resource wealth to benefit those beyond the ruling clique and their close associates, South Sudan's government and international investors alike must act to strengthen the industry's transparency, accountability, and oversight standards.

SUMMARY OF RECOMMENDATIONS

- South Sudan's Ministry of Mining should hire an independent external party to conduct a retroactive audit of the mining sector. The ministry should further investigate the beneficial owners of mining companies and determine whether politically exposed persons have unfairly profited.
- The US, UK, and European governments should issue new or update existing public anti-money laundering advisories on corruption in South Sudan's extractives sectors.
- Financial institutions should take additional steps to identify and monitor accounts held or beneficially owned by South Sudanese politically exposed persons, their relatives, or their known associates.

Read the report: <https://thesentry.org/reports/untapped-unprepared>



To learn more, please visit: [TheSentry.Org](https://thesentry.org)