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Fred Oluoch

## **Kenyan, Ugandan banks targeted in fresh sanctions on Juba warlords**

*Кенійські, угандійські банки націлилися на нові санкції відносно джубанійських польових командирів*

Україну звинувачують у постачанні Південного Судану зброєю, незважаючи на ембарго на постачання зброї. Україну називають головним відомим постачальником зброї до Південного Судану через Кенію та Уганду. У 2014 році країна продала Південному Судану чотири-шість вертольотів Мі-24 за 42,8 млн дол.

<http://www.theeastafrican.co.ke/news/Asset-freeze-South-Sudan-warlords/2558-4290638-a-miemw/index.html>

Kenyan and Ugandan banks are heading for major international scrutiny as promoters of the South Sudan peace process prepare to impose sanctions against people thought to be stumbling blocks.

The sanctions against the spoilers could come as early as this week, when a review of progress in the revitalisation of the 2015 South Sudan peace process starts in Addis Ababa.

The sanctions, sources said, would target the country's top leadership, including the opposition, and would include asset freezes.

The leaders are accused of money laundering and international banks will be required to enforce stricter due diligence on financial transactions involving the individuals under restraint.

The EastAfrican has learnt that the European Union (EU) is preparing to impose sanctions in case the High Level Revitalisation Forum (HLRF) fails. Its sanctions will reinforce those imposed by the United States in September 2017 and by Canada two months later.

In addition, the US on Friday imposed an arms embargo on South Sudan to push for respect for peace agreements. US State Department stated that it will restrict sales of defence equipment to the war-torn country and urged the UN and other countries to do the same.

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“I urge my fellow Council members to support an arms embargo. This isn’t punishment. Nor is it a meaningless gesture. It is something we can do to actually help the people of South Sudan — to slow the violence, slow the flow of arms and ammunition, and protect innocent lives,” The US ambassador to the United Nations Nikki Haley said.

### 'Unbelievable cruelty'

The African Union (AU) has come out for the first time to support sanctions against those perpetuating the war, in a concerted approach that could not spare Salva Kiir and Dr Riek Machar — the key protagonists.

The AU Commission chairperson Moussa Faki Mahamat said during last week’s AU Summit that it was time to impose sanctions against those blocking peace in what he called “unbelievable cruelty” and “senseless violence.”

“The time has come to sanction those who are blocking peace. We need to act against those who, with impunity, are continuing to massacre their peaceful populations. All the agreements that have been signed have been violated,” said Mr Mahamat.

In the new approach, President Kiir, Dr Machar and top generals risk their assets outside South Sudan being seized and their bank accounts frozen at home and abroad in case they scuttle the political talks.

President Kiir officially earns close to \$60,000 annually, but sources in Juba say his extended family members have several assets outside South Sudan. Dr Machar’s family members are known to flaunt excessive wealth in Nairobi and Addis Ababa, where they live in luxurious homes.

The US and Canada sanctions were on Gen Malek Reuben Riak, the army’s deputy chief of staff in charge of military procurement; Information Minister, Michael Makuei Lueth, who is also the government spokesperson and Gen Paul Malong, the former chief of general staff.

The trio were accused of profiting from a climate of corruption, with three companies owned or controlled by Gen Riak also sanctioned. Gen Malong and Mr Lueth were also accused of blocking humanitarian aid and ordering the massacre of hundreds of civilians.

READ: Kenyan banks ordered to freeze accounts of six South Sudan generals

Clandestine trade

Sources within AU said the EU radar was likely to be wider while retaining the three.

Most of the names targeted are known to do business with Kenyan and Ugandan banks and other financial institutions, as well as owning luxurious properties in the two countries.

While President Kiir's top officials say that threats of sanctions are likely to hinder peace efforts and the revitalisation programme, the rebel spokesperson in Kenya, James Oryema, said that his group has no problem with sanctions.

The EU has maintained an arms embargo against South Sudan since 2014, but some companies dealing in arms in UK and Hungary have been clandestinely delivering arms to the country.

The main known supplier of arms to South Sudan remains Ukraine, through Kenya and Uganda. The country sold South Sudan four to six Mi-24 attack helicopters for \$42.8 million in 2014. The three Kenyan banks that operate in South Sudan KBC, Equity Bank and Co-operative Bank.

While there are no Ugandan banks in South Sudan, the country remains a centre of transactions for South Sudanese who use foreign banks based in Kampala.

Banks in the two countries would be affected by the sanctions because they have correspondent relationships with international banks. The concurrence of the AU on sanctions places Kenya and Uganda bank regulators under more scrutiny.

READ: Are Kenya, Uganda obstacles to South Sudan peace?

## Rise in NPLs

On January 30, the United Nations (UN) special advisor for prevention of genocide, the Adama Dieng, accused Kenya and Uganda of prolonging war in South Sudan by serving as conduits for arms to combatants.

According to Jeff Oduor Gangla, the Managing Director and Group Head of Corporate Finance of Pamoja Capital Group, some banks seen to have laundered cash from those sanctioned would be slapped with heavy penalties from regulators avoiding the systemic risk of their banking sectors being placed on the Financial Action Task Force grey list.

“These sanctions will result in a rise in non-performing loans where the sanctioned had unpaid obligations owed to the bank. Other bank customers who had direct or indirect dealings with them will be implicated and the banks will be unable to recover part of their credit disbursements,” said Mr Gangla.

In September 2016, The Sentry report revealed South Sudanese elite have invested heavily in the real estate and banking sectors in Kenya and Uganda. It also said millions of dollars of questionable payments by them transited through Kenyan banks.

The report said \$3.03 million had moved through Gen Riak’s account at KCB between 2012 and 2016, a sum not consistent with somebody who earns \$35,000 annually.

The report said Gen Riak’ personal account received transfers totalling \$367,000 to his personal bank account at KCB from February to December 2014 alone.

The Central Bank of Kenya responded to the US advisory on sanctions by directing Kenyan banks to shut down the accounts of individuals designated for sanctions.

Mr Gangla says the spill over effect will be felt by the private sector in South Sudan as banks look to limit their risk exposure. They would go slow in lending and scale down on treasury activities aggravating economic distress in the country.

“Policy change in banks will be inevitable, moving from an aggressive to a conservative policy approach, in a bid to reduce their risk exposure,” he said.

Mr Gangla said most Kenyan banks with operations in south Sudan are listed and impairments undermine shareholder value. Mr Gangla said that since some of the banks had good relations with the south Sudan government, the sanctions could affect deposit mobilisation hence a widening the asset-liability mismatch.

The purpose of sanctions is make it more costly for the warring parties to fund fighting, and to push them to comply with peace efforts. Violations have been committed by government and opposition forces since the ceasefire was signed in December 21, 2017.

The Sentry report recommended that regional countries should take the lead in combating the laundering of assets looted from South Sudan and imposing asset freezes on those most responsible for human rights violations and financial misconduct.

It advised that regional governments should therefore begin to freeze and seize the assets belonging to the top South Sudanese officials who are collectively

responsible for continued violence, financial corruption, mass atrocities, as well as any violations of the peace agreement signed in August 2015.