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U.S. Tools to Bankrupt Kleptocracy: Targeted and Sophisticated Sanctions Programs

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Sanctions are well-suited to countering violent kleptocracies because of their ability to impact the target regime's wealth. Sanctions can alter kleptocrats' problematic incentive structures, which favor continued conflict over peace due to the prospect of financial gain from war. To be most effective, however, sanctions must be strategic in both design and implementation.

What are sanctions?

Sanctions are penalties and restrictions imposed by governments and multinational bodies like the U.N. Security Council. Sanctions can be broad or precisely targeted, and they have become more targeted in recent years. Sanctions can target individuals, armed groups, banks, individual companies, corporations, organizations, or entire governments. Sanctions can take many different forms, including travel bans, asset freezes, arms embargoes, and trade restrictions. Sanctions are used to influence the strategies and choices of those who challenge international norms and threaten the interests of governments or multinational bodies. In the United States, the departments of Treasury, State, and Commerce are responsible for consulting with one another and coordinating together to administer sanctions. The Treasury Department's Office of Foreign Assets Control (OFAC) is mostly responsible for conducting investigations and formally placing entities under specific sanctions once the interagency discussions determine that sanctions are necessary.

Types of targeted and sophisticated sanctions

1. **Targeted or "smart" sanctions:** These sanctions use financial pressure to precisely target certain individuals and entities while minimizing harm to everyone else.
2. **Provisions for targeting facilitators and enablers:** These sanctions provisions target facilitators and enablers who provide financial, material, or technological support to those already under sanctions.
3. **Sectoral sanctions:** These sanctions target financial activity and investment in a particular sector out of the whole economy, such as the oil and gas sector or the gold sector. Sectoral sanctions can cut off key sources of revenue for target governments while minimizing the direct impact of sanctions on other parts of the economy along with citizens and U.S. partners and allies in the region.
4. **Secondary sanctions:** These sanctions target overseas entities from third countries that do business with an entity or jurisdiction already subject to U.S. sanctions.

Calibrating sanctions to counter kleptocracy

There are several precedents for using sanctions to combat corruption, and these approaches can continue to be refined and improved in several ways that expand the options and leverage of policymakers.



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- **Making corruption itself grounds for designation:** Sanctions can target government officials, investors, and companies that engage in corruption. Sanctions can also target the international actors like lawyers and accountants who facilitate corruption. Sanctions can target the government agency and businesses that are controlled by a person under sanctions.
- **Imposing costs on those who silence people fighting for accountability:** Sanctions can target the people who intimidate, attack, and abuse the investigative journalists and civil society actors who fight to expose and counter corruption.
- **Blocking corrupt elites' access to certain revenue streams they have captured:** Sanctions can target an entire business sector that is being looted or used to finance conflict.
- **Blocking access to illicit “slush funds”:** Sanctions can target the corporations, funds, and state-owned companies where private wealth is stashed.
- **Targeting the corruption-crime nexus, including with wildlife poaching and trafficking:** Sanctions can target those who engage in pillage or other crimes and also the enablers and facilitators of crimes. These actors—people who transport goods, border and customs officials, and police officers—may bribe others, accept bribes, participate in illicit trade, or turn a blind eye.

Maximizing sanctions' effectiveness against corruption

Sanctions are no magic wand, but numerous steps can be taken to maximize their effectiveness:

1. The U.S. government must continue to ensure that sanctions programs are developed and implemented within a broader political strategy.
2. Sanctions must prioritize high-impact targets, especially those who manage public funds and who are actually vulnerable to economic pressure.
3. U.S. sanctions will be most effective if imposed as part of an international coalition: multilateral sanctions are almost always preferable to unilaterally-imposed sanctions.
4. In order to ensure that sanctions are properly utilized, the U.S. government should consider establishing automatic triggers for placing sanctions on foreign officials who are involved in financial transactions with the proceeds of crime that come through the U.S. financial system.
5. To ensure that sanctions are adequately enforced, regulators must continue to impose steep penalties for banks and companies found to be violating sanctions.
6. The U.S. government must prioritize efforts to minimize collateral damage resulting from sanctions wherever possible and deliberately design each program along these lines.
7. The U.S. government must develop robust strategic communications and public messaging campaigns to answer and counter politicized claims that the sanctions—and not the corruption and crimes of those designated—is the source of the country's economic problems.

For more information, please read Enough's report [Bankrupting Kleptocracy: Financial Tools to Counter Atrocities in Africa's Deadliest War Zones](#).