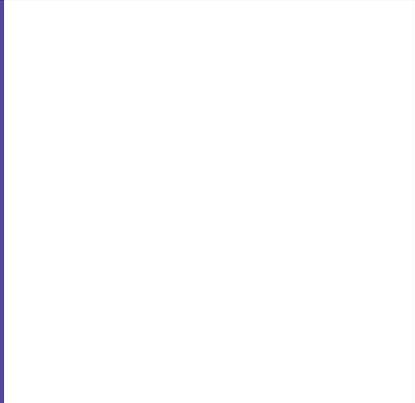
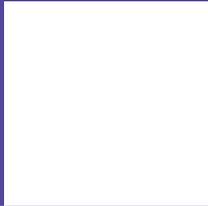


Conflict-Sensitive Project
Finance: Better Lending
Practice in Conflict-Prone
States

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conclusions about their effectiveness regarding management of conflict risk. In any case, as noted earlier, compliance with best practices, while necessary, may not be sufficient to ensure that

Different financial services can interact with conflict in different ways. While this paper has focused on project finance, attention to the following is also required:

1. Facilitating the enrichment of corrupt and repressive regimes

- **Capital flight and money laundering:** Corrupt dictators have been able to transfer their wealth offshore only because some financial institutions or private banks facilitated the process. In 2005 US-based Riggs bank was fined US\$41 million for its failure to scrutinise suspicious transactions by former dictator Augusto Pinochet of Chile and President Obiang of Equatorial Guinea.⁴⁹ Such grand-scale corruption is often a correlate with human rights abuses and violent conflict.
- **Financial advice:** Banks offer financial advice to sovereign governments, but sometimes this advice is employed for dubious ends. In 1997 a Jardine Fleming banker was sacked for

Institutions (EPFIs) have adopted the Principles to ensure that the projects they finance are developed in a socially-

African Development Bank (2005) *Overview of Post-Conflict Recovery and Reconstruction: Experience and Lessons Learnt* (Tunis, Tunisia: African Development Bank).

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International Alert.

346 Clapham Road, London SW9 9AP, United Kingdom

Tel +44 (0)20 7627 6800, Fax +44 (0)20 7627 6900, Email general@