



## **STRATEGIC PLAN 2005-2008**

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**As approved by the Council of Ministers**

**25 August 2005**

## Foreword

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*Money laundering is the term used to describe the ways in which criminals process illegal or “dirty” money derived from corruption or other illegal activities such as bribery, fraud, theft, drug dealing, human trafficking and tax evasion. It is an international phenomenon because it frequently involves routing transactions through many countries to disguise the illegal origin of money. Nowhere is the impact of corruption and other illegal activities on the poor more apparent than in Africa where over the years there have been numerous instances where scarce resources have been siphoned off illegally for personal gain. Cutting off the escape route for the proceeds of crime will be a major deterrent to criminals throughout the region.*

*The sheer scale of money laundering and the damage that it causes warrants a strategic global approach. The Financial Action Task Force (FATF) sets international standards for combating money laundering. Specifically, it formulated 40 recommendations designed to counter the use of the international financial system for money laundering. Following the terrorist attacks on the United States of 11 September 2001, FATF issued a further 9 “special recommendations” to combat terrorist financing. Implementing the 40 plus 9 FATF recommendations is consistent with wider development efforts in the region aimed at achieving the Millennium Development Goals (MDG), in particular MDG 8, target 1 – developing a global partnership for development through a commitment to good governance.*

*The Eastern and Southern Africa Anti Money Laundering Group, established in 1999, is a Group of like-minded countries committed to the implementation of the 40 plus 9 FATF recommendations. The first few years has been a period of steady progress during which the sustainability of the secretariat has been secured and the enabling framework for mutual support in the fight against money laundering and the funding of terrorism has been created. The programme of mutual evaluation of national anti money laundering systems – a process key to the implementation of the FATF recommendations, is also gathering momentum. The Group has recognised that more attention now needs to be given towards implementing our international commitments in a timely fashion.*

*I am pleased therefore to commend this new strategic plan for ESAAMLG covering the period 2005 – 2008. The plan, which was commissioned by ESAAMLG’s Council of Ministers when it met in Mauritius in 2004, is as far as we are aware the first results-based plan to be implemented by a FATF style regional body such as ESAAMLG. Adherence to the plan will focus the Group’s activities on achieving its main objectives and delivering the associated results within a much shorter timeframe than might otherwise have been the case. It will also provide a practical tool for monitoring and reporting implementation of the FATF recommendations within the region and globally. It will undoubtedly help shape future meetings of the Group so that Ministers can concentrate on strategic issues and decisions that will drive forward the process of anti money laundering and combating terrorist financing at national level.*

Chairman  
On behalf of the Council of Ministers

## **Acronyms, abbreviations and definitions**

**AML** – Anti Money Laundering.

**CDD** – Customer due diligence

**CFT** – Combating the Financing of Terrorism.

**ESAAMLG** – Eastern and Southern Africa Anti Money Laundering Group.

**FATF** – Financial Action Task Force. An inter governmental body whose purpose is the promotion and development of policies both at national and international levels to combat money laundering and terrorist financing.

**KYC** – Know Your Customer. This is regarded as a cornerstone of the FATF recommendations. It requires financial institutions to exercise customer due diligence including identifying and verifying the identity of customers.

**IMF** – International Monetary Fund

**MDG** – Millennium Development Goals. A global compact agreed at the Millennium Summit in September 2000. The eight goals relate to a specific commitment to reverse the spread of poverty and disease by 2015 backed by an action plan with 18 quantifiable targets. MDG 8 target 1 is particularly relevant as regards the fight against corruption as this requires a commitment to “a rules based, predictable, non discriminatory and open trading and financial system including a commitment to good governance”.

**NMC** – National Multidisciplinary Committees. Established in each member country to advise on national FATF policies and strategies. They largely comprise representatives from the banking and financial sectors but with some representation from the enforcement side.

**PEPs** – Politically Exposed Persons. PEPs are individuals who are or have been entrusted with prominent public functions. For example, heads of state or of government, senior politicians, senior government, judicial or military officials, and senior executives of state owned corporations, important political party officials. Business relationships with family members or close associates of PEPs also involve reputational risks similar to PEPs themselves

**TANA** – Technical assistance needs analysis. This is a process whereby a country’s technical needs will be assessed in order that technical assistance by the FATF, members of the Cooperating Organisations and Supporting Nations, and other donors may be facilitated and provided to that country.

# ESAAMLG STRATEGIC PLAN

## August 2005 - July 2008

### Introduction

1. The strategic plan, which involved extensive consultation, covers the 3-year period from August 2005 – July 2008. The plan sets out the strategic outcomes in a mission statement for the ESAAMLG as an FATF-style regional body (FSRB) and 7 key strategic objectives, its expected results and the strategy needed to achieve the results.
2. The strategy is based on a detailed analysis of the main issues in the region including strengths, weaknesses and main challenges. A summary of this analysis is included in **Annex 1**. For monitoring purposes, **Annex 2** summarises the strategy by each responsible party – the Council of Ministers, Member Countries, the Task Force and Multi-disciplinary Committees and the ESAAMLG secretariat. The plan will be complemented by a detailed annual work plans for ESAAMLG that will be approved by the ESAAMLG Council of Ministers at its annual meeting in August.
3. The plan has been produced against the backdrop of a need to speed up implementation of AML and CFT standards, as set out in the forty Recommendations to combat money laundering and the nine Special Recommendations to combat the financing of terrorism (40+9) developed by the FATF which is the international standard setting body. The ESAAMLG is proud to be part of the international community of more than 150 nations which have embraced the standard and are implementing measures to combat money laundering and the financing of terrorism.
4. The benefits of implementing these measures are great and include the increased stability of a country's financial sector, the potential for increased credit-worthiness and greater investment, as well as providing law enforcement with additional tools in order to protect countries from the negative effects of crime and the activities of criminal syndicates. These measures will lead to the financial institutions and others becoming more robust and better able to participate in the global financial and trading systems.
5. The ESAAMLG strategic plan seeks to intensify efforts to implement the full 40+9 Recommendations in all countries and the development of their AML/ CFT systems. The strategic plan seeks to implement the priority areas for countries to implement their AML/ CFT system, as the result of a developmental approach to implementation (as set out in **Annex 3**).
6. The plan recognises that there is a need for ESAAMLG to focus more on strategic issues and achieving results. The Council of Ministers must be provided with the information and support necessary for it to reach regional agreement on matters of strategic importance and to subsequently oversee implementation.
7. The Task Force of senior officials has been established to drive implementation of ESAAMLG decisions at national level and report progress. The Task Force makes use of expert advice available from National Multi-disciplinary Committees, the ESAAMLG secretariat and other organisations. This should enable the Council of Ministers to provide

ESAAMLG with active and sustained political support. In addition, Ministers should then seek to ensure that their respective governments provide active political support for the establishment of AML/CFT regimes within their own countries, in keeping with their undertakings to ESAAMLG.

8. Separate mention is made of the ESAAMLG secretariat because it is important that it adds value to national development efforts whilst recognising that ultimately the implementation of international standards is the responsibility of individual governments. Special attention will therefore be given to objective 7 which seek to improve the efficiency and effectiveness of the secretariat.

## **Mission Statement**

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*To combat money laundering and terrorist financing in the Eastern and Southern African region through the implementation of AML/CFT international standards.*

## **Strategic Objectives**

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1. Member countries will develop and implement national AML/ CFT strategies.
2. Member countries implement AML/CFT measures, meeting international standards in accordance with their national strategies and informed, *inter alia*, by mutual evaluations and Financial Sector Assessment Programme reports.
3. Member countries will develop the capacity of institutions and AML/CFT practitioners.
4. The ESAAMLG secretariat will provide guidance and disseminate knowledge on latest AML /CFT developments, emerging risks and other lessons learned to members, regional stakeholders and FATF.
5. ESAAMLG Member Countries will establish regional priorities for implementing FATF recommendations.
6. ESAAMLG members will encourage non-ESAAMLG members in the region to cooperate in the global fight against money laundering and the financing of terrorism and to join ESAAMLG.
7. A sustainable and efficient ESAAMLG secretariat.

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### **Objective 1): Member countries will develop and implement national AML/ CFT strategies**

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**Expected results 1: Members have AML/CFT strategies and carry out mutual evaluations and / or assessments under the FSAP to continually improve and update their strategies.**

## Strategy

6. Our strategy for achieving this objective will comprise:
  - Member countries through the Task Force and their NMCs will develop and maintain national AML/CFT strategies that are informed and updated by mutual evaluations and FSAP.
  - Member countries will maintain systems to monitor implementation of their respective AML/CFT strategies and programmes.
  - Member countries will provide the ESAAMLG secretariat with updated copies of their implementation plans and national progress reports each June.
  - The ESAAMLG secretariat will develop and maintain an AML/CFT monitoring system to track the development of national strategies and the status of implementation and advise the Council of Ministers on trends and possibilities for mutual support.
  - The ESAAMLG secretariat will develop and implement a regional AML/CFT awareness programme.
  - The Task Force in conjunction with NMC will regularly and systematically engage with national policy makers with a view to integrating national AML/ CFT strategies into national financial sector reform programmes, national anti-corruption programmes and wider national development programmes to include securing the necessary national budget for implementation. In doing so, the Task Force in conjunction with NMC will promote action to join up with other key players at national level including national anti corruption bodies and financial intelligence units etc.
  - The ESAAMLG secretariat will effectively manage a 3-year programme of mutual evaluations i.e. programme formulation, administrative support, quality control and follow up of recommendations

Objective 2): Member countries implement AML/CFT measures, meeting international standards in accordance with their national strategies and informed, *inter alia*, by mutual evaluations and Financial Sector Assessment Programme reports.

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**Expected result 2: Increased numbers of member states meet international AML/CFT standards.**

## Strategy

7. Our strategy for assisting member states to implement their national strategies will comprise:

- Member countries will participate in an ongoing 3-year programme of mutual evaluations conducted in accordance with mutual evaluation procedures.
- Member countries will participate in an ongoing 2-year technical assistance needs analysis process.
- The ESAAMLG secretariat will effectively manage the mutual evaluation and technical assistance needs analysis programmes i.e. programme formulation, administrative support, quality control and follow up of recommendations.
- The ESAAMLG secretariat will coordinate the development of a regional advisory and implementation assistance service. This will primarily comprise maintaining a network of experts from within the region who have committed to assist member countries with advice and assistance with implementation issues to which members can tap into.
- The ESAAMLG secretariat will source experts from outside of the region with specialist expertise where this is not available from within the region that member countries could approach for implementation assistance.

**Objective 3): Member countries will develop the capacity of institutions and AML/CFT practitioners.**

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**Expected result 3: National bodies of AML/CFT experts and a regional cadre of mutual evaluation experts.**

**Strategy**

8. Our strategy for developing regional capacity will comprise:
  - Member countries will undertake national skills audits of AML /CFT practitioner requirements and develop national capacity building programmes.
  - Member countries will provide copies of national skills audits to the ESAAMLG secretariat, which will maintain a regional overview of skills.
  - The ESAAMLG secretariat will maintain, with the assistance of NMC, a regional overview and coordinating mechanism for technical assistance and training based on information provided by NMC and national skills audits.
  - The ESAAMLG secretariat will facilitate and organise expert training both regionally and within country at the request of member countries.
  - The ESAAMLG secretariat will facilitate mentoring programmes for evaluators and evaluator’s participation as observers in evaluations carried out by the FATF and other regional style FATF bodies.

- The ESAAMLG secretariat will carry out a feasibility study on the establishment of a regional AML/CFT and anti-corruption training centre in partnership with a regional institution. Subject to the results of the feasibility study, the ESAAMLG secretariat may also oversee implementation of the centre.
- The ESAAMLG secretariat will deliver 2 evaluator training courses for 15 regional experts twice yearly.
- The ESAAMLG secretariat will ensure that the evaluator training courses will result in a ‘balanced pool’ of some 56 evaluation experts by the end of the strategic planning period.
- A ‘virtual’ network will be developed and maintained by the ESAAMLG secretariat to ensure that the cadre of evaluation experts are fully apprised of latest developments and encouraged to pass on their knowledge to develop other expertise in country. The ESAAMLG web page will be enhanced to support the network.

**Objective 4): The ESAAMLG secretariat will provide guidance and disseminate knowledge on latest AML/CFT developments, emerging risks and other lessons learned to members, regional stakeholders and FATF.**

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**Expected result 4: Council of Ministers and member countries continually improve their strategies based on acquired knowledge.**

### **Strategy**

9. Our strategy for strengthening the knowledge base on which strategies are developed will comprise:
  - The ESAAMLG secretariat will produce and distribute reports on issues arising at FATF meetings and implications for the region within 30 days of such meetings.
  - The ESAAMLG secretariat will produce an annual synthesis report covering all issues and lessons learned arising from mutual evaluations, country assessments, implementation plans and progress reports, FATF meetings and typology exercises etc. This will make recommendations to the Council of Ministers on how to apply lessons learned.
  - The ESAAMLG secretariat will undertake one regional typology exercise per year addressing a priority issue of regional concern. Although primarily of benefit to ESAAMLG members the results will be shared internationally through FATF as a means of contributing to global efforts.
  - The ESAAMLG secretariat will keep member countries informed of FATF typology exercises and encourage member countries to participate in such exercises and apply lessons learned.

**Objective 5): ESAAMLG Member Countries establish regional priorities for implementing FATF recommendations.**

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Expected result 5: Improved focus of regional and national AML/CFT activity leading to speedier implementation of FATF recommendations.

**Strategy**

10. Our strategy for setting regional priorities will comprise:

- The Council of Ministers will agree annually regional priorities for the year to be incorporated in national strategies and programmes.
- The ESAAMLG secretariat will track implementation of regional priorities through national AML/CFT implementation programme progress reports.

**Objective 6): ESAAMLG members should encourage non-ESAAMLG members in the region to cooperate in the global fight against AML / CFT and join ESAAMLG.**

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**Expected result 6: Increased numbers of ESAAMLG member countries providing a stronger regional and international network.**

**Strategy**

11. Our strategy for encouraging non members to join ESAAMLG will comprise:

- The ESAAMLG secretariat will develop a ‘trail in’ process for potential new ESAAMLG members for approval by the Council of Ministers.
- The ESAAMLG secretariat will contact those countries that have expressed an interest in joining ESAAMLG with a view to inducting them into the trail in process.

**Objective 7): A sustainable and efficient Secretariat**

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**Expected result 7: Expected results of objectives 1 –6 of the strategic plan achieved and targets set in the complementary annual work plan met.**

**Strategy**

12. A sustainable and efficient secretariat will be achieved through the following:

- The ESAAMLG secretariat will mobilise the additional funds necessary to carry out the activities attributable to the secretariat in the 3-year strategy and will ensure timely payment of subscriptions from member countries.
- The ESAAMLG secretariat will prepare and circulate papers for ESAAMLG meetings, including separate briefs for the Chairman of the Task Force and the President of the Council of Ministers, at least 6 weeks in advance of meetings.

- The ESAAMLG secretariat will follow up and track the implementation of decisions taken at ESAAMLG meetings.
- The ESAAMLG secretariat will prepare and implement an improved communications strategy.
- The ESAAMLG secretariat will improve accounting arrangements and respond in writing to external audit observations and recommendations within 30 days of the receipt of a written audit report.
- The Task Force will commission an efficiency scrutiny of the ESAAMLG secretariat.
- Member Countries will assist the Secretariat in performing its activities by seconding professional staff to the secretariat subject to a detailed work plan and the approval of the Council of Ministers.

## Regional analysis

## Annex 1

1. An analysis of the main issues in the region was undertaken on behalf of Member Countries by an ESAAMLG working Group. This identified the strengths, weaknesses and the main challenges faced in the region. The analysis gave rise to the formulation of the 7 strategic objectives on which the 3-year strategy is based. For ease of reference, the analysis is summarised below under each of these objectives.

**Objective 1): Member countries will develop national AML/ CFT strategies informed, *inter alia*, by mutual evaluations and Financial Sector Assessment Programme reports.**

2. Each member country has unique circumstances and constitutional frameworks and so cannot take identical measures to achieve the required international standard. Individual country AML/CFT strategies and implementation programmes therefore need to be developed and implemented. Developing national strategies and implementation programmes is ultimately the responsibility of each member country, which must own its strategy. The aim should be that all 14 members have satisfactory strategies that are being implemented within the first year of this 3-year ESAAMLG strategy.

3. A key FATF element of the Memorandum of Understanding upon which ESAAMLG is founded is that member countries agree to participate in a programme of mutual evaluations. These are to be undertaken according to a standard comprehensive process, provide a status report and give recommendations for improving systems. The output from mutual evaluations therefore provides a basis for developing and/or improving national AML/CFT strategies and implementation programmes. The World Bank/IMF also engages with some ESAAMLG members in its Financial Sector Assessment Programme (FSAP). Such assessments also address the implementation of FATF recommendations although they cover issues beyond mutual evaluations. As such they too provide a basis for developing and / or improving national AML/CFT strategies and implementation programmes. The ESAAMLG secretariat is coordinating the regional mutual evaluation process. The World Bank / IMF coordinate the FSAP.

**Example one:**

Mauritius has an AML/CFT strategy that has been refined and improved by recommendations made in a Financial Sector Assessment Programme report. A mutual evaluation is planned for 2006. This too will inform the process of continuous improvement of the Mauritius AML/CFT strategy and provide Government and the international community with a high level of assurance that satisfactory action has been taken.

4. To maximise synergy and to avoid duplication of effort, ESAAMLG should ensure that all its members benefit from a mutual evaluation or an assessment under the FSAP once every 3 years (see example one). At the commencement of this 3-year strategy, 5 member countries had completed mutual evaluations and a further 4 had been included in the FSAP in the same period.

5. Priority should be given to ensuring that those 5 members that have not yet had the benefit of a mutual evaluation or an FSAP assessment do so as soon as possible. One

challenge is for group members to translate the recommendations from mutual evaluations and FSAP reports into national AML/CFT strategies and implementation programmes. This will require articulation of recommendations into a strategy and programme of action. Another challenge within Eastern and Southern Africa is to fully integrate AML/CFT programmes into national development programmes. This is absolutely necessary if AML/CFT programmes are to be given due recognition and funding in light of the many competing national development priorities. In some instances, the results and recommendations of mutual evaluations alone may not be sufficient to make a convincing case for priority consideration within a member country. For example, a detailed assessment of the scale of the money laundering problem in a particular country may also be required to drive home the message that actions need to be taken. It will also be necessary that implementation of the FATF recommendations does not adversely impact on the poor.

6. Another perceived problem within the region is that the issue of money laundering is misunderstood and regarded as a separate, 'stand alone' entity. This is evidenced by the fact that some member countries have developed financial sector reform strategies and anti corruption strategies that have failed to address FATF recommendations. In relatively few instances have measures to combat money laundering and the financing of terrorism been integrated with national development programmes. The isolation of AML / CFT from the wider development efforts in the region is a problem that needs to be remedied by member countries. The ESAAMLG secretariat can help by developing and implementing a regional AML/CFT awareness programme.

7. Country policy makers should be aware that AML/CFT measures are essential to financial sector development and that money laundering is the flip side of corruption and other criminal activity. Corruption is one of the predicate offences for money laundering. Cutting off the means to use the proceeds of crime is a major deterrent. The ability to investigate and repatriate the proceeds of corruption could provide member countries with "many millions of dollars" in returned revenue. It is therefore of paramount importance that AML/CFT programmes are integrated not only within national development plans but also within financial sector reform and anti corruption programmes.

8. The ideal time to engage country policy makers in detailed discussion on how to integrate AML/CFT measures with wider reform programmes is during the period leading up to the update of national development programmes. It also makes sense to time, wherever possible, mutual evaluation exercises so that the results are available to feed into the information

gathering process that takes place prior to updating national development plans. That said, the timing of national development plan updates should not be the sole factor. Regular AML/CFT policy discussions to ensure integration should take place within member countries.

9. Each member country has its own National Multidisciplinary Committee (NMC) to advise on AML/CFT policy and implementation issues. NMC need to be more dynamic in pursuing AML/CFT reform nationally. For example, it has been recognised that stronger links need to be forged at country level between NMC and other major players such as anti corruption agencies, national law enforcement agencies, financial intelligence units and those government bodies leading on national development programmes. Inviting representatives from these agencies and bodies to be part of NMC may be one way of achieving closer links.

**Objective 2): Member countries implement AML/CFT measures, meeting international standards in accordance with their national strategies.**

10. ESAAMLG members are at various stages of attaining international AML/CFT standards and can be broadly categorised as advanced, moderately advanced and less advanced. As recorded under objective one, it is expected that each member country will have an integrated AML/CFT strategy and implementation programme funded from its national budget. Progress towards meeting international standards will then be assessed against targets set in national strategies and implementation plans. It is expected that member countries should have robust monitoring systems that will allow them to keep track of national implementation.

11. It is also expected that output from national monitoring systems should be provided annually to the ESAAMLG secretariat each June to enable the secretariat to prepare a performance summary for the August meetings. This will also enable the secretariat to assess what mutual assistance might be given within the group and help members to better manage and coordinate the activity of donors.

**Example two:**

The establishment of Financial Intelligence Units (FIUs) is a key FATF recommendation. Within the region, South Africa and Mauritius have well-established FIUs) that are internationally recognised as centres of excellence. Both units are members of the Egmont Group (the international association of FIUs). Experts from each unit will advise and assist other ESAAMLG members to establish their own FIUS based on unique regional circumstances.

12. Advanced members have a role to play in assisting their fellow ESAAMLG members to progress towards meeting international standards. This can be achieved if advanced members provide expert advice and assistance to less advanced countries based on their experience (see example two). Mutually supportive action helps to raise the collective standard throughout the region. The ESAAMLG secretariat has a role to play in facilitating such support by acting as a ‘clearing house’ to match available expertise with need.

**Objective 3): Member countries will develop the capacity of institutions and AML/CFT practitioners**

13. There is a global shortage of skills in the field of AML/CFT including within developed countries. With the exception of South Africa and Mauritius the skill base of ESAAMLG AML/CFT practitioners is not surprisingly also perceived as low. This lack of regional capacity is a major drawback to successfully implementing regional AML/CFT strategies and programmes. Three general observations can be made to set the context:

- ESAAMLG members are at various stages of development that can be broadly categorised as advanced, moderately advanced and less advanced.
- National institutions and practitioners require a range of skills that broadly fall into five main categories – strategy development / programme management; legislative / regulatory; financial; law enforcement and judicial; and specialist (such as forensic accountancy and expertise in mutual legal assistance).
- The immediate requirement for these skills can be mapped onto the stages of development along the lines set out in table one.

**Table one: Matching priority capacity requirement to stage of AML / CFT development**

Stage of AML/CFT development	Priority capacity requirement
Less advanced members	Develop strategy and implementation skills. Develop capacity for formulating legislation and regulations.
Moderately advanced members	Establish / improve and operationalise national AML/CFT support institutions and individuals working in them such as law enforcement agencies, investigation agencies and Financial Intelligence Units.
Advanced members	Develop specialised skills such as those needed for successful AML prosecutions, forensic accountants, mutual legal assistance experts and skills required for asset repatriation.

14. The ESAAMLG secretariat has facilitated a regional capacity development programme over the last few years that has included:

- 3 sub regional awareness-raising workshops
- 2 legislative drafting workshops
- 1 IMF judicial training workshop
- 1 AML / CFT strategy development workshop
- 1 specialist drug workshop (see example three)

15. ESAAMLG member countries need to build on earlier capacity development work. In doing so it is recognised that the skill shortage needs to be addressed in a more systematic way and that national skills audits are a prerequisite for

**Example three:**

In November 2002, the ESAAMLG secretariat met a request from the Zambian drugs Commission to organise specialised training in respect of investigation techniques needed to support national anti-money laundering laws. The Zambian Drugs Commission has subsequently successfully investigated a number of cases using these techniques.

developing national and regional capacity development programmes. Member countries should take the lead although the ESAAMLG secretariat should continue to facilitate and organise capacity development training based on national skills audits at the request of member countries. In this respect, the ESAAMLG secretariat should maintain, with the assistance of NMC, a regional overview and coordinating mechanism for technical assistance and training based on information provided by NMC and national skills audits.

16. The ESAAMLG secretariat could also conduct a feasibility study on establishing a regional centre of excellence for training AML/CFT and anti corruption practitioners in partnership with a regional institution. Subject to the results of the feasibility study, the ESAAMLG secretariat may also oversee implementation of the centre. It is envisaged that members will wish to make more use of the computer based training packages that the ESAAMLG secretariat is proposing to develop in association with the United Nations and others. Developing awareness should be an ongoing requirement throughout the period of the strategy.

17. The ESAAMLG secretariat should continue to develop regional capacities in each of the broad skill categories identified above as part of the mutual evaluation process. Specifically it should organise training for individuals that will be involved in the mutual evaluation process that, coupled with the experience of taking part in a mutual evaluation, will provide a solid foundation for those who might subsequently be involved with the implementation and operation of AML/CFT systems. It is envisaged that trained evaluation experts will be able to provide basic training to colleagues in country.

18. The ESAAMLG secretariat has trained a cadre of some 29 regional AML/CFT expert evaluators (see table two below). The experts need to be further developed into a ‘balanced pool’ with representatives from each member country. For example, it can be seen from the table that the cadre is currently drawn from 9 of the 14 ESAAMLG member countries and that relatively few law enforcers have been trained as part of the mutual evaluation process. The current cadre also includes only one policy maker. Policy makers as potential ‘evaluatees’ would benefit greatly from the associated training.

**Table two: ESAAMLG cadre of regional evaluators as at December 2004**

<b>Category</b>	<b>SA</b>	<b>MR</b>	<b>TZ</b>	<b>NB</b>	<b>KY</b>	<b>UG</b>	<b>SWZ</b>	<b>MW</b>	<b>Total</b>
Policy	1								<b>1</b>
Legislative	1	2	2	1	1	1		1	<b>9</b>
Financial	2	1	2	2	3	1	1	1	<b>13</b>
Enforcement	2	1	1	1			1		<b>6</b>
<b>Total</b>	<b>6</b>	<b>4</b>	<b>5</b>	<b>4</b>	<b>4</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>29</b>

19. The experience of the ESAAMLG secretariat is that evaluator training should not be given too far in advance of the evaluations. The optimum size of the cadre i.e. to support the mutual evaluation process and to develop a national source of expertise is regarded as 56 i.e. about double the current level. The standard evaluator-training course is two weeks long and can accommodate up to 15 evaluators. Ideally two evaluator-training courses should be undertaken each year. Based on experience, the turnover rate of evaluators is also likely to be high at approximately 15 per year. Given these figures, a sustainable cadre of the optimum level could be achieved by the third year of the strategy.

20. The cost per evaluator training course is estimated at \$25,000. The total cost, which would be additional to the core budget of the ESAAMLG secretariat, will therefore be in the region of \$50,000 per year or \$150,000 over the 3-year period of the strategy. Finally, it should be noted that if the cadre is to be maintained as a national source of expertise that can pass on knowledge to others in country it will be important to maintain a network of trained experts and ensure that they are fully apprised of developments. A 'virtual' network for the electronic exchange of information should therefore be developed by the secretariat. Some enhancement of ESAAMLG's webpage will also be required to support this. 'Top up' training of evaluators may be required in the next strategic planning period.

**Objective 4): The ESAAMLG secretariat will provide guidance and disseminate knowledge on latest AML/CFT developments, emerging risks and other lessons learned to members, regional stakeholders and FATF**

21. Member countries and other regional stakeholders need to be informed of latest developments, trends, emerging threats and other lessons learned as a means of continuously improving and innovating their AML/CFT strategies. The process of knowledge dissemination and lesson learning needs to be systematic. In acquiring knowledge both global and regional issues need to be embraced. The ESAAMLG secretariat is well placed to inform members on what is happening in the global forum from information obtained from attendance at FATF meetings and its mandate for overall "policy watch".

22. It is also possible to draw on the results of mutual evaluations, country assessments and AML/CFT implementation progress reports as a means of learning lessons for region-wide application. However lessons learned are only useful if they are practically and systematically applied. This will require the production of an annual regional synthesis report with recommendations for action to be taken by ESAAMLG members. Such a report should be presented to the Council of Ministers at its annual meeting. It should be distributed to regional stakeholders and placed on the ESAAMLG website to ensure that lessons are widely communicated.

23. "Typology" exercises examine in depth a particular issue of concern with a view to disseminating knowledge on emerging threats and how these might be addressed. Some member countries have undertaken such studies (see [example four](#)).

**Example four:**

There are a number of endangered species of fish that inhabit the coastal waters off South Africa. A typologies study has identified that some are being illegally caught and processed for the Asian market. The proceeds of this illegal activity, which is estimated at some millions of US dollars per year, are being laundered both in South Africa and internationally including for the purchase of drugs. Cutting off the escape route by eliminating the means by which to use the proceeds of crime will help to secure bio diversity in the region and reduce the associated risks of drug trafficking and trans national crime.

24. ESAAMLG members would benefit from other typologies with a regional focus. The ESAAMLG secretariat should therefore commission one typology exercise per year, three over the period of the plan that could focus on one or more of the following areas of concern:

- Non profit organisations
- Privatisation
- The growth in regional stock markets
- Government Procurement, particularly in relation to infrastructure projects
- Small arms
- Endangered species (bio diversity)
- Drugs
- Minerals
- Car theft
- Alternative remittance systems

**Objective 5): ESAAMLG Member Countries establish regional priorities for implementing FATF recommendations**

25. ESAAMLG has a role to play in advising on priority issues that members could pursue in harmony that would prepare them for full implementation of the FATF recommendations. Advice given by the Council of Ministers has to be evidence-based drawing on lessons learned and in particular the annual synthesis report discussed above under objective four. Advice on priorities should be systematic i.e. annual, as other similar trends or common issues will undoubtedly emerge during the period of the strategy.

**Example five:**

The customer due diligence obligation is fundamental to meeting international standards. Most member countries have a CDD regulation established by their Central Bank. However, the standards by which the FATF obligation is being applied differ greatly throughout the region. A great many Africans do not have ID and many towns and villages in the region do not have addresses. These dilemmas need to be addressed by ESAAMLG. Agreeing a regional standard based on risk could help move members immediately closer towards implementing the FATF recommendations and attaining international standards.

26. By way of illustration, the group's experience to date has revealed that action could be taken now on raising regional standards relating to the application of the "Customer Due Diligence" (CDD) principles including the need to develop lists of Politically Exposed Persons (PEPs) - see example five. A concerted regional effort to improve CDD standards based on a regional risk analysis could help move countries forward in a harmonised way while not diluting the twin principles that each country requires unique solutions to its unique problems and that each country will need to meet each of the FATF recommendations.

**Objective 6): ESAAMLG members should encourage non-ESAAMLG members in the region to cooperate in the global fight against AML / CFT and join ESAAMLG**

27. ESAAMLG provides a mutually supportive network for harmonisation and synergy of efforts to combat money laundering and the financing of terrorism. It comprises a homogenous geographical group and should remain that way. There are four countries in the region that are not currently members of ESAAMLG – Angola, the Democratic Republic of Congo, Madagascar and Comoros Island.

28. There would be mutual benefits to these countries joining the group (see example six). Bringing these four countries into the ESAAMLG fold would strengthen the existing regional network, increase synergy and reduce risks to member countries by eliminating potential hiding places for the proceeds of crime in neighbouring counties. However, care needs to be taken when expanding the group membership as there could be administrative problems in respect of non-English speaking countries. As the potential new members will probably be starting from a low FATF-baseline a “trail in” process will also need to be developed.

**Example six:**

Non-ESAAMLG countries in the region stand to gain a good deal from becoming members. They will be able to share in the exchange of information and mutual support in strengthening systems relating to the fight against corruption and in particular money laundering and the financing of terrorism. They will benefit from the support services provided by the ESAAMLG secretariat. Above all, by joining in the fight against money laundering they will improve the security of their financial systems and cut off a major incentive to corruption and other criminal activity.

**Objective 7): A sustainable and efficient secretariat**

29. When ESAAMLG was first established in 1999, a goal was to finance through membership subscription the core activities of the secretariat i.e. that required by member countries to help them to implement their national AML/CFT strategies. This goal has yet to be achieved because some member countries are not paying their subscriptions until towards the end of the financial year and there are some arrears (see example seven). It should also be noted that subscriptions only cover the costs of one AML /CFT professional (the Executive Secretary) and 4 administrative personnel. As an increase in the rate of subscriptions is deemed to be unlikely over the period of this strategy none has been assumed.

**Example seven:**

Since its inception in 1999, the ESAAMLG secretariat has evolved from a single desk in the Tanzanian Ministry of Finance to a fully-fledged autonomous body with its own offices and the means by which to implement and communicate the objectives of member countries. Over the same period all the original targeted countries have acceded to the ESAAMLG Memorandum of Understanding. While some member countries need to pay their subscriptions earlier, the collection rate for subscriptions has increased over the period to its current level of 90 per cent.

30. The secretariat remains heavily dependent on the continuation of external assistance. Donations will be sought for programme activity where this is not covered by the funds from subscriptions. An immediate challenge is the shortage of professional expertise. Ideally the secretariat should have professional skills in the areas of finance, law and law enforcement as this would ease the burden placed on the secretariat by this strategic plan and in particular the proposed expansion of the mutual evaluation programme. Any increase in the size of the secretariat should be subject to a detailed work plan and the approval of the Council of Ministers.

31. If the secretariat is to be successful in mobilising additional funds, it will need to demonstrate that it is making the most of its existing resources through efficient work practices. Ideally, work practices should be subject to continuous improvement for the duration of the strategy. This could be ensured by commissioning an independent efficiency scrutiny that looks, *inter alia*, at the structure of human resources including the definition of roles and responsibilities and following up the recommendations of the scrutiny during the period of the strategy. The efficiency scrutiny could also consider the case for a steering group to guide the work of the secretariat. The increased focus on results promulgated by this strategy will require the development of an improved communication strategy and improvements to the ESAAMLG webpage.

32. There are a number of improvements that could be made immediately to the secretariat's work practices pending the proposed efficiency scrutiny. These include setting targets for the distribution of papers prior to group meetings and targets for providing the minutes / recommendations arising from meetings and following these up. Targets should also be set for responding to audit reports and implementing their recommendations.

33. Earlier sections of the strategy have explained the background and justification for the activity for which funds additional to that provided through subscription have to be sought. For ease of reference, details are summarised below in table three. Provision for a law enforcement expert, currently provided by the UN Mentor, and for a legal expert needs to be made subject to a detailed work plan from the Secretariat. It can be seen that \$1.2 million will probably need to be mobilised over the period of the strategy. This is approaching twice the level of annual funds mobilised over the preceding 3-year period. Existing and potential new donors may be approached for pledges of continued and/or increased funding.

**Table three: Summary of additional funding requirements**

<b>Activity</b>	<b>Cost per year US \$</b>	<b>Cost over 3-year period</b>
Mutual evaluations	125,000	375,000
Evaluator training courses	50,000	150,000
Establish regional training centre	100,000	300,000
Synthesis report	25,000	75,000
Typology exercises	50,000	150,000
Communications strategy and systems enhancement	50,000	150,000
<b>Total</b>	<b>400,000</b>	<b>1,200,000</b>
Average amount currently mobilised annually	(230,000)	
<b>Difference</b>	<b>170,000 (74 %)</b>	

**\* Law enforcement expert and legal expert are not included in the above table.**

34. The secretariat needs to strengthen its accounting arrangements. A new accounting package needs to be implemented with associated training for the group's accountant. Consideration should also be given towards the appointment of professional accountants from one of the large international accountancy firms that is based locally to provide audit and accountancy assistance as provided for in the group's memorandum of understanding. The tight timescale of only a few weeks between the annual closure of the books and the date of the annual meeting is also worth noting. Consideration should be given by the Council of Ministers to changing the dates of the accounting year to allow more time for the closure of the books and the external audit to take place in advance of the meeting.

## **Annex 2**

### **Summary of strategy by responsibility**

#### **Council of Ministers**

- The Council of Ministers will agree annually regional priorities for the year to be incorporated in national strategies and programmes.

#### **Member countries**

- Member countries through the Task Force and their NMC will develop and maintain national AML/CFT strategies that are informed and updated by mutual evaluations and FSAP.
- Member countries will maintain systems to monitor implementation of their respective AML/CFT strategies and programmes.
- Member countries will provide the ESAAMLG secretariat with updated copies of their implementation plans and national progress reports each June.
- Member countries will undertake national skills audits of AML /CFT practitioner requirements and develop national capacity building programmes.
- Member countries will provide copies of national skills audits to the ESAAMLG secretariat, which will maintain a regional overview of skills.
- Member Countries will assist the Secretariat in performing its activities by seconding professional staff to the secretariat.
- Member countries will ensure timely payment of subscriptions.

#### **Task Force and NMC**

- The Task Force in conjunction with NMC will regularly and systematically engage with national policy makers with a view to integrating national AML/ CFT strategies into national financial sector reform programmes, national anti-corruption programmes and wider national development programmes to include securing the necessary national budget for implementation. In doing so, the Task Force in conjunction with NMC will promote action to join up with other key players at national level including national anti corruption bodies and financial intelligence units etc.
- The Task Force will commission an efficiency scrutiny of the ESAAMLG secretariat

#### **ESAAMLG secretariat**

- The ESAAMLG secretariat will develop and implement a regional AML/CFT awareness programme.

- The ESAAMLG secretariat will effectively manage a 3-year programme of mutual evaluations i.e. programme formulation, administrative support, quality control and follow up of recommendations
- The ESAAMLG secretariat will develop and maintain an AML/CFT monitoring system to track the development of national strategies and the status of implementation and advise the Council of Ministers on trends and possibilities for mutual support.
- The ESAAMLG secretariat will coordinate the development of a regional advisory and implementation assistance service. This will primarily comprise maintaining a network of experts from within the region who have committed to assist member countries with advice and assistance with implementation issues to which members can tap into.
- The ESAAMLG secretariat will source experts from outside of the region with specialist expertise where this is not available from within the region that member countries could approach for implementation assistance.
- The ESAAMLG secretariat will maintain, with the assistance of NMC, a regional overview and coordinating mechanism for technical assistance and training based on information provided by NMC and national skills audits.
- The ESAAMLG secretariat will facilitate and organise expert training both regionally and within country at the request of member countries.
- The ESAAMLG secretariat will facilitate mentoring programmes for evaluators and evaluators' participation as observers in evaluations carries out by the FATF and other FSRBs.
- The ESAAMLG secretariat will carry out a feasibility study on the establishment of a regional AML/CFT and anti-corruption training centre in partnership with a regional institution. Subject to the results of the feasibility study, the ESAAMLG secretariat may also oversee implementation of the centre.
- The ESAAMLG secretariat will deliver 2 evaluator training courses for 15 regional experts twice yearly.
- The ESAAMLG secretariat will ensure that the evaluator training courses will result in a 'balanced pool' of some 56 evaluation experts by the end of the strategic planning period.
- A 'virtual' network will be developed and maintained by the ESAAMLG secretariat to ensure that the cadre of evaluation experts are fully apprised of latest developments and encouraged to pass on their knowledge to develop other expertise in country. The ESAAAMLG web page will be enhanced to support the network.

- The ESAAMLG secretariat will produce and distribute reports on issues arising at FATF meetings and implications for the region within 30 days of such meetings.
- The ESAAMLG secretariat will produce an annual synthesis report covering all issues and lessons learned arising from mutual evaluations, country assessments, implementation plans and progress reports, FATF meetings and typology exercises etc. This will make recommendations to the Council of Ministers on how to apply lessons learned.
- The ESAAMLG secretariat will undertake one regional typology exercise per year addressing a priority issue of regional concern. Although primarily of benefit to ESAAMLG members the results will be shared internationally through FATF as a means of contributing to global efforts.
- The ESAAMLG secretariat will keep Member Countries informed of Member Countries to participate in such exercises and apply lessons learned.
- The ESAAMLG secretariat will track implementation of regional priorities through national AML/CFT implementation programme progress reports.
- The ESAAMLG secretariat will develop a 'trail in' process for potential new ESAAMLG members for approval by the Council of Ministers.
- The ESAAMLG secretariat will contact those countries that have expressed an interest in joining ESAAMLG with a view to inducting them into the trail in process.
- The ESAAMLG secretariat will approach donors for the provision of a legal expert to work in the secretariat subject to a detailed work plan and the approval of the Council of Ministers.
- The ESAAMLG secretariat will mobilise the additional funds necessary to carry out the activities attributable to the secretariat in the 3-year strategy.
- The ESAAMLG secretariat will prepare and circulate papers for ESAAMLG meetings, including separate briefs for the Chairman of the Task Force and the President of the Council of Ministers, at least 6 weeks in advance of meetings.
- The ESAAMLG secretariat will follow up and track the implementation of decisions taken at ESAAMLG meetings.
- The ESAAMLG secretariat will prepare and implement an improved communications strategy.
- The ESAAMLG secretariat will respond in writing to external audit observations and recommendations within 30 days of the receipt of a written audit report.
- The ESAAMLG secretariat will improve accounting arrangements.

## Annex 3

### **A developmental approach for the implementation of the ESAAMLG Strategic Plan**

ESAAMLG member countries must remain committed to implementing the full range of the FATF 40+9 Recommendations to combat money laundering and terrorist financing. This objective is expressed in the ESAAMLG Memorandum of Understanding and the draft ESAAMLG Strategic Plan which is due to be considered by the Council of Ministers at its August 2005 meeting. All member countries can achieve real progress in meeting this objective if the steps followed in this process follow a logical sequence to implement an AML/ CFT system built on a solid foundation appropriate to that country's needs.

The developmental approach set out in this annexure seeks to give effect to the objectives of the ESAAMLG Strategic Plan 2005–2008, namely that all member countries implement international AML/CFT standards in accordance with their national strategies. In doing so, it nevertheless focuses on strategic objectives two and three of the strategic plan, which will be the core to a country's future AML/ CFT systems.

The premise of the approach is that a country can achieve real progress in complying with the FATF requirements if the development of its AML/CFT system starts on a solid foundation. This foundation will then provide a basis upon which a complete system can be built in a continuous process. To this end the proposal entails that:

- A list of priority areas for a country should be identified from the FATF 40 + 9 Recommendations.
- A targeted programme commences by which countries first seek to reach compliance with these recommendations.
- Countries implement the recommendations in identifiable stages, using a phased approach.
- Countries' progress in the implementation of the recommendations is appraised.
- Developmental areas in relation to the recommendations are identified on the basis of these appraisals.
- The provision of technical assistance to countries in respect of their individual developmental areas is facilitated.
- Countries continue the process to adapt their national AML/CFT strategies and develop their AML/CFT frameworks in accordance with the full FATF 40 + 9 Recommendations.
- Countries undergo mutual evaluations to monitor their progress in relation to their continued development of their AML/CFT frameworks.

The criteria a country needs to implement as a foundation comprise elements applicable to its criminal justice system; preventive measures; administration of the system; and areas of international cooperation. An example of these priority areas (with the corresponding FATF Recommendations) is set out as follows:

## **Criminal Justice**

R1 and SRI: Criminalise money laundering and financing of terrorism

R3 and SRIII: Freezing and forfeiture of proceeds of crime and terrorist related property

## **Preventive**

Customer due diligence

R 5: Client identification

R6: Systems in financial institutions to deal with PEP's

R10: Keeping records of transactions

## **Reporting**

R13 and SRIV: Reporting of suspicious transactions on money laundering and terrorist financing

R11: Attention to complex transactions

R4: Relax financial institution secrecy

R14: Protect persons making reports

## **Administrative**

R27: Mandate for investigating authorities

R28: Powers of investigating authorities to obtain documents and information

R27: Mandate for investigating authorities

R28: Powers of investigating authorities to obtain documents and information

R23: Supervision of financial institutions

R26: Establish a Financial Intelligence Unit (FIU)

## **International**

R35 and SRI: Ratify UN Conventions and implement UNSC Resolutions

R36 to 39: Offer mutual legal assistance and extradition.

R40: Other forms of co-operation

There may be other criteria of particular relevance to specific countries, depending on the circumstance in that country.

## **Appraisal**

The draft ESAAMLG Strategic Plan states that progress in the implementation of member countries' national strategies will be measured. The strategic plan also requires that member countries will have robust monitoring systems to measure this progress. This will allow member countries to keep track of their national implementation. The proposed mechanism will facilitate this process by providing member countries with additional information to gauge the areas where the development of their AML/CFT frameworks should be focused.

An appraisal mechanism will provide a status report and give recommendations for improving systems. The output from such an appraisal therefore provides a basis for developing and/or improving national AML/CFT strategies and implementation programmes. This mechanism should serve to identify the technical assistance needs of an individual member country in respect of the fundamental requirements of its AML/CFT framework.

The objective of such a technical assistance appraisal mechanism should not be to rate deficiencies in countries. Instead, individual countries should be able to use the results from such an appraisal mechanism to gauge the stage of development of their AML/CFT frameworks. It makes sense therefore to use the results to feed into the information gathering process that takes place prior to updating national development plans.

The results of these assessments of individual member countries should form the basis for countries in planning the continued implementation of their AML/CFT strategies. These results will indicate the areas where more attention to the development of specific measures is required in each assessed country. This should assist individual member countries to make informed decisions on the sequence of implementation of their respective AML/CFT strategies.

### **Technical assistance and training**

The Strategic Plan indicates that the ESAAMLG secretariat will maintain a coordinating mechanism for technical assistance and training. In identifying the areas where development of AML/CFT measures is needed, individual member countries will be in a position to assess accurately where they will benefit most from technical assistance. Member countries will then be able to collaborate with the ESAAMLG Secretariat in sourcing the most appropriate forms of technical assistance from the donor community.

The process to implement technical assistance should be ESAAMLG-owned and -driven. The ESAAMLG Secretariat should lead this initiative, which should include a high level of involvement from ESAAMLG member countries at each stage of the process.

Technical assistance providers should be encouraged to liaise closely with the Secretariat to ensure that technical assistance is coordinated by the Secretariat and provided on the basis of needs in a targeted and focused manner.

### **Continuation of the process to build AML/CFT frameworks**

The introduction of the fundamental elements of an AML/CFT framework is the first step in the process to establish a complete framework that meets the full FATF 40 + 9 Recommendations. Having these fundamental elements in place should place member countries in a strong position to continue this process. In this way member countries will be able to derive benefit from a continued technical assistance needs analysis process and mutual evaluations within ESAAMLG.