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Global Witness submission to the UK Associate Parliamentary Group on Sudan: The role of the international community in supporting Sudan's Comprehensive Peace Agreement

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Abstract

1. The Comprehensive Peace Agreement is falling apart. The UK backed the agreement but has not done enough to keep it on track. Global Witness has published a report that looks into whether the oil wealth sharing agreement at the heart of the CPA is being implemented fairly. It reveals discrepancies between the volume of oil that the Government of National Unity states is produced and the volume of oil that the main oil company operating in the country states is produced. Such discrepancies raise serious questions about whether oil wealth is being shared between north and south according to the CPA. This issue is important as oil forms 98% of the Government of Southern Sudan's income, and because wealth sharing is not only important now but will be important in preventing further conflict after 2011. We suggest that the United Kingdom should:
 - ensure that there are verification mechanisms built into the wealth sharing agreement so that both parties can trust that the revenues are being divided fairly;
 - help the parties prepare for what will happen to the country's oil come 2011; and
 - work to prevent an independent Southern Sudan turning into a failed state.

Biography of Global Witness

2. Global Witness is a London-based non-governmental organisation that campaigns to break the links between natural resources, conflict and corruption. We are probably best-known for our work exposing the role of conflict diamonds in funding brutal wars in Africa, and helping to set up the Kimberley Process which works to prevent such diamonds making it onto the international market. We were nominated for the 2003 Nobel Peace Prize for this work. We were also instrumental in cutting off funds to the Khmer Rouge and imposing timber sanctions on Charles Taylor's regime in Liberia. We have a place on the board of the Extractive Industries Transparency Initiative, the coalition of governments, companies and civil society groups that aims to improve transparency and accountability in the oil, gas and mining sectors.
3. Our background in conflict and transparency led us to be interested in the implementation of the oil wealth sharing agreement that is at the heart of Sudan's Comprehensive Peace Agreement (CPA). We published our first report on Sudan in September 2009. The report, *Fuelling Mistrust*, is attached to this submission and can be downloaded for free from www.globalwitness.org.

Submission

4. Global Witness' work on Sudan is focused on the implementation of the wealth sharing agreement of the Comprehensive Peace Agreement. As such, we have mainly limited our comments to this area of expertise.

International role in implementation of the Comprehensive Peace Agreement

5. The Comprehensive Peace Agreement is fragile. To some extent, it has already fallen apart: according to the UN, there have been more deaths from violent conflict in south Sudan in recent months than in Darfur. The elections have been delayed twice and both the federal and southern governments are, by their own admission, spending approximately half of their budgets on the military. Armies are already amassing on the border. Last time this happened, more than one and half million people died and almost four in every five southerners had to flee their homes.
6. The United Kingdom needs to do a lot more to ensure that the CPA doesn't continue to fall apart. At present, most of the London-based Sudan Unit (a joint FCO-DFID unit) work on Darfur, and there are only two relatively junior staff based in Juba. There needs to be more focus on north-south issues.
7. Recent evidence published by Global Witness revealed discrepancies between the volumes of oil produced in Sudan as reported by the main oil company operating there, the Chinese state-owned CNPC, and the production figures published by the Sudanese government. This raises serious questions about the implementation of the peace agreement, as it implies that the figures which the revenue sharing is based upon may not be correct and therefore the revenue sharing itself may be out by hundreds of millions of dollars. The fact that only one party to the peace agreement can currently verify the figures upon which the wealth sharing depends fuels mistrust between two already-mistrustful sides.
8. The Government of Southern Sudan responded to Global Witness' report by publicly calling for an independent audit of the oil sector.
9. The United Kingdom should do more to ensure that the oil wealth sharing agreement that is at the heart of the Comprehensive Peace Agreement is implemented fairly and transparently. In particular:
 - a. The United Kingdom should ensure that the audit of the Sudanese oil sector, already agreed by the National Congress Party and SPLM as part of the trilateral talks hosted by the United States, is implemented, and – critically – that the audit is conducted by a party which is independent and that its results are made public for all to see.
 - b. The United Kingdom should work to ensure that there is an oil production monitoring system in place so that both parties to the peace agreement can verify how much oil Sudan produces. This is key, not only to implementing the wealth sharing agreement fairly now, but also to ensuring that any future wealth sharing agreement is implemented fairly. At present, the southern government has to rely on the figures given to them by the Ministry of Finance of the Government of National Unity.
 - c. The United Kingdom should work to ensure that the south is represented on the marketing board which sells Sudan's oil. At present, it is only the Government of National Unity that is involved in selling the oil that belongs to both the national and southern governments. This fuels mistrust among southerners as they are not able to verify the price for which their oil is sold, and also hampers southerners from gaining experience of the oil industry, something that is essential if Southern Sudan becomes an independent country in 2011.
 - d. The United Kingdom should work to get an oil information dissemination service running in South Sudan. At present, the Government of National Unity publishes information about the wealth sharing, including the volumes of oil produced and exported and the price of each individual oil sale but the information is on the web only. Hardly anyone in Southern Sudan is aware of its existence. There is a widespread perception that Khartoum doesn't publish any information about the oil sector. What is needed is a better way of disseminating the information, not only about the amount of oil

that Sudan produces, but also the sums of money transferred to the southern and state governments. In Nigeria, this sort of information has been published as a supplement to newspapers. In Liberia, a radio soap opera about natural resource revenues was created.

Preparations for post-2011

10. The oil wealth sharing agreement that is at the heart of the Comprehensive Peace Agreement comes to an end in less than a year and a half's time. A new wealth sharing agreement will be needed whether the south votes in 2011 for unity or secession. If the south votes for independence, the new country will be landlocked and depend upon cooperation from the north in order to export its oil. If the south remains part of a unified Sudan, without another wealth sharing agreement the southern government will stand to lose 98% of its income. The hopes of the south to export their oil via Kenya require new roads, an upgraded port and, ideally, a new pipeline. It will not be possible to use this route by 2011. Discussions on what will happen to oil revenues come 2011 need to happen now, before tensions get even higher.
11. The new US policy on Sudan, released on 19 October 2009, states that "The United States will work with international partners to support the parties in developing a post-2011 wealth-sharing agreement and resolve other post-2011 political and economic issues."
12. The United Kingdom should work with the United States to facilitate all sides to reach agreement on what will happen to the country's oil post-2011. The discussions should cover the ownership of oil blocks, the level of pipeline fees imposed by the north, and any potential wealth sharing between north and south.
13. The fact that the CPA compels both sides to "make unity attractive" means that donor countries have shied away from confronting the reality that, if there is a referendum, in all likelihood the south will chose to become an independent country. Preparations are urgently needed to help the south prepare for this possibility. At present, an independent Southern Sudan would be in severe danger of becoming a failed state.
14. Since the CPA was signed in 2005, the Government of Southern Sudan has been receiving approximately \$2 billion in oil money each year. There is very little evidence of how this money has been spent to improve the lives of southerners. Stories of large scale corruption abound. For example, members of the Government of Southern Sudan have recently signed more than a thousand contracts to supply southerners with grain. The contracts amount to the provision of a few hundred kilograms of grain for every man, woman and child in south – way more than is needed. The grain that has been delivered is extremely poor quality and is rotting as there are not sufficient places to store it. None of the grain contracts are mentioned in the government's budget, despite the fact that the contracts that the southern government has signed for grain and other goods commit them to make payments of four or five times their annual income. It is difficult to know whether this is more the result of incompetence or corruption, but either way, the prospects for an independent Southern Sudan fairing well do not look good.
15. The United Kingdom should prioritise working to prevent an independent Southern Sudan joining the ranks of all those oil-rich but dirt-poor countries. In particular:
 - e. The United Kingdom should make its aid to Southern Sudan conditional on clear, documented progress in fighting corruption. The United Kingdom should not provide direct budgetary support to the Government of Southern Sudan.
 - f. The United Kingdom should provide financial support to the Southern Sudan Anti-Corruption Commission.
 - g. The United Kingdom should support local civil society, including NGOs, journalists and academics, in their work in scrutinising the wealth sharing and government accounts. Civil society in the south is currently weak, yet a newly independent south would be desperately in need of independent voices with which to hold the government to account.
 - h. The United Kingdom should provide technical support to the Southern Sudan state-owned oil company, Nilepet. If Southern Sudan becomes an independent country and oil extraction continues, it will become the most oil dependent country in the world. The state-owned oil company, Nilepet, will, overnight, become massively important to the country's economy, despite the fact that it currently lacks any experience in managing or

selling oil. State-owned oil companies in other developing countries are often a means by which the country's oil wealth is stolen by an elite. The prospects for Nilepet do not look too good so far given that the energy minister, John Luk, sits on its board making him responsible both for selling oil and regulating the sale of oil.

- i. The United Kingdom should provide technical support for the ministries of finance of each of the Southern Sudan states. This is particularly important for the oil-producing states which receive millions of dollars of oil revenues each month but have little in the way of any sort of budget or financial reporting.