

Briefing by John Prendergast, Founding Director of the Enough Project and Co-Founder of The Sentry, for the United Nations Security Council on September 10th, 2018, under the agenda item “Maintenance of International Peace and Security” on corruption and conflict.

Throughout history, war may have been hell, but for small groups of conflict profiteers it has also been very lucrative. Today’s deadliest conflicts in Africa — such as those in South Sudan, Somalia, northern Nigeria, Sudan, the Central African Republic, and the Democratic Republic of Congo — are sustained by extraordinary opportunities for illicit self-enrichment that emerge in war economies, where there is a visible nexus between grand corruption and mass atrocities. State armies and rebels use extreme violence to control natural resources, labor, and smuggling networks, including those trafficking in wildlife. Violence becomes self-financing from pillaging, natural resource looting, and stealing state assets, with banking and business connections that extend to New York, London, Dubai, and other global financial centers.

In these hijacked African states, the dynamics of which are certainly replicated in other war-torn countries around the world, such as Afghanistan, Iraq, and Syria, military and civilian leaders use networks of commercial collaborators and financiers from inside and outside their countries to enrich themselves, benefit the commercial and political networks, and maintain an iron grip on power. Arms dealers, ivory traffickers, gold and diamond smugglers, minerals dealers, oil companies, construction firms, and others collude with government officials and rebel warlords — as well as, at times, terrorist networks — to maximize profit for a narrow few. Technically savvy and skilled at exploiting legitimate systems of finance, trade, and transport — as well as money laundering, regulatory and sanctions evasion, disguised beneficial ownership, diversion of state resources and assets, security sector fraud, and offshoring assets — these networks have remained largely untouched by law enforcement, regulation, or international sanctions imposed by this body or others.

At their core, these conflicts are battles over the control of hijacked states and the natural resources that enrich the countries involved. Control of the state is the surest way to access these resources. Diverting state budgets into the military and internal security -- the primary means of violently suppressing dissent -- is how to secure them.

Until the Security Council and other interested parties with potential influence can create leverage to change these dynamics, the bottom line is that war is more beneficial than peace for those at the center of conflict and corruption. The same people benefiting from war economies are often the power brokers in peace talks and have limited incentive to reach and implement a negotiated settlement, especially if reaching and adhering to an agreement means losing out economically. Therefore, peace efforts require an emphasis on conflict transformation, where war economies must be dismantled and hijacked state institutions, often predatory going back to the colonial period, must be completely reformed to fulfill their

intended purpose. This is even more difficult in countries where natural resources have provided huge opportunities for plunder and corruption.

Remarkably, and regrettably, there is currently no coordinated strategy to gain this necessary leverage to disrupt the illicit siphoning of money by leaders and their foreign business partners, to break the link between corruption and conflict. Every year, billions of aid dollars pour into Africa. UN agencies, taxpayers, and donors around the world fund peacekeeping forces, state-building programs, humanitarian assistance, elections, and peace processes. But none of this support has been able to keep corrupt leaders and their network of beneficiaries from stealing billions of dollars because the diplomats leading these efforts have no leverage to change the systems that perpetuate conflict.

This is not about regime change. It is about system change.

For years, the tool of choice for building leverage against actors undermining peace or human rights has been to impose targeted sanctions. But the sanctions often imposed by the Security Council and many member states in these situations, especially in Africa, have been inadequate – too few individuals sanctioned too infrequently. The sanctions are often too weak, because the mandate does not exist to target those responsible for the corruption that leads to conflict; in other words, those at the center of the networks responsible for greed-fueled extreme violence and their commercial collaborators. Over time, and in the absence of meaningful enforcement, warring parties have come to regard these kinds erratically applied, one-off sanctions as a vague annoyance for their public relations rather than as a serious threat to their power.

What is missing is the use of the policy tools of financial pressures that actually alter the cost-benefit analysis of those committing atrocities. As is obvious, these leaders and their commercial collaborators don't keep their money under their mattresses; rather, they launder it through the international financial system and move it offshore into real estate, shell or front companies, and bank accounts. That makes them vulnerable. As a result, the leverage must be laser focused on going after this specific illicit activity numbering in the billions of dollars. If that activity is disrupted and the vulnerabilities of these kleptocratic networks are exposed and attacked, only then will UN Envoys and other diplomats be in a position to actually make progress toward brokering and supporting the implementation of peace agreements that lead to lasting peace and that benefit the populations.

The policy tools that can provide the UN Security Council and other interested parties with maximal leverage are three-fold: a network-focused approach to sanctions that focus on grand corruption; anti-money laundering measures that focus on illicit movement of money through the international financial system; and prosecutions that focus on financial crimes associated with atrocities.

As a start, sanctions must be levied against entire networks, not just individuals. That is the approach the Security Council and others took to propel Iran and North Korea to the negotiating table. Sanctions that target networks in this way are powerful tools for changing behavior and pressuring individuals to come to the negotiating table. These “network sanctions” work because they affect not only the primary target of the sanctions themselves, but also the individuals and companies who play an important role in supporting the targets' activities. By sanctioning these individuals and entities at once, or in close succession, and ensuring robust enforcement, the primary target's network does not have enough time to recover from the financial impact of being cut off from the global financial system.

To implement this, the Council should add "corruption tied to conflict" as a sanctions criterion to its existing sanctions programs and ensure that Panels of Experts are mandated to report on corruption related to conflict. Panels of experts must be provided with the support they need to do this work, which includes ensuring accountability for those responsible for the tragic deaths of Michael Sharp and Zaida Catalan.

Second, the Council should also enhance its engagement with anti-money laundering bodies, such as the Financial Action Task Force (FATF) and FATF-style regional bodies, and ensure that sanctions regimes include references to the importance of combatting the laundering of corruption proceeds. These organizations need the help of the Security Council to bolster their work.

An important component to any effort to strengthen the Security Council's efforts to counter the corrupt activities that fuel conflict more effective is to move beyond governments. The Council could enhance its leverage greatly by expanding its outreach and engagement with banks and other financial institutions to counter corruption-fueled conflict.

Third, courts must have the mandate to prosecute financial crimes, particularly those rooted in corruption, when connected to conflict and atrocities. The ICC and other courts of special jurisdiction, such as the Special Criminal Court for CAR or Hybrid Court in South Sudan, must have the authority to complement the political tool of sanctions or regulatory tool of anti-money laundering measures with the judicial tool of prosecutions.

Ultimately, these tools of financial pressure are not an end in themselves, but should be deployed in the context of a comprehensive strategy that intensifies diplomacy and supports institutions of accountability and transparency.

As it stands now, war crimes pay. In order for peace to have any chance, those benefiting from the human misery wrought by conflicts around the world need to pay a price, whether financial, legal, or political, and the corrupt systems that underlie them need to be ended.

Thank you to Ambassador Haley for inviting me to speak today and bringing attention to this important issue. Thank you also to all Security Council member states for considering a more robust action plan for countering the corruption-fueled conflict that is destroying the lives of millions around the world today.