

SENTRY ALERT

“The Profiteers”: Documentary Shines New Light on South Sudan’s Neighbors’ Role in the Conflict

By The Sentry team
October 2018

Since before independence, South Sudan’s frontline neighbors—Ethiopia, Kenya, Sudan, and Uganda—have been involved, for better or worse, in the formation and development of the world’s newest state. Today, with an uncertain peace deal on the table, the neighboring states remain more than diplomatic brokers or geopolitical competitors jockeying for influence in South Sudan. A new investigative documentary produced by *Africa Uncensored*—which, in part, features findings of investigations conducted by The Sentry—explores the linkages between South Sudan’s civil war and the operations of businesspeople, financial institutions, and government and military officials in Kenya, Uganda, and Ethiopia.¹

Highlights from the documentary include:

- **President Kiir’s Lakehouse in Ethiopia.** The Sentry has identified and photographed a lake house in a resort town in Ethiopia reportedly belonging to President Salva Kiir. Numerous sources—including individuals living and working in the community as well as members of the South Sudanese diaspora with direct knowledge of the property—corroborated, in testimony to The Sentry, the exact location of the home belonging to Kiir on a lake in Debre Zeyt, Ethiopia. Several sources with knowledge of the home told The Sentry that the land for the home was provided to Kiir by the Ethiopian government but stated that Kiir had financed the construction. The property is currently under construction and apparently is not yet inhabited, though the main structure—a 9,000 square-foot modern house with floor-to-ceiling windows and a large deck overlooking Lake Babogaya—has been finished for several years.



The Sentry has identified and photographed a lake house (right) in a resort town in Ethiopia reportedly belonging to President Salva Kiir. Photo: The Sentry.



- **Stephen Dhieu Dau’s Home in Uganda.** The Sentry has identified a home purchased by former Minister of Petroleum Stephen Dhieu Dau in Kampala in 2015. Property records, financial documents, and photographs obtained by The Sentry indicate that Dhieu Dau purchased the home using a U.S.-dollar-denominated account at the Ugandan branch of a Kenyan bank. The documents indicate purchase occurred during a period of intense fighting in Upper Nile state that, according to U.N. reports and documents obtained by The Sentry, involved a non-state militia funded and supported by Dhieu Dau’s office as well as some weapons and equipment procured using oil proceeds from the Ministry of Petroleum during his tenure.² The Sentry has also viewed photos of members of Dhieu Dau’s family at the Uganda property posted to social media in the period since the home was purchased.³ The purchase appears to be further evidence that South Sudan’s leaders are not feeling the consequences of the war they are waging—and that governments in the region have the power to change that.

The Sentry has identified a home (right) purchased by former Minister of Petroleum Stephen Dhieu Dau in Kampala in 2015. Photo: The Sentry.



- **Facilitators of Weapons Deals.** Documents obtained by The Sentry show the role of LOID Investments—owned by businessmen who operate in South Sudan and Uganda—in facilitating a legal but controversial arms shipment⁴ to the government of South Sudan in 2015. A bill of lading for an arms shipment—including 45 assault tanks, grenade launchers, assault rifles, and pistols sourced from Norinco, a major Chinese arms manufacturer—obtained by The Sentry lists LOID as the “notify party” for the shipment.⁵ “They were looking for a company that could take the weapons to South Sudan via Kenya and Uganda,” *Africa Uncensored* reported. The case shows how private businesses play an often murky role in the supply of weapons to South Sudan, and this often means working with parties in Uganda and Kenya.
- **Use of Ugandan and Kenyan Banks.** The Sentry has documented and reported numerous questionable transactions involving top officials from South Sudan and banks in Uganda and Kenya. Recently, The Sentry obtained a previously undisclosed internal audit of South Sudan’s central bank that describes significant irregularities pertaining to South Sudanese state assets deposited into Kenyan banks. According to the audit report, 669 million dollars was deposited with Stanbic Bank in the year 2012. At the time, this amounted to roughly 95 percent of South Sudan’s foreign cash reserves. However, the bank is only allowed to deposit a maximum of 15 percent of its reserves with any other bank, according to the audit report. The audit report also concluded that there was “no evidence” that South Sudan’s central bank ever received interest payments that would have accrued as a result of the deposit, which would have been worth nearly \$1 million.⁶
- **Shadowy Trade in South Sudanese Teak.** “Senior Ugandan police, intelligence and army officers from the West Nile region may be involved in the trade of illegally logged timber,” *Africa Uncensored* reported in October 2018. The report was part of an undercover operation in which *Africa Uncensored’s* John Allan Namu posed as a potential buyer of conflict timber sourced from South Sudan. “In Uganda, protection is just a phone call away,” one facilitator of the illegal timber trade told Namu, who was posing as a potential buyer of teak mined in territory controlled by the Sudan People’s Liberation Movement-in-Opposition (SPLM-IO).

Collectively, these findings show that those responsible for continued war in South Sudan also rely on government and military officials, financial institutions, and businesspeople in neighboring countries to move money and access weapons. In turn, this means that banks and governments in the region have significant leverage over those same South Sudanese officials responsible for the war. To date, however, this leverage has not been used for peace. “The profiteers in the region haven’t been held to account,” according to *Africa Uncensored*. “Expensive homes still stand. War criminals still roam freely.”

No Longer Untouchable

In mid-2018, a group of Kenyan bloggers garnered significant attention when posting photos on Twitter of luxurious homes owned by South Sudanese elites or images of top officials’ family members living extravagant lifestyles in Kenya and Uganda. Referencing the impunity apparently enjoyed by these well-connected South Sudanese, the bloggers labelled their tweets with the hashtag #SouthSudanUntouchables. The same day that hashtag went viral, a high-level U.S. government official spent the day in Kenya, addressing government agencies, financial institutions, and civil society to deliver a related message: that South Sudanese officials should no longer enjoy impunity and that their ill-gotten gains should not be welcome in Kenya and Uganda. “One of my top priorities as a senior administration official is holding accountable those who abuse human rights, perpetrate corruption, and undermine democratic ideals of justice,” Sigal Mandelker, the U.S.



Undersecretary for Terrorism and Financial Intelligence, said during a press briefing in Nairobi on June 18, 2018. “It is imperative that [financial intermediaries] harden their systems and internal controls and keep those actors from abusing their system and continuing to profit through access to the international financial system.”

Recommendations

The following are priority steps that should be taken by actors in the region:

1. **Kenya and Uganda Should Strengthen Regulatory Bodies to Track Money and Enforce Sanctions.** Kenya’s and Uganda’s financial regulators are developing the technical capacity to trace financial transactions, and international donors focused on South Sudan should prioritize support to anti-money laundering efforts in Kenya and Uganda. The legal, regulatory, and technical capacity of frontline state regulators, such as financial intelligence units (FIUs), are vital to guard against corruption in South Sudan and to enforce UN sanctions. Regulatory authorities in Kenya and Uganda should have greater insight into how some of its businesspeople are operating in South Sudan and should tap into the research of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG),⁷ East Africa’s regional associate member of the Financial Action Task Force (FATF). The U.S. Department of the Treasury, which has also warned of the risks of South Sudanese money laundering, should work through its Office of Technical Assistance to enable the provision of training and resources to bolster anti-money laundering capabilities. No such programs are currently operational in the region, so this action should be prioritized.⁸
2. **Banks Should Apply Heightened Scrutiny to South Sudan Transactions.** The Kenyan and Ugandan banking sectors must apply a higher level of due diligence to identifying the beneficial ownership of South Sudanese bank accounts and high value transactions from Kenyan and Ugandan businesspeople in South Sudan. This should begin with direction from the Kenyan and Ugandan regulatory authorities, through circulars or other guidance documents requiring such due diligence, to domestic banks. However, compliance departments in Kenyan and Ugandan banks should not wait for financial regulators to request information and should immediately find and flag high-value transactions, all real estate transactions, and the accounts of South Sudanese politically-exposed persons (PEPs). When potentially suspicious transactions and accounts are identified, the banks should share this information with financial regulators and with appropriate correspondent banks. These efforts, both by regulators and the banks, should be based on the Advisories issued by the U.S. Treasury Department related to South Sudan, as well as human rights and corruption, in September 2017 and June 2018, respectively.⁹
3. **Law Enforcement Should Investigate South Sudanese Property without Political Interference.** Kenyan and Ugandan law enforcement should engage with the United States, Australia, and other countries to investigate South Sudanese property, as well as Kenyan or Ugandan property, and seize it if investigations show it was purchased with the proceeds of corruption.¹⁰ Top leaders in Kenya and Uganda should empower law enforcement to pursue investigations and ensure the cases are independent and free of political interference. Law enforcement should also investigate businesses that perpetuate armed conflict in South Sudan by supplying military equipment to militias committing gross human rights violations or that are engaged in illegal trade, tax evasion, sanctions violations, or money laundering.



4. **Trade Associations Should Improve Standards for Investments.** South Sudan's economy will require decades of scrupulous investments from regional businesspeople, and Kenya- and Uganda-based trade and business groups should take the lead in reforming how business is done there. Trade groups with members active in South Sudan or doing business with South Sudanese entities, such as the Uganda Export Promotion Board, Kampala City Traders Association (KACITA), Kenya Private Sector Alliance, and Kenyan Banking Association, could lead this transparency campaign.¹¹ Establishing trade practices, such as completing special due diligence checks for business partnerships that include political elites and creating "gold standards" for responsible investments from members of these associations, could improve business norms.

5. **Businesspeople Should Share Investment Information.** Because of the clear evidence of pervasive corruption in South Sudan, Kenyan and Ugandan businesspeople should document and report all due diligence checks for investments there and be required by Kenyan and Ugandan regulators to provide this information. In the absence of such a requirement, this information should be provided to regulators on a voluntary basis. This would shift the burden of proof to the businesspeople investing in South Sudan to publish information that demonstrates these investments are free of corrupt dealings. In addition, Ugandan and Kenyan tax authorities could improve business transparency by requesting documentation on import, sales, and any other taxes paid in South Sudan.



Endnotes

- ¹ The Sentry's investigative partner C4ADS provided important contributions to this research.
- ² The Sentry, "Fueling Atrocities: Oil and War in South Sudan," March 2018, available at: <https://thesentry.org/reports/fueling-atrocities/>; on January 2016, the U.N. Panel of Experts reported: "The Panel has determined, on the basis of multiple, independent sources with first-hand knowledge, that the arming of those communities largely circumvented the SPLA weapon supply and accounting mechanisms, with the Dinka Padang militias in particular receiving small arms and ammunition directly through the Internal Security Bureau, headed by Akol Koor, with financial authorization for the purchase and transfer provided through the Nile Petroleum Corporation by a Dinka Padang and Minister of Petroleum and Mining, Stephen Dhieu Dau [sic]." UN Security Council, "Final report of the Panel of Experts on South Sudan established pursuant to Security Council resolution 2206 (2015)," S/2016/70, January 22, 2016, available at: http://www.un.org/ga/search/view_doc.asp?symbol=S/2016/70.
- ³ The Sentry obtained a copy of a check written by "Stephen Dhieu Dau Ayik" for the purchase of the home and an addendum to the land sale agreement that describes the purchase (and names Dhieu Dau as the buyer). Photos of the property provided by a source with knowledge of the transaction show the same home featured in social media posts by members of Dhieu Dau's immediate family.
- ⁴ Ilya Gridneff "China Sells South Sudan Arms as Its Government Talks Peace," *Bloomberg*, July 9, 2014, available at: <https://www.bloomberg.com/news/articles/2014-07-08/norinco-sells-south-sudan-arms-as-chinese-government-talks-peace>; Amnesty International, "UN: South Sudan arms embargo crucial after massive Chinese weapons transfer," July 17, 2014, available at: <https://www.amnesty.org/en/latest/news/2014/07/un-south-sudan-arms-embargo-crucial-after-massive-chinese-weapons-transfer/>
- ⁵ A letter from Zheng Yi, Vice President of Norinco, to Gen. Malek Reuben Riak, describes the need to find a logistics company to carry the shipment overland through Kenya and Uganda. A bill of lading attached to the shipment lists LOID Investments as the "Notify Party" for the transaction.
- ⁶ Bank of South Sudan, "Audit Report on Foreign Reserves Management for the period ended 31 December 2012," November 2013.
- ⁷ Eastern and Southern Africa Anti-Money Laundering Group, "Survey Report on De-Risking in the ESAAMLG Region, Working Group on Risk, Compliance, and Financial Inclusion" (September 2017), available at http://www.esaamlg.org/index.php/all_news/readmore_news/95.
- ⁸ FinCEN Advisory, "Advisory on Political Corruption Risks in South Sudan (FIN-2017-A004)," September 6, 2017, available at <https://www.fincen.gov/resources/advisories/fincen-advisory-fin-2017-a004>. FinCEN issued an Advisory alerting U.S. financial institutions to their potential exposure to anti-money laundering risks caused by certain South Sudanese senior political figures attempting to use the U.S. financial system to move or hide proceeds of public corruption. FinCEN's Advisory describes South Sudanese corruption and reminds financial institutions of their due diligence and suspicious activity report (SAR) filing obligations related to senior foreign political figures; FinCEN Advisory, "Advisory on Human Rights Abuses Enabled by Corrupt Senior Foreign Political Figures and their Financial Facilitators," June 12, 2018, available at <https://www.fincen.gov/resources/advisories/fincen-advisory-fin-2018-a003>.
- ⁹ FinCEN Advisory, "Advisory on Political Corruption Risks in South Sudan (FIN-2017-A004)," September 6, 2017, available at <https://www.fincen.gov/resources/advisories/fincen-advisory-fin-2017-a004>. FinCEN issued an Advisory alerting U.S. financial institutions to their potential exposure to anti-money laundering risks caused by certain South Sudanese senior political figures attempting to use the U.S. financial system to move or hide proceeds of public corruption. FinCEN's Advisory describes South Sudanese corruption and reminds financial institutions of their due diligence and suspicious activity report (SAR) filing obligations related to senior foreign political figures; FinCEN Advisory, "Advisory on Human Rights Abuses Enabled by Corrupt Senior Foreign Political Figures and their Financial Facilitators," June 12, 2018, available at <https://www.fincen.gov/resources/advisories/fincen-advisory-fin-2018-a003>.
- ¹⁰ The UN Convention against Corruption includes obligations for countries to cooperate with one another in every aspect of the fight against corruption, including prevention, investigation, and the prosecution of offenders. Countries are bound by the Convention to render specific forms of mutual legal assistance in gathering and transferring evidence for use in court, to extradite offenders. Countries are also required to undertake measures which will support the tracing, freezing, seizure, and confiscation of the proceeds of corruption. For more information, please see <https://www.unodc.org/unodc/en/corruption/uncac.html>.
- ¹¹ More information is available for these organizations at <http://www.ugandaexports.go.ug/en>, <http://www.kacita.co.ug>, <https://kepsa.or.ke>, and <http://www.kba.co.ke>.

