

Crude Dealings

How Oil-Backed Loans Raise Red Flags
for Illegal Activity in South Sudan

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THE SENTRY

SUMMARY

In April 2018, South Sudan's Trinity Energy Limited entered into a trade finance facility with Cairo-based African Export-Import Bank (Afreximbank) for a series of \$30 million loans to purchase diesel and gasoline to sell to the South Sudan market. As part of the deal, the government of South Sudan awarded more than 40% of the crude cargoes it contracted from June 2018 to May 2019 to Trinity Energy.

The arrangement gave Trinity Energy—a company that had never before traded crude—privileged access to the market for South Sudan's oil, the country's most valuable resource and the source of the vast majority of its national wealth. At the same time, the company was given a dominant role in the market for petroleum and diesel imports, a position that facilitated its secretive provision of fuel to the South Sudanese army. The trade finance facility also gave Glencore Singapore Pte Ltd, a subsidiary of Geneva-based oil trader Glencore PLC, privileged access to crude contracts, which it used to ship South Sudanese crude worth \$376 million in 2019—all through deals with Trinity Energy.

The Sentry's three-year investigation of the loan deal uncovered red flags for illicit practices in the operations of Trinity Energy, including bribery, tax evasion, and trade-based money laundering. The investigation found clear indications that the arrangement enabled powerful individuals to benefit from the manipulation of business worth hundreds of millions of dollars. The loan deal skirted legislation on oversight, transparency, and competition and facilitated off-book government spending. It also perpetuated a damaging reliance on future oil production to finance current spending, mortgaging the future prosperity of the country and its citizens.

The absence of checks to government power in South Sudan opens the door to commercial dealings that are based on personal relationships and the exchange of benefits and favors. The result is that companies and the executive branch can conduct business in the absence of oversight or transparency and with scant regard to the rule of law, economic sustainability, and the wellbeing of the nation and its citizens.

SUMMARY OF RECOMMENDATIONS

- **The United States, European Union, United Kingdom, Canada, and Australia** should investigate and, if appropriate, sanction individuals and entities involved in corrupt oil deals.
- **Global and regional financial institutions** should take measures to identify accounts held or beneficially owned by those with business dealings in South Sudan's oil sector and senior South Sudanese politically exposed persons, carry out a comprehensive assessment to identify their broader international networks, and determine measures needed to mitigate the risks involved in such accounts and customer relationships. Financial institutions should also undertake increased screening, enhanced ongoing monitoring, and transaction reviews.
- **The World Bank and the International Monetary Fund (IMF) should assess government institutions and corruption risks in South Sudan.** They should also condition future technical and financial assistance on a credible reform of the country's institutions of accountability. The IMF should work with South Sudan to realize a dramatic improvement in governance, including by strengthening institutions and accountability mechanisms.

Read the report: <https://thesentry.org/reports/crudeddealings>

