

News

South Sudanese Military Leader Accused of Corruption and Money Laundering

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A top commander in South Sudan's People's Liberation Army managed to embezzle and launder millions from the world's youngest state with the help of a U.S. dollar-denominated account, a global advocacy group claimed in a report Wednesday.

Using his influence to steer commerce towards private companies under his control, Lieutenant General Malek Reuben Riak allegedly obtained and funneled more than \$3 million of public funds into his personal account at Kenya Commercial Bank, or KCB, from January 2012 to March 2016, when he was the army's deputy chief of staff for logistics, according to The Enough Project, a global advocacy group.

The 13-page report, which was compiled by the group's investigative branch, The Sentry, outlines a pattern of brazen and corrupt behavior by Riak, who, in his former government role, is estimated to have made an annual salary of around \$40,000. The Sentry disclosed its initial findings against Riak and several other South Sudanese officials late last year.

Since the signing of a peace accord between Sudan and South Sudan in 2005, several South Sudanese leaders have prospered through a system of "violent kleptocracy" while their country, which became independent in 2011, has spiraled into lawlessness and a famine that now endangers the lives of 100,000 people, according to The Sentry.

In 2013, for example, the Engineering Corps of the Sudan People's Liberation Army referred two Chinese mining firms seeking explosives for their projects in South Sudan to Mak International Services, a private firm under the sway of Riak, representatives of the firms told the advocacy group.

One of the firms, China Wu Yi, said that six of its eight payments to Mak International for explosives from April 2013 to September 2014 were delivered in checks made out to Riak totaling roughly \$116,000, then deposited into his personal account at KCB. The firm also claimed it had made two cash payments to Mak International totaling \$13,520.

Riak by that time had left his post at the Engineering Corps—the sole South Sudanese government entity responsible for authorizing explosives procurement.

Despite his low annual salary, Riak during the four years covered by the report transferred or withdrew nearly \$1.2 million and moved "significant assets" overseas via correspondent accounts at KCB and other regional lenders. He also appears to have bought at least one home in Uganda, The Sentry said.

Among the network of commercial enterprises in which the general seems to have an interest is Jubilee Bank, a domestic financial institution incorporated in 2013.

His daughter, Christine Malek Reuben, is listed as a shareholder in the bank alongside the child of another South Sudanese general, James Hoth Mai, who was 15-years-old when the bank was established. Both generals' signatures appear on the bank's incorporation documents in lieu of their children's.

Riak's scheme to embezzle government funds by using relatives and associates as proxies is common across many countries in Africa, where extractive industries are especially prone to corruption, according to Yaya Fanusie, director of analysis with the Foundation for Defense of Democracies, a policy center based in Washington, D.C.

"International firms are asked to pay local enterprises, and a portion of the money ends up in some private account of an official or his family," Fanusie said.

According to the Clearinghouse Interbank Payments System, Kenya Commercial Bank currently holds correspondent relationships with U.S. lenders JPMorgan Chase & Co. and Citibank, as well as the U.S. affiliate of Germany's Deutsche Bank.

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“Our sense is that any major banks in Kenya and Uganda as well as correspondent banks focusing on those jurisdictions should take a hard look at these findings,” Brad Brooks-Rubin, a former attorney with the U.S. Treasury Department’s Office of Foreign Assets Control said. “It should be clear that sectors like energy, mining, foreign exchange and tourism are really captured by the ruling elite in South Sudan.”

Current U.S. sanctions against the fledgling country and its rulers are limited, with only six midlevel officials designated under a 2014 executive order targeting individuals responsible for instigating violence, causing political instability and committing human rights abuses in South Sudan.

However, the recently enacted Global Magnitsky Act, which enables U.S. officials to penalize corrupt officials anywhere in the world, may provide a framework to go after Riak, his peers and their associates, said Brooks-Rubin, now policy director with The Sentry.

Information unearthed since The Sentry’s initial report on grand corruption in South Sudan has shed new light in particular on the affairs of Riak, who the United Nations recently deemed responsible along with several other political and military officials for mounting violence in the country.

Riak last week was appointed deputy chief of defense force and inspector general of the People’s Liberation Army by President Salva Kiir, who was also implicated in The Sentry’s first report alongside deposed Vice President Riek Machar, now leader of the opposition.

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