

ESAAMLG ANNUAL REPORT

1 APRIL 2012 – 31 MARCH 2013

(incorporating 25th Task Force meeting in April 2013)



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ESAAMLG MISSION, VISION AND GOALS

VISION STATEMENT

A strong and dynamic FATF Style Regional Body committed to eradicate money laundering and terrorist financing in the Eastern and Southern Africa region.

MISSION STATEMENT

To consolidate and sustain the combined efforts to combat money laundering and terrorist financing in the Eastern and Southern Africa region through effective implementation of AML/CFT standards in all ESAAMLG member countries.

STRATEGIC OBJECTIVES

1. Effective Post Evaluation Implementation of AML/CFT measures in member countries;
2. Sustaining the evaluation and monitoring of ESAAMLG members' compliance with the international standards against money laundering and terrorist financing under a second round of mutual evaluations;
3. Increasing and sustaining the knowledge of money laundering and terrorist financing trends and techniques in the region in order to effectively contribute to regional and international AML/CFT policy formulation;
4. Expansion of ESAAMLG membership;
5. Strengthening regional and international cooperation among member countries;
6. Enhancing ESAAMLG's cooperation and participation in AML/CFT regional and international initiatives;
7. Prioritizing and consolidating regional AML/CFT capacity building, training and awareness raising programmes;
8. Promoting the Implementation of AML/CFT measures and financial inclusion;
9. Consolidating the sustainability and efficiency of the Secretariat.

ACRONYMS AND ABRIEVIATIONS

AFI	Alliance for Financial Inclusion
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
CDD	Customer Due Diligence
COSUNs	Cooperating Organisations and Supporting Nations
EAC	East African Community
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
FSRB	FATF Styled Regional Body
FT	Financing of Terrorism
ICRG	International Cooperation Review Group
IMF	International Monetary Fund
ME	Mutual Evaluation
MER	Mutual Evaluation Report
ML	Money Laundering
MOU	Memorandum of Understanding
NRA	National Risk Assessment
RBA	Risk Based Approach
SADC	Southern African Development Community
TA&T	Technical Assistance and Training
UNCTED	United Nations Counter-Terrorism Executive Directorate
UNODC	United Nations Office on Drugs and Crime
WB	World Bank

FOREWORD BY THE PRESIDENT

Since its establishment in 1999, the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) has played a significant role as an organization which is committed to the fight against money laundering and terrorist financing (ML/TF). Looking back over the 2012/2013 period, we note many achievements which have affirmed the continued effectiveness of ESAAMLG as an FATF Styled Regional Body (FSRB).

ESAAMLG held its 12th Council of Ministers' meeting in Maputo, Mozambique in August 2012. This meeting discussed and made decisions on various issues necessary for the enhancement of the fight against ML and TF and consolidating the position of ESAAMLG in the AML/CFT global network.

During the period under review, we note that ESAAMLG has grown to a membership of 16 following the admission of Angola as a full member in Maputo, Mozambique. This represents an important milestone in expanding the regional AML/CFT network so that criminals do not find safe havens or weak links in the region. I am sure Angola will benefit a lot from this membership and at the same time contribute to the success of ESAAMLG in various ways.

The period has also witnessed the conclusion of the first round of mutual evaluation (ME) for ESAAMLG members with the adoption of the Angolan mutual evaluation report (MER). The first round has shown the extent of compliance of member countries with anti-money laundering and combating the financing of terrorism (AML/CFT) international standards. It has also provided an opportunity for member countries to be

aware of their deficiencies and improve their legislative and institutional frameworks as well as promoting cooperation among member countries. The close of the first round of evaluations coincided with the issuance of revised FATF 40 Recommendations in February 2012. This means that the second round of evaluations will be based on these revised standards. Therefore, ESAAMLG should utilize the coming years to prepare for this second round of evaluation in view of the fact that the revised standards and the assessment methodology have brought new dimensions: mechanisms for assessing technical compliance and assessing effectiveness of the laws and systems.

Within the framework of studying money laundering and terrorist financing methods, techniques and trends, ESAAMLG completed a typologies study and adopted a report on Money Laundering related to Illicit Dealings in and Smuggling of Motor Vehicles. It is anticipated that member countries will use the information contained in this report to come up with appropriate actions in addressing the abuse of motor vehicle trade for money laundering purposes.

In conclusion, it has been an honor for me to serve as President of the Council and be associated with the achievements of ESAAMLG. For this reason, I want to express my sincere gratitude to the Council of Ministers, Task Force of Senior Officials and the Secretariat for supporting me during the last 12 months. The achievements that have been made over the past years were possible because of the contributions and support you have rendered, both individually and collectively, to ESAAMLG. I therefore urge you to give the same or even more support to the incoming president so that ESAAMLG continues to register success.

Hon. Manuel Chang,

President of Council of Ministers and Minister of Finance, Mozambique

FOREWORD BY THE EXECUTIVE SECRETARY

It is with great pleasure that I present the Annual Report which covers the period 1st April 2012 to 31st March 2013. The Report wraps together all activities and achievements that ESAAMLG has made during this period and it also provides an insight into what it intends to do in the coming year. Before I proceed, I would like to convey my sincere gratitude to the President of the Council of Ministers, Hon. Manuel Chang, Minister of Finance of the Republic of Mozambique, all Council Members and Task Force of Senior Officials for their contribution at various levels towards the achievement of ESAAMLG's success over the past year. The achievements, as outlined in this Report, also merit a special note of appreciation and recognition of the commitment and professionalism of my colleagues at the Secretariat who worked tirelessly to meet the ever-growing demands of the Secretariat's services.



Dr Kisanga delivering his speech in Arusha, in April 2013

The year 2012-2013 was another busy, eventful and fulfilling year for the ESAAMLG and the global AML/CFT Community. In February 2012, the FATF unveiled a new generation of international AML/CFT standards: the FATF 40 Recommendations. The new standards have come with new aspects such as the obligation to assess money laundering and terrorist financing (ML/TF) risks, applying a risk-based approach as well as a new requirement on proliferation of weapons of mass destruction. As a demonstration of unwavering commitment to the global efforts against money laundering and terrorist financing, ESAAMLG adopted these revised standards. It is noteworthy that the issuance of these standards came at a time when ESAAMLG had completed its first round of evaluations. Hence, countries have to familiarize themselves with these standards as they will form the basis of the second round of evaluations.



The Executive Secretary sharing light moments with some senior officials after delivering his speech

The year ahead will be a challenging one. However, with our concerted efforts, I am confident that ESAAMLG will face those challenges with determination and continue registering remarkable progress. As a Secretariat, we look forward to working with the incoming President as she steers the ESAAMLG during the coming year.

OVERVIEW OF THE ESAAMLG

1.1 Background

The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) was officially established in 1999 in Arusha, Tanzania through a Memorandum of Understanding (MOU) which was initially signed by nine founding members: Botswana, Kenya, Mauritius, Mozambique, South Africa, Tanzania, Uganda, Zambia and Zimbabwe. As at the date of this Report, ESAAMLG consists of 16 member countries and has a number of regional and international observers such as AUSTRAC, Commonwealth Secretariat, East African Community, FATF, IMF, SADC, United Kingdom, United States of America, UNODC and World Bank. United Kingdom and United States of America have been cooperating and supporting nations of the organization since it was established in 1999.



Anne Francoise Lefevre- FATF Secretariat and Gavin Durbin-AUSTRAC

The main objectives of ESAAMLG are to: (a) adopt and implement the 40 Recommendations of the FATF; (b) apply anti-money laundering measures to all serious crime; (c) implement measures to combat the financing of terrorism and (d) implement any other measures contained in the multilateral agreements and initiatives relevant to prevention and control of laundering of proceeds of all serious crimes and the financing of terrorism.

The Council of Ministers is the key decision-making body of the ESAAMLG and consists of at least one ministerial representative from each member country. The Council is ultimately responsible for setting the strategic direction of the Group, including approving work programmes. It is headed by a President who holds office for a period of one year. The Presidency of the Council rotates among the member countries, currently on the basis of alphabetical order.

The Task Force consists of senior government officials from legal, financial and law enforcement agencies in the ESAAMLG region responsible for AML/CFT matters. It is headed by a Chairman, who comes from the country holding the presidency.



Mr. Armino Ubisse, Chairman of Task Force (2012/2013)

The Task Force meets twice a year (March/April and August/September). The meetings provide an opportunity for delegates to discuss a number of issues relevant to the FATF Standards, mutual evaluation reports, typology studies' reports, technical assistance and training, progress reports as well as attending special technical workshops/seminars on emerging money laundering and terrorist financing trends. During the year under review, the Chairman was Mr. Armindo Ubisse, Director of the FIU-Mozambique.

The Task Force is responsible for all technical matters and makes recommendations to the Council for approval. Currently, the Task Force has established the Working Group on Mutual Evaluations, Working Group on Typologies, Ad-Hoc Working Group on Financial Inclusion, Technical Assistance Coordination Forum, the FIU Forum and the Finance and Audit Committee which handle various assignments on behalf of the Task Force.



Some of the Task Force of Senior Officials during the April 2013 meeting

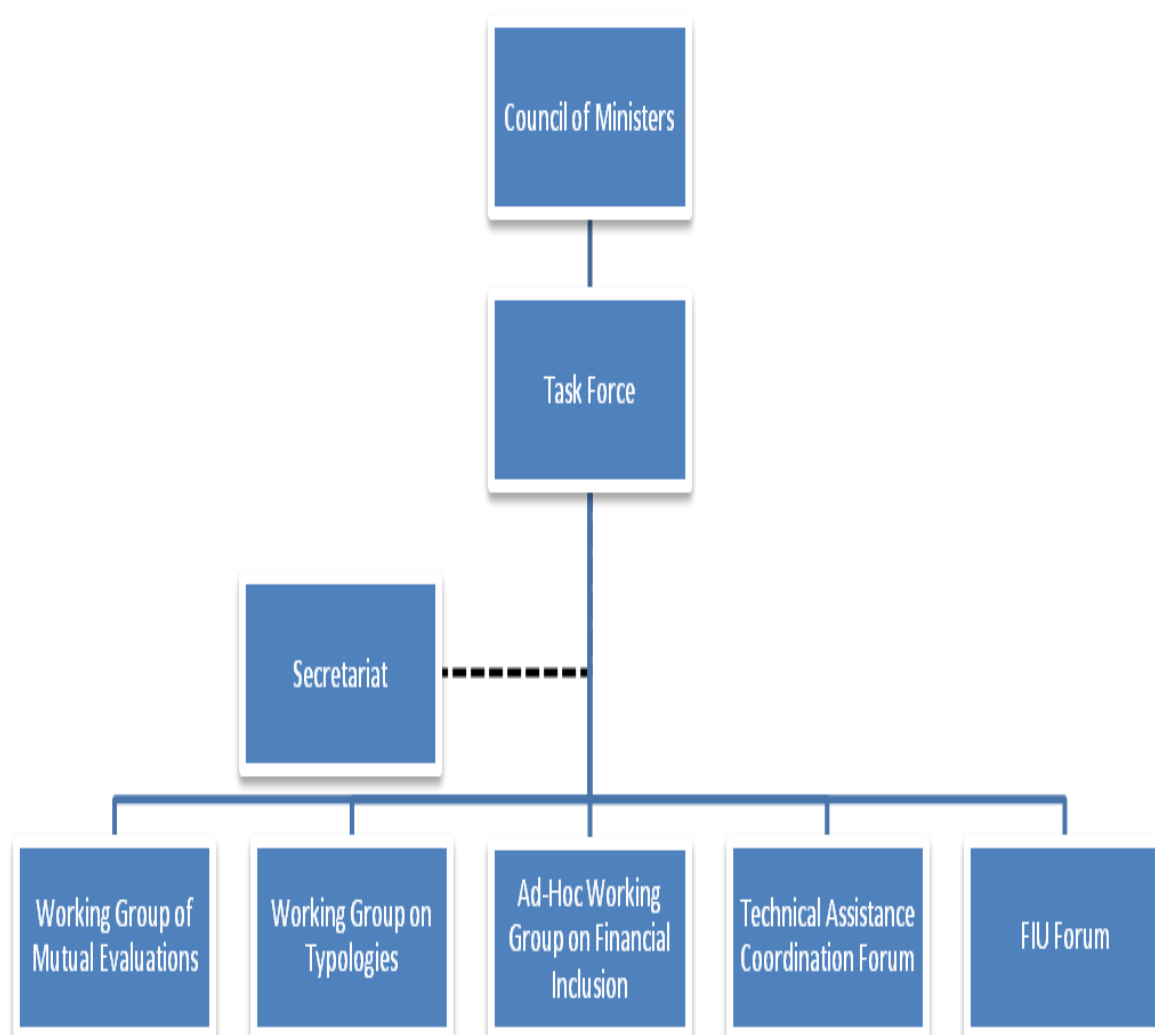
The Secretariat is the hub of ESAAMLG and provides support to the Council and the

Task Force of Senior Officials. Among other things, it prepares policy and technical papers, organises Task Force and Council meetings, mutual evaluations, coordinates technical assistance and training, prepares annual budgets, annual work plans, financial statements and reports on all activities.

1.2 Structure of the ESAAMLG

The following diagram provides the basic governance structure of the ESAAMLG which has been put in place to ensure smooth operations:

Figure 1 ESAAMLG STRUCTURE & CURRENT WORKING GROUPS



WORKING GROUP ON MUTUAL EVALUATIONS

Terms of Reference

Membership

1. Membership of the Working Group on Mutual Evaluations and Development Strategy Implementation (the Working Group) is open to all ESAAMLG members, Co-operating and Supporting Nations and Observers.

Term

2. The term of the Working Group shall expire at such time in the future as may be determined by the ESAAMLG Council of Ministers (the Council)

Chairperson

3. The country that chairs the Working Group shall be appointed by the Task Force of Senior Officials (the Task Force) and shall hold office for a period of 2 years. At the expiry of the term of office, the Chairperson shall be eligible for re-appointment for not more than another term of 2 years.
4. The country that holds the office of Vice-Chairperson shall also be appointed by the Task Force under the same terms and conditions as the Chairperson.

Tasks

5. The Working Group will, as directed by the Task Force:
 - (a) monitor, co-ordinate and review AML/CFT evaluation/assessment processes and procedures;
 - (b) take steps, as appropriate, to enhance the quality, consistency and transparency of the evaluation/assessment reports of the ESAAMLG members conducted by the FATF, the IMF and the World Bank;
 - (c) explore and address specific constraints in the annual progress in the implementation of national strategies;
 - (d) explore and address specific AML/CFT implementation issues in member countries and provide guidance on how best to facilitate the implementation of the FATF standards by member countries facing capacity constraints;
 - (e) foster dialogue with the private sector concerning issues related to the implementation of the FATF recommendations;
 - (f) develop procedures for strengthening post-evaluation reporting mechanisms to follow up on action taken by member countries on

- deficiencies identified during mutual evaluations;
- (g) conduct any other relevant assignment.

Reporting

6. The Working Group will report, in writing, to the Council through the Task Force on the progress of its work.

Meetings

7. Members of the Working Group shall endeavour to attend all ESAAMLG and Working Group meetings.
8. Where a member is not able to attend a Working Group meeting, the Chairperson shall be notified in advance of the meeting and any contribution to any ongoing work shall be provided, in writing, to the Chairperson before the meeting.
9. The Chairperson shall liaise with the Secretariat to prepare the agenda for the Working Group meetings in order to enable circulation of the agenda by the Secretariat one month in advance of the Task Force meetings.
10. The Secretariat shall keep and maintain records of attendance of members and minutes of all its meetings and discussions.
11. The Working Group shall usually meet during the Task Force meetings. However, the Working Group may meet in-between these meetings depending on the exigencies of the business and wherever the Chairperson may direct.

Administrative arrangements

12. The Secretariat shall, as may be required, provide secretarial and administrative support to the Working Group, including-
- facilitating the holding of meetings of the Working Group; and
 - typing, recording and finalising reports from the Working Group for the Task Force meetings.

REVIEW GROUPS

Terms of Reference

The Task Force of Senior Officials approved the establishment of Review Groups in March 2010. Currently, there are three (3) Review Groups.

Membership

1. For the purposes of reviewing the progress of the assessed countries in implementing the FATF Recommendations, three Review Groups, comprising of member countries will be set up.
2. Membership of the Review Groups should be balanced and each Group should comprise reviewers with expertise in legal, law enforcement and financial sectors.

Terms of the Review Groups

3. The Review Groups shall not have a definite period. ESAAMLG is expected to finish its first round of mutual evaluations under the FATF 2004 Methodology by August 2011. During the first three years following the adoption of the mutual evaluation report, the focus of the assessed country shall be on the implementation of the FATF sixteen core and key recommendations.
4. After the initial period of three years, member countries will be monitored with respect to the implementation of the remaining non-core and non-key FATF Recommendations. No definite date has been determined for the second phase of the post evaluation implementation process. However, the Council, on the recommendation of the Task Force, may terminate the mandate of the Review Groups.

Appointment of the Chairperson and Vice Chairperson

5. The term of office of the Chairperson and Vice Chairperson is for three years. This is considered appropriate as the post evaluation implementation of the FATF Standards will be monitored over an initial period of three years.

Tasks

6. The Review Groups, which will be in charge of analyzing the corrective actions taken by the assessed countries and the progress achieved, will be assisted by the Secretariat in this exercise.

Reporting

7. The Review Groups will report to the Working Group on Mutual Evaluations and Development Strategy Implementation which will be in charge of reporting back to the Task Force on assessed countries' follow-up actions and progress accomplished in implementing the recommendations set out in the mutual evaluation report in the agreed timeframe.

Meetings

8. The Review Groups will usually meet during the Task Force meetings. However, the reviewers are expected to analyse the progress reports of member countries prior to the Task Force meetings.

WORKING GROUP ON TYPOLOGIES

Terms of Reference

Membership

1. Membership of the Working Group on Typologies (the Working Group) and the Project Teams (which are established under the Working Group to conduct research on thematic issues) is open to all ESAAMLG members, Co-operating and Supporting Nations and Observers.
2. Participation in the Project Teams is also open to other experts, as appropriate, who are willing to volunteer research, analytical or drafting expertise in carrying out the specific project.

Term

3. The term of the Working Group shall expire at such time in the future as may be determined by the ESAAMLG Council of Ministers (the Council).

Chairperson

4. The country that chairs the Working Group shall be appointed by the Task Force of Senior Officials (the Task Force) and shall hold office for a period of 2 years. At the expiry of the term of office, the Chairperson shall be eligible for re-appointment for not more than another term of 2 years.
5. The country that holds the office of the Vice-Chairperson shall also be appointed by the Task Force under the same terms and conditions as the Chairperson.

Tasks

6. The Working Group shall, as directed by the Task Force:
 - (a) carry out research on money laundering and terrorist financing (collectively referred to as ML/TF typologies) in the ESAAMLG region;
 - (b) identify current and emerging methods, techniques and trends in ML/TF areas;
 - (c) produce reports for ESAAMLG Task Force and Council in order to present the results of research undertaken;
 - (d) initiate research in other areas as may be determined;
 - (e) provide inputs/contribute to joint typologies studies and exercises undertaken with the FATF, other FSRBs and other relevant observer

- organisations (e.g. IMF, World Bank, UNODC);
- (f) ensure that private sector participation (contribution of experience and expertise) relevant to ML/TF typologies is built into typologies research projects as appropriate; and
- (g) conduct any other relevant assignment.

Reporting

7. The Working Group shall report, in writing, to the Council through the Task Force on the progress of its work.
8. The Working Group shall ensure that Project Teams carry out their work in accordance with the agreed project time table. In this respect, the Chairperson of a Project Team shall report to the Chairperson of the Working Group on the progress of its work on a quarterly basis.

Meetings

9. Members of the Working Group and Project Team members shall endeavour to attend all ESAAMLG, Working Group and Project Team meetings.
10. Where a member is not able to attend any Working Group or Project Team meeting the Chairperson of the Working Group or Project Team shall be notified, as the case may be, in advance of the meeting. Any contribution to any ongoing work should be provided, in writing, to the Chairperson of the Working Group or the Project Team before the meeting.
11. The Chairperson of the Working group shall liaise with the Secretariat to prepare the agenda for the Working Group meetings in order to enable circulation of the agenda by the Secretariat one month in advance of the Task Force meetings.
12. The Secretariat shall keep and maintain records of attendance of members and minutes of all its meetings and deliberations.
13. The Working Group should normally meet during the Task Force meetings. However, the Working Group may meet in-between these meetings depending on the exigencies of the business and wherever the Chairperson may direct.

Administrative arrangements

14. The Secretariat shall, as may be required, provide secretarial and administrative support to the Working Group and the Project Teams , including-

- facilitating the undertaking of the research for projects by liaising with the Project Teams and other members of the Working Group electronically;
- disseminating information to assist the Project Teams in the preparation of their studies;
- facilitating the holding of meetings of the Project Teams and the Working Group to discuss and approve the project reports for submission to the Task Force;
- facilitating the holding of meetings of the Project Teams to prepare research papers for presentation at the Task Force meetings; and
- typing, recording and finalising reports from the Working Group for the Task Force and Council meetings.

Terms of Reference

The Ad-hoc Working Group on Financial Inclusion was established in September 2011 during the Council of Ministers' Meeting in Mauritius.

1. Objectives of the Ad-Hoc Working Group

- Promote acceptance of the complementarities between financial inclusion and financial integrity among the policy makers in the ESAAMLG region;
- Raise awareness of the flexibility available in international standards on combating money laundering and terrorist financing to allow policy makers to engage more in financial inclusion without feeling restricted.
- Assess public and private sector policies, regulatory measures and procedures on financial inclusion, with a potential impact on AML/CFT policies, rules and procedures, in the ESAAMLG region;
- Develop concrete proposals on how ESAAMLG members' AML/CFT rules and business practices facilitating financial inclusion could feed into the FATF work;

2. Strategies/ Activities

- Coordinate with the FATF and other FATF-Styled Regional Bodies that are undertaking work in the financial inclusion area.
- Take stock of public sector policies, legal and regulatory frameworks and guidelines that are in place within the ESAAMLG region to promote financial inclusion.
- As a follow-up on the initial consultation with the private sector, carry out a survey to find out policies and practices that the private sector has in place to

provide financial services to low income earners;

- Find out the challenges the private sector faces in terms of providing financial services to the low income bracket of the population against implementing AML/CFT international standards, e.g. whether the private sector is able to conduct risk assessments in order to identify low risk customers who would be subjected to simplified customer due diligence.

Terms of Reference

The Technical Assistance Coordination Group was established in 2012 and its membership is drawn from ESAAMLG member countries and Cooperating and Supporting Nations and Observers (COSUNs).

1. Objective of the Forum

- To provide a bilateral platform to facilitate solutions to individual member countries' technical assistance needs and consider common regional technical assistance requirements.
- To avoid duplication in the provision of technical assistance at bilateral and regional levels to ESAAMLG member countries.
- To provide ESAAMLG member countries with support and assistance to implement AML/CFT measures in accordance with the FATF international standards on combating money laundering and the financing of terrorism and proliferation.

2. Functions of the Forum

- To advise the Task Force on technical assistance needs of the ESAAMLG region and coordinate provision of such technical assistance.
- To facilitate engagement between Member Countries with Cooperating and Supporting Nations, on the modalities of providing technical assistance to the ESAAMLG region.
- To play an oversight role on the impact of the technical assistance provided to the ESAAMLG region by the Secretariat, Cooperating and Supporting Nations

and report to the Task Force.

- To foster cooperation and self-reliance by Member Countries.
- To provide updates on regional activities since the last Task Force meeting; and
- To make recommendations on common regional TA requirements to the Task Force.

FIU FORUM

Terms of Reference

Arising from the deliberations of the 21st Task Force of Senior Officials Meeting held in Zanzibar in April, 2011, it was decided to set up an FIU Forum with a view to accelerating the development and promoting the operations of FIUs in ESAAMLG member countries. The Forum held its first meeting in Mauritius in September 2011 and agreed on the following objectives of the forum:

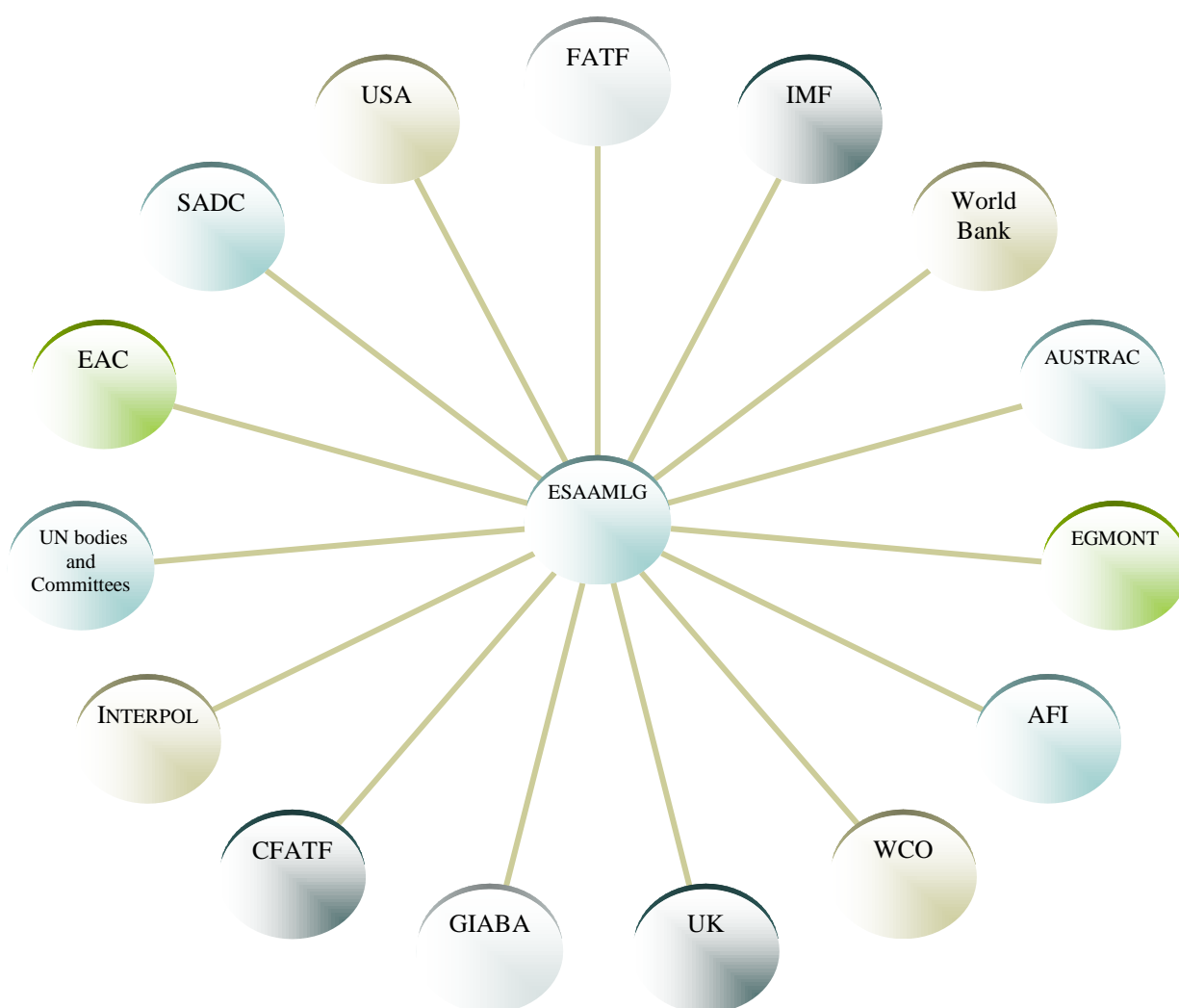
Objectives, Roles and Responsibilities

- To monitor FIU development in the region, identify constraints to the development and promote outreach activities
- To support operations of FIUs based on acquired operational experience and exposure
- To support and assist in meeting Egmont admission criteria and ultimate membership
- To discuss strategic analysis work pertaining to the region and share results within members
- To provide a platform to encourage information sharing among FIUs in the region.

1.3 ESAAMLG Relationship with Regional and International Organizations

ESAAMLG was admitted as an Associate Member of the FATF in 2010 which signifies a growing and deeper relationship with the FATF. This membership permits ESAAMLG to participate in the policy-making and standard-setting process of the FATF. Apart from the FATF, ESAAMLG has a number of cooperating organisations and supporting nations, some of which are highlighted below.

Figure 2: SOME COOPERATING ORGANISATIONS AND SUPPORTING NATIONS





Mr. Chernow Jallow (Chairman) & Mr Calvin Wilson (Executive Director) of Caribbean Financial Action Taskforce (CFATF) attended the Arusha meeting (second row)

1.4. Members and Observers

Membership of ESAAMLG is based on Article II of the Memorandum of Understanding (MOU) which stipulates that members are:

- a) Countries which subscribed to the MOU by signing it on 27 August 1999 or within six months thereafter, or
- b) Any country within the region whose application for membership has been approved by the Council.

Among other things, countries seeking membership must recognize the need to take action to combat money laundering and terrorist financing; commit themselves to establish and implement AML/CFT legislation, financial intelligence units, national AML/CFT Committee; acknowledge the need to cooperate with other states in this area. As at 31 March 2013, ESAAMLG had 16 members and 2 observer nations which have expressed interest to join. The current list of members is as follows:

Members

1. Angola
2. Botswana
3. Comoros
4. Kenya
5. Lesotho
6. Malawi
7. Mauritius
8. Mozambique

9. Namibia
10. Seychelles
11. South Africa
12. Swaziland
13. Tanzania
14. Uganda
15. Zambia
16. Zimbabwe

Observers

1. Ethiopia
2. Rwanda



Stuart Yikona of the World Bank (far right) and Ethiopian delegates who attended the meeting as Observer Members in April 2013

COUNCIL OF MINISTERS AND TASK FORCE MEETINGS

The 12th ESAAMLG Council of Ministers Meeting was held at the Joaquim Chissano International Conference Centre, Maputo, Mozambique, on Friday 31st August 2012. The Council meeting was chaired by Hon. Manuel Chang, Minister of Finance of Mozambique and was officially opened by Honourable Aires Bonifácio Ali, Prime Minister of the Republic of Mozambique.

2.1. 12th Council of Ministers meeting, Maputo, Mozambique

FATF President, Mr. Bjourn Skogstad Aamo, addressed the Council of Ministers. Among other things, he informed the Council that the FATF completed the review of its Recommendations to counter money laundering and the financing of terrorism and published a revised set of Recommendations (FATF 40 Recommendations) in February 2012. He, therefore, said that first priority for the coming year would be given to promoting and facilitating effective implementation of these revised Recommendations. Mr. Aamo indicated that the revised FATF standards have also introduced a Risk-Based Approach to the implementation of the anti-money laundering and terrorist financing measures. The purpose of the Risk-Based Approach (RBA) is to allow for a more efficient allocation of resources to combating money laundering and terrorist financing, both by governments and financial institutions. He said that RBA should mean more effective implementation overall, by focusing resources and attention on the highest risk sectors, institutions within those sectors and activities.

Commenting on mutual evaluation, the President said that all countries will be assessed for compliance with the revised Recommendations. He pointed out that the new round of mutual evaluations will place a stronger emphasis on the assessment of effective

implementation. He also explained that FATF was at that time working on the methodology to assess both technical compliance and effectiveness. He, therefore, urged ESAAMLG member countries to actively contribute to the ongoing work, so that the revised framework takes into account as much as possible the regional circumstances.

The President also congratulated ESAAMLG for having completed its 1st Round of Mutual Evaluations and noted the continuous improvement of the quality of the reports. He advised that the next round of evaluations must not withdraw the attention from the current follow-up procedures as the MERs revealed an overall low level of technical compliance of countries throughout the region. He further intimated that mutual evaluation reports should be viewed as starting points for further actions, aimed at improving national AML/CFT systems. Remedial actions to address the deficiencies identified by the mutual evaluation reports have to be put in place, in a timely and efficient manner, to reach the ultimate objective of reducing the harms caused by criminals and preventing the financial system from being abused. Touching on the crucial importance of the International Cooperation Review Group (ICRG) process, the President said that it is the instrument that FATF uses in its oversight of the risks related to jurisdictions that insufficiently apply the Recommendations.

In his opening address to the Council of Ministers, the Prime Minister of Mozambique, Right Honorable Aires Bonifácio Ali, pointed out that implementation of the new FATF 40 Recommendations will, for some countries, require an amendment of legislation and institutional reforms to the relevant institutions. This is a process which in most cases has already begun, in order to cope with the new challenges. He further observed that the risk-based approach highlighted in the Revised 40 Recommendations will certainly help in the rationalization of preventive systems, depending on the level of risks in different sectors within ESAAMLG jurisdictions.

With respect to Mutual Evaluation and Post Evaluation Implementation Plans, the Right Honourable Ali emphasized their growing importance in identifying deficiencies and recommending measures to address those deficiencies. He observed that transnational organized crime has been increasing and becoming sophisticated on a global scale and that the ESAAMLG region has not escaped from this phenomenon. In this regard, the criminals have been very quick to adopt new techniques to avoid being detected by the existing mechanisms in the financial system, thus continuing their illegal activities.

The Right Honourable Ali concluded by stating that the path will not be easy, but joint efforts of member countries will translate into victory against the criminal activities that endanger the economic and social stability of our countries..

2.2 Outcome of the 12th Council of Ministers' meeting

The Council of Ministers' meeting was preceded by the 24th Task Force of Senior Officials meetings held from 24-30 August, 2012. The senior officials deliberated on issues and made recommendations to the Council of Ministers for approval/ adoption.

Some of the key outcomes of the Council meeting were as follows:

- Approval of Mutual Evaluation Report (MER) of Angola. The MER was subsequently published on ESAAMLG website in December 2012;
- Approval of Angola and Rwanda as full member and observer member of ESAAMLG respectively;
- Adoption of a proposal by the South African Government to establish an AML/CFT School of Excellence with funding from the Swiss Government;
- Approval of post evaluation implementation plans for Kenya, Lesotho, Mozambique and Swaziland;
- Adoption of a typologies report on Money Laundering related to 'Illicit Dealings in

and Smuggling of Motor Vehicles in the ESAAMLG Region'. The report was subsequently published on ESAAMLG website in December 2012;

- Approval of ESAAMLG Strategic Plan for the period 2012-2015;
- Approval of audited accounts for 2011/2012 and budget for 2013/2014 financial years.

2.3 25th Task Force of Senior Officials Meeting, Arusha, Tanzania

The 25th ESAAMLG Task Force of Senior Officials Meeting was held at the Arusha International Conference Centre, Arusha, Tanzania from 8-12 April, 2013. The Task Force meeting was chaired by Mr. Armindo Ubisse, the Director of FIU, Mozambique. It was officially opened by Deputy Minister for Finance of the United Republic of Tanzania Hon. Saada M. Salum.



Hon. Saada M Salum, Deputy Minister of Finance of Tanzania (then)

In her address, Hon Salum recognised the presence of Cooperating and Supporting Nations and Observers expressing appreciation for the support that they give to

ESAAMLG member countries. She said that their support be needed as the ESAAMLG was about to embark on efforts to implement the revised FATF Recommendations. She explained that the region is likely to face challenges of implementing the revised standards, in particular, undertaking ML/FT risk assessment which is at the centre of the revised standards. In this regard, she thanked the FATF Secretariat for making presentations on the New Methodology and the Guidance on Risk Assessment. She also commended Namibia and Malawi for sharing their own experiences in conducting ML/FT risk assessment.



ESAAMLG delegates

Hon. Salum welcomed the delegation from the Republic of Rwanda that was attending the meeting for the first time as an observer member. This followed the approval of Rwanda's application to join ESAAMLG by the Council of Ministers at its meeting in Maputo at the end of August 2012. She assured the delegation of support and assistance in the process of moving expeditiously to full membership of ESAAMLG. On a related matter, she noted good progress that Ethiopia was making.

The Guest of Honour observed that the region remained highly vulnerable to crime and the associated laundering of proceeds from criminal activities. She therefore advised the delegates that for countries in this region to be able to successfully fight crime, it would be necessary to have in place strong and effective Anti-Money Laundering systems which are comprehensively informed by the risks that prevail in the region.

She informed the delegates that the risk profile of money laundering and terrorist financing differ from one country to another in the Eastern and Southern Africa region. The nature of the predicate offences for money laundering also keep changing, making it a challenge for policy makers in ESAAMLG member countries to constantly adjust anti - money laundering mechanisms put in place so that they remain effective. In recent years, the threat of terrorism has also increased in the region. This has made it necessary for governments in member countries to constantly remain vigilant. For this reason, she encouraged member countries to constantly assess the systems they have put in place to ensure that they adequately address the level of risks.

SUSTAINING THE EVALUATION AND MONITORING IMPLEMENTATION OF INTERNATIONAL AML/CFT STANDARDS

By joining the ESAAMLG, member countries make a commitment to put in place anti-money laundering and terrorist financing measures which are based on international standards as issued by the Financial Action Task Force (FATF) from time to time. In addition, they accept to be evaluated using the FATF Recommendations and Methodology in order to identify their strengths and weaknesses. To effect this mechanism, member countries were assessed, either through an ESAAMLG, FATF or an IMF/ World Bank led assessment. The region completed the first round of evaluations of its member countries¹ in 2011 (using the 2004 FATF Methodology) and the last Mutual Evaluation Report (MERs) was adopted by the Council of Ministers in 2012 at its meeting in Mozambique.

Table 1: Details of ESAAMLG First Round of Evaluations

No	Country	Entity that conducted the assessment	Date of Adoption by the Council
1	Botswana	World Bank	August 2007
2	Namibia		
3	Uganda		
4	Zimbabwe	ESAAMLG	August 2007
5	Malawi	World Bank	August 2008
6	Seychelles	ESAAMLG	August 2008
7	Mauritius	IMF	August 2008
8	Zambia	ESAAMLG	August 2008
9	South Africa	FATF	August 2009
10	Tanzania	ESAAMLG	December 2009
11	Comoros	IMF	August 2010
12	Kenya	ESAAMLG	September 2011
13	Lesotho		
14	Mozambique		
15	Swaziland		
16	Angola	World Bank	August 2012

¹ Current members of ESAAMLG as of 2012 are: Angola, Botswana, Comoros, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe.

Details of the mutual evaluations are provided in the Table 1 above whilst Table 2 below provides a summary of general levels of compliance with FATF Recommendations as per the mutual evaluation reports (MER).

Table 2: SUMMARY OF COUNTRIES' RATINGS

	RATINGS ²					Total	Total PC/NC
	C	LC	PC	NC	N/A		
Angola	3	9	19	17	1	49	36
Botswana	3	6	13	29	1	49	39
Comoros	0	4	16	29	0	49	45
Kenya	1	1	15	32	0	49	47
Lesotho	4	0	17	27	1	49	44
Malawi	4	13	21	10	1	49	31
Mauritius	6	16	21	6	0	49	27
Mozambique	0	2	10	36	1	49	46
Namibia	2	5	13	28	1	49	41
Seycheles	1	2	26	19	1	49	45
South Africa	9	14	19	7	0	49	26
Swaziland	1	0	11	36	0	49	47
Tanzania	2	1	12	34	0	49	46
Uganda	1	0	13	34	1	49	47
Zambia	0	4	15	30	0	49	45
Zimbabwe	3	4	32	10	0	49	42
Total	40	81	273	381	9		

The MERs also contain recommendations for countries to implement in order to strengthen their AML/CFT systems. For purposes of facilitating this, at August 2009 meeting, the Council

² C= Compliant; LC= Largely Compliant; PC= Partially Compliant; NC= Non-Compliant; N/A= Not Applicable

adopted new follow-up procedures that are tailored to meet the needs of the ESAAMLG member countries in implementing the FATF Recommendations. The procedures take into account the challenges that ESAAMLG member countries are facing and prioritise the implementation efforts by essentially focusing on the *former* sixteen FATF core³ and key⁴ recommendations rated “Partially Compliant” (PC) or “Non-Compliant” (NC) for the first three years following the adoption of the MER. Based on this framework, member countries submit annually or bi-annually progress reports for review, depending on the level of progress the country is making. In the wake of the revised FATF Standards, member countries will continue reporting until either they have been evaluated under these Standards or the Task Force (based on reports of Reviewers) is satisfied that they have made sufficient progress to come out of the follow-up process.



*Part of South African delegation consulting in preparation for a meeting to discuss their Progress Report
in April 2013*

³ Core Recommendations as defined by the FATF are: R.1, SR.II, R.5, R.10, R.13 & SR. IV

⁴ Key Recommendations as defined by the FATF are: R.3, R. 4, R. 23, R.26, R. 35, R.36, R. 40, SR. I, SR.III, & SR. V

As part of this process, the Task Force (through the Working Group on Mutual Evaluations) reviewed reports from countries under the monitoring process and presented reports to the Council for adoption. Overall, most of the countries were noted to be making sufficient progress in addressing deficiencies that were identified in their mutual evaluation reports.



Part of Botswana delegation discussing their country's Progress Report

PROGRESS MADE BY ESAAMLG MEMBER COUNTRIES SINCE ADOPTION OF THEIR MUTUAL EVALUATION REPORTS

(The next pages contain brief information about what Lesotho, Malawi and Mauritius have done to address deficiencies in their AML/CFT laws and systems. It has not been possible to include progress made by all countries because their reports were not available. We expect to highlight achievements for the remaining countries in the next edition of the Annual Report.)

LESOTHO

Criminalization of money laundering and terrorists acts

- Lesotho has enacted the Penal Code Act No. 6 of 2012 as a means to codify common law offences or have an all crimes approach in order to have certainty in the offences that are predicate offences to money laundering. Terrorist acts are criminalized under Part VII of the Penal Code Act of 2012.

The Financial Intelligence Unit (FIU)

- The FIU became operational through a Commencement Notice published in June 2011. Accountable institutions were required to report suspicious transactions to the FIU through a Notice issued 2012. Threshold Transaction Reporting Form and Suspicious Transactions Reporting Form), and Money Laundering (Accountable Institutions) Guidelines 2013 have been published. The standard operating procedures for analysis have been approved and an IT Analytical tool acquired. The FIU Terms and Conditions of Service and IT Policies and the Standard Operating Procedures have been put in place.

Strategic Plan

- The five year Strategic Plan for the FIU has been developed and awaits approval.

Capacity Building

- The FIU has sent its officer for attachment at the ESAAMLG Secretariat. AUSTAC sponsored trainings on Enhancing AML Methodologies and Principles, ML Investigation and Prosecution, and AML Master-class on Crime and Illicit Proceeds. The World Bank sponsored workshop on Tactical Analysis. FIU officials undertook study tours to other FIUs (AUSTAC, Namibia, and South Africa) for purposes of equipping them with knowledge on how to operationalise and capacitate the FIU.

Awareness Raising Programs

- Training programmes have been carried out as part of effective awareness raising programmes involving all stakeholders in the financial sector, including other professions and business, and public sector institutions with interest in AML/CFT issues in the country.

LESOTHO (continued)

Ratification and implementation of UN Instruments

- Cabinet has approved that Lesotho accede to the 1988 Protocol for the Suppression of Unlawful Acts against the Safety of Fixed Platforms and an instrument of Ratification has been deposited to the IMO.

Regulation and supervision

- Lesotho enacted the Financial Institutions Act, No. 3 of 2012, which has provisions for licensing money or value transfer services (other than banks) and for supervision.

Mutual Legal Assistance

- The Lesotho Mounted Police Services Commercial Crimes Unit has been designated to facilitate the taking of witness statements on behalf of foreign states.

MALAWI

Main Actions taken by Malawi since the adoption of MER in 2008

Prescription of Insurance Companies as Reporting Institutions

- Life insurance companies, general insurance companies, insurance brokers and insurance agents were prescribed by the Minister of Finance as financial institutions in 2012.

AML/CFT Regulations

- Malawi published the Money Laundering, Proceeds of Serious Crime and Terrorist Financing Regulations on 2 September 2011 to enhance implementation of the AML/CFT obligations by reporting entities

National ML/TF Risk Assessment

- Malawi embarked on money laundering and terrorist financing National ML/FT Risk Assessment (NRA) from September 2012, with the technical assistance from the World Bank. The report is expected to be presented to policymakers in June 2013.

Capacity Building

- AML/CFT training/ sensitization programs delivered to various reporting institutions, law enforcement agencies, prosecutors and supervisory authorities.

Human Resource Capacity of the FIU, Reserve Bank of Malawi and Law Enforcement Agencies

- The FIU, Reserve Bank of Malawi and Malawi Police Service recruited additional staff to enhance the human resource capacity in the AML/CFT area.

Public Awareness

- Promotion of public awareness on AML/CFT issues has been done through a number of initiatives such as newspaper inserts, FIU newsletter/ magazine, posters, brochures, radio jingles and billboards. In addition, the FIU trained 21 journalists from the print and electronic media on AML/CFT.

International Cooperation

- On the international scene, Malawi joined the EGMONT Group in 2009 and since then the country has actively participated in meetings of the Group. FIU Malawi has signed MoUs with other FIUs like United States of America, Namibia, France, United Arab Emirates, South Africa, Mauritius, Philippines, Denmark, Macedonia and Tanzania.

MAURITIUS

(Main Actions taken by Mauritius since the adoption of its MER in 2008)

Introduction/Amendment of Laws, Regulations and Guidelines

- Enactment of the Asset Recovery Act, 2011 to incorporate the concept of civil asset forfeiture. The Asset Recovery Act was amended in 2012 to enable the Enforcement Authority perform its role more effectively under the law and to allow the recovery of proceeds derived before the coming into operation of the Asset Recovery Act, thereby allowing a more efficient and effective implementation of the said Act.
- All licencees of the Bank of Mauritius (banks, non-bank deposit taking institutions, cash dealers, forex dealers) and all licencees of the Financial Services Commission (insurance, capital markets, private pensions and other non-bank financial services) are now captured under the anti-money laundering laws. The Code and Guidelines issued by the Financial Services Commission and the Bank of Mauritius to their respective licencees were updated taking into consideration latest developments.
- The definition of member of the relevant profession or occupation (DNFBPs) was extended to cover, auditors, law firms, foreign law firms, joint law ventures and foreign lawyers in line with the IMF Technical Assistance Report on DNFBPs of March 2012.
- While the FIU was empowered in 2011 to issue AML/CFT guidelines to the relevant professions and occupations in 2012, respective supervisory authorities were designated to take sanctions if these professions/businesses fail to submit any STR to the FIU. As regards, estates agents and land promoters, since they do not have any licencing/ regulatory authority, powers have been given to the FIU to take appropriate sanctions in case of non- compliance.
- Consolidation of the operational independence of the Financial Intelligence Unit
- Consolidation of the powers of the supervisory and regulatory bodies in the implementation of the anti-money laundering laws on their respective licencees.

STRENGTHENING REGIONAL AND INTERNATIONAL COOPERATION

As reported in Chapter 1, ESAAMLG was granted the status of Associate Member to the FATF in 2010. This status comes with its responsibilities and benefits. For instance, as an Associate Member, ESAAMLG is entitled to increase its participation in the FATF activities by allowing up to 5 of its member countries to attend meetings held by the FATF and its working groups. On the basis of this, ESAAMLG maintained its Associate Membership by among other things, participating in the following meetings:

- Regular FATF plenary meetings (October 2012 and February 2013). The ESAAMLG Secretariat and some member countries such as Angola, Kenya, Mozambique, Namibia, Zambia and Zimbabwe participated in the meetings.
- Joint FATF/GIABA Typologies Meeting held in Senegal Plenary in November 2012. ESAAMLG Secretariat, Swaziland, Namibia, South Africa participated in this meeting
- WEGI Inter-sessional Meeting held in Luxemburg in December 2012.
- FATF Regional Review Group Meetings. The ESAAMLG Secretariat and some member countries such as Angola, Kenya, Mozambique, Namibia and Zimbabwe participated in the meetings.

Apart from its involvement in FATF activities, ESAAMLG also continuously follows up on developments in the area of combating money laundering and terrorism financing by attending meetings, conferences, seminars and workshops. During the period under review, ESAAMLG participated in the meetings/ workshops conducted by EGMONT Group of FIUs and the United Nations Counter-Terrorism Executive Directorate (UNCTED Workshop on UN Sanctions on North Korea: Prospects and Problems, Sandton, South Africa, March 2013).

ESAAMLG recognizes that money laundering and terrorist financing crimes are transnational problems which require unified and concerted efforts by all countries in the region to deal with. It therefore embarked on an outreach program with Angola, Burundi, Democratic Republic of Congo, Ethiopia and Rwanda. During the year under review, Angola was admitted as a full member while Ethiopia and Rwanda were admitted as observer members. ESAAMLG will continue engaging Burundi and to monitor progress in Ethiopia and Rwanda and provide any assistance that these countries require in order to qualify for full membership.



Mr G. Lulessa, Director General, FIC Ethiopia and his delegation

ESAAMLG, as a specialized organisation in AML/CFT matters, is also keen to cooperate with regional bodies which have an interest in AML/CFT matters. In this regard, ESAAMLG has signed a Memorandum of Understanding (MOU) with the East African Community (EAC) in February 2012. Negotiations to sign an MOU with the Southern African Development Community (SADC) are also at an advanced stage. These MOUs

will provide an excellent opportunity to promote ESAAMLG's work and also form a platform for collaboration, cooperation, exchange of information and technical assistance. The ultimate outcome of this working relationship will be an improved implementation of international standards on anti-money laundering and combating terrorist financing by member countries.



Heads of FIU-Angola and FIU-Mozambique signing an MOU at the Arusha meeting to facilitate exchange of information

In a bid to enhance cooperation amongst Financial Intelligence Units (FIUs) within ESAAMLG, members agreed to form an FIU Forum during the Task Force of Senior Officials meeting held in Zanzibar in April 2011. It was noted that there is a lot of economic and financial linkages between ESAAMLG member countries, with resultant financial flows between countries. Some of these financial flows may not be legitimate. In addition, there is also a lot of cross-border movement of people between member

countries. Some of the people could be involved in physical transportation of currency and other negotiable bearer instruments related to illicit transactions. However, it was further noted that exchange of information amongst FIUs within ESAAMLG was at low levels, largely because most countries (with the exception of those that are EGMONT members) have not put in place formal arrangements to facilitate the exchange of information. The primary aim of the Forum is therefore to promote cooperation and provide a platform for information exchange amongst FIUS of member countries.

During the year under review, Mauritius and South Africa were appointed as Chair and Deputy Chair of the FIU Forum respectively. The FIU Forum held two meetings at which issues of mutual interest were discussed. Some notable issues related to development of a concept paper on information exchange, which includes stocktaking of legal frameworks in the region which address information exchange.

CONSOLIDATING REGIONAL AML/CFT CAPACITY BUILDING

ESAAMLG desires to enhance the capacity of its members so that they are able to develop and implement AML/CFT measures in their respective countries. In order to facilitate this, members resolved to establish a Technical Assistance Coordination Forum at the 23rd Task Force of Senior Officials meeting at the Arusha International Convention Centre, United Republic of Tanzania in April 2012. The second ESAAMLG Technical Assistance Coordination Forum (Forum) was held during the Task Force of Senior Officials Meeting in Maputo, Mozambique in August 2012. The main objective of this Forum is to provide a bilateral platform that will facilitate engagement between member countries and cooperating partners (technical assistance providers) on provision of technical assistance.

During the year under review, the Forum made the following achievements:

- Developed its Terms of Reference, which were adopted by the Task Force and later approved by the Council of Ministers at the Maputo meeting in August 2012.
- Based on information gathered from member countries and COSUNS, ESAAMLG developed a matrix of their Technical Assistance (TA) needs and also from the TA providers on their assistance programmes in the ESAAMLG Region.
- Developed a priority list of urgent TA needs as detailed below:
 - i. Training on National ML/FT Risk Assessment and Risk Based Approach, including train the trainer programmes;
 - ii. Training on the new FATF Methodology;
 - iii. Training on asset forfeiture;

- iv. Assistance on effective implementation of R. 6 (Targeted financial sanctions related to terrorism and terrorist financing, UNSCRs 1267, 1373 and other successor resolutions);
- v. Analysis of STRs on TF by FIUs, case analysis training for FIU analysts and strategic analysis;
- vi. Enactment and/or amendment of legislation to meet the revised FATF standards, in particular to comply with R. 1 (Assessing risks and applying risk based approach) and R. 7 (Targeted financial sanctions related to proliferation; and
- vii. Training for judges and magistrates.

During 2012/13, ESAAMLG arranged a number of workshops and training programs in order to build the AML/CFT capacity of member countries. Some of the workshops were conducted during the Task Force meetings with a view to have maximum participation from member countries.



Yotsna Lalji, (Financial Expert) Analytical Support & Sanctions Monitoring Team making a presentation on UNSCRs 1267 & 1373

Details of some of the workshops are highlighted below:

1. The Revised FATF Standards: The Financing of Proliferation presented by FATF in April 2012;
2. The Revised FATF Standards: Customer Due Diligence presented by the IMF in April 2012;
3. The Revised FATF Standards: Regulation and Supervision presented by the IMF in April 2012;
4. Typologies Workshop conducted by AUSTRAC in Mozambique in June 2012;
5. Implementation of UNSCRs 1267/1989 presented by the UN Analytical Support and Sanctions Monitoring Team in August 2012;
6. Implementation of UNSCR 1373 by the UN Counter-Terrorism Executive Directorate in August 2012;
7. Capacity Building Workshop on the Strategic Implementation Plans for Angola in December 2012;
8. Capacity Building Workshop on the Strategic Implementation Plans for Botswana in January 2013;
9. Workshop for Investigators and Prosecutors under the East African Criminal Justice Program organised by Commonwealth Secretariat and ESAAMLG Secretariat in Kenya (February 2012), Tanzania (August 2012) and Uganda (October 2012);
10. Workshop on Financial/ Economic Crimes including ML and Asset Forfeiture for Judges held in Pretoria, South Africa in 2012.

ESAAMLG also made presentations at some seminars, workshops within and outside the region. Some of them are as follows:

1. *Challenges of Promoting Financial Inclusion through Innovation and the Combating of Money Laundering*. This presentation was delivered at the Annual Conference of Bankers Association of Tanzania in November, 2012;

2. *Overview of Challenges Encountered in Implementing the Freezing and Confiscation Requirements in the ESAAMLG Region.* This was presented at the Judges Forum in September 2012;
3. *AML/CFT Implementation in the ESAAMLG Region;*
4. *Development of FIUs in the ESAAMLG Region.*

PROMOTING THE IMPLEMENTATION OF AML/CFT MEASURES AND FINANCIAL INCLUSION

The promotion of formal financial systems and services is critical to an effective and comprehensive AML/CFT regime. However, there is consensus that, if not properly implemented, the FATF Recommendations may have the unintended consequence of excluding legitimate businesses and consumers from the formal financial system. In recognition of this potential negative impact, the FATF resolved to have the issue of financial inclusion on its agenda and committed itself to examining potential challenges posed by anti-money laundering and combating the financing of terrorism (AML/CFT) requirements to the goal of achieving financial inclusion. In this respect, one of the actions that FATF has undertaken is the development of the “FATF Guidance on AML/CFT Measures and Financial Inclusion” which was initially published in July 2011, and updated in February 2013 to reflect the requirements of the revised Recommendations.



Abdoul Anziz Said Attoumane (far right), Regional Advisor Africa, Alliance for Financial Inclusion (far right) during the Task Force meeting in April 2013

At a regional level, ESAAMLG also resolved to play a pivotal role in assisting member countries on how best to implement AML/CFT measures without undermining policies on promotion of financial inclusion. Realizing the mutual benefit of corroborating with

other established organizations working in this area, ESAAMLG asked AFI to play a supportive role in the execution of its mandate to support and promote financial inclusion within its members.

At its 22nd Task Force of Senior Officials meeting held in Mauritius in September 2012, the Task Force agreed to create an Ad-hoc Working Group on Financial Inclusion to address the challenges of balancing financial integrity and financial inclusion with the support of AFI. This Ad-hoc Working Group was endorsed by the Council of Ministers to start its work in April 2012.

During its meeting in April 2012, the Task Force approved the 2012/13 programme of activities which predominantly involved the undertaking of a survey to collect data from the private sector in all the ESAAMLG member countries on the challenges the private sector faces in providing financial services to the low-income sector. Furthermore, at the August 2012 meeting in Maputo, ESAAMLG adopted:

- a. the appointment of Namibia, Botswana and Malawi as Chairperson, Vice-Chairperson and Secretary of the Ad-hoc Working Group respectively;
- b. A proposal to undertake a public survey by 30 October 2012 to complement the private sector survey.

It is anticipated that a final report will be presented to the Council of Ministers in September 2013.

INCREASING THE KNOWLEDGE OF MONEY LAUNDERING AND TERRORIST FINANCING TRENDS AND TECHNIQUES

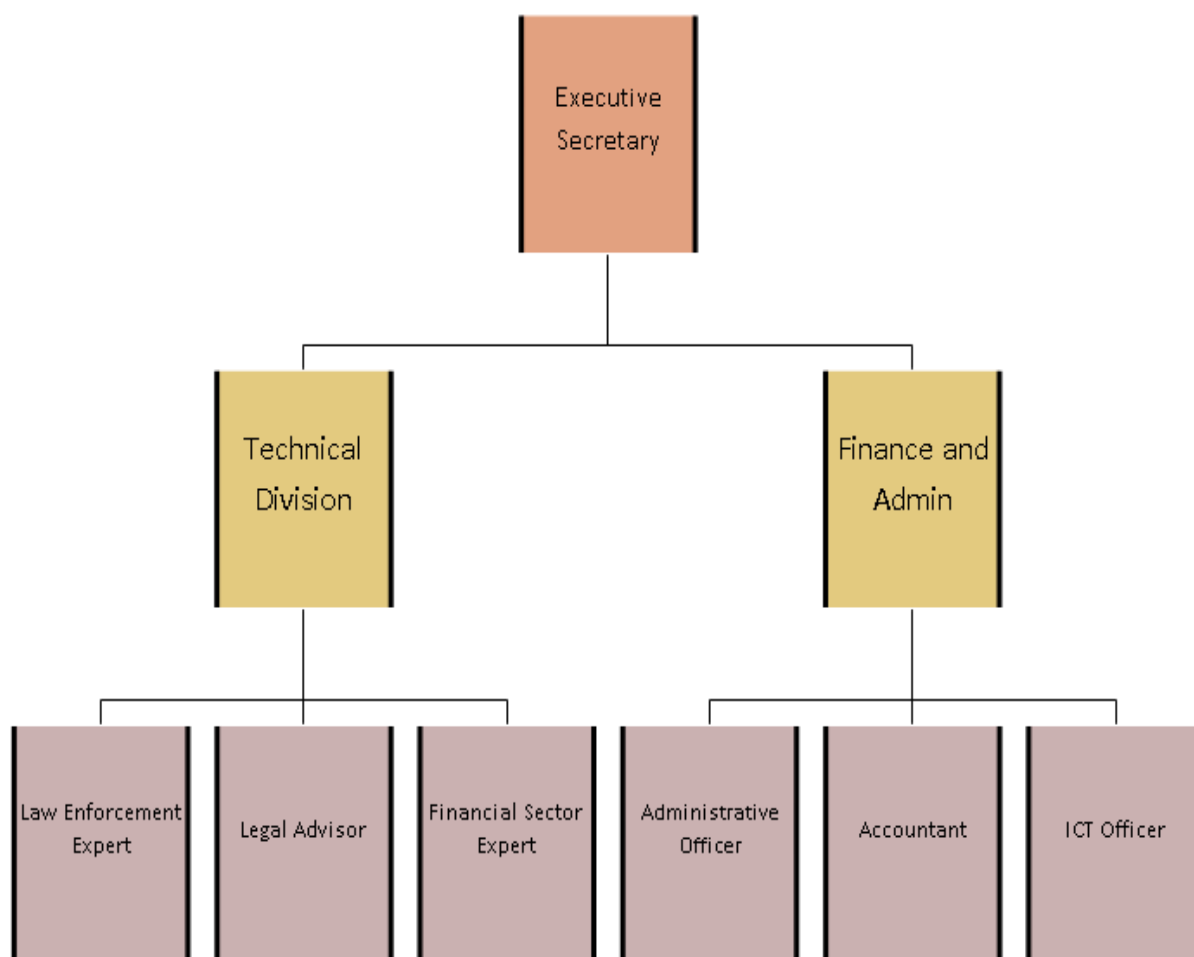
In order for countries to adopt and implement appropriate measures against money laundering and terrorist financing, it is critical for them to better understand the nature, extent and impact of money laundering in their countries and the region. For this purpose, from time to time, ESAAMLG carries out studies on the methods and techniques that are used and, examines the adequacy of relevant laws and systems to deter or prevent money laundering and terrorist financing.

In 2011, ESAAMLG embarked on a typologies project-*Money Laundering related to Illicit Dealings in and Smuggling of Motor Vehicles in the ESAAMLG region*. In view of the general problem of lack of information from member countries, the project took more time to be completed than originally planned. Therefore, the report was finalized and presented to the Council for adoption in August 2012.

Despite the foregoing challenges, it was still considered necessary to take on a new typologies project but change the strategy. It was agreed that a preliminary survey be undertaken on the real estate sector. On the basis of the outcome of the survey, ESAAMLG would decide whether or not to carry out a full typologies study.

CONSOLIDATING THE SUSTAINABILITY AND EFFICIENCY OF THE SECRETARIAT

The ESAAMLG Secretariat is based in Dar es Salaam, United Republic of Tanzania and is hosted by the Tanzanian Government through the Ministry of Finance. As at 31st March 2013, the staffing of the Secretariat was as follows:



Secretariat Responsibilities

The main responsibilities of the Secretariat are as follows:

- Organise and conduct the Task Force of Senior Officials and Council of Ministers' meetings;
- Provide technical and administrative support to the Council of Ministers, Task Force of Senior Officials and Working Groups;

- Prepare and implement annual budgets, strategic plan and work programs;
- Coordinate and participate in mutual evaluations;
- Identify training and technical assistance needs of member countries, and facilitate provision thereof;
- Establish and maintain working relationships with relevant regional and international organisations;
- Act as a liaison between ESAAMLG and third party countries and organisations involved in countering money laundering and terrorist financing;
- Provide expertise to member countries concerning combating money laundering and terrorist financing;
- Arrange and conduct outreach missions to potential members.



Part of the Secretariat team providing support to delegates in Arusha (2013)

PRIORITIES FOR THE YEAR AHEAD

The future activities will be guided by the ESAAMLG Strategic Plan: 2012-2015. The approved Work Program will form the operating framework for next year which will include the following key tasks:

Governance/ Meetings

- The 13th Council of Ministers and 26th Task Force of Senior Officials meetings and the 27th Task Force of Senior Officials meetings are expected to be held in September 2013, in Namibia and in March/April 2014 in Tanzania, respectively.

Outreach Missions

- The Outreach Working Group, with the support of the Secretariat, will undertake onsite missions to Ethiopia and Rwanda to assist the Task Force with information on the level of AML/CFT compliance by the two countries during discussion of theirs' applications for full membership.

Technical Assistance and Training

- UNCTED, in conjunction with ESAAMLG Secretariat plans to conduct a Workshop for East Africa on Asset Freezing under UNSCR 1373 in June 2013;
- Training on the FATF Revised Standards;
- Training for Assessors based on the Revised FATF Standards- the actual date will depend on developments in the FATF;
- Training on National ML/FT Risk Assessment and Risk-Based Supervision.

Post Evaluation Monitoring of Compliance with FATF Standards

- ESAAMLG will continue implementing the post evaluation monitoring of its members, including analysis of progress, in accordance with the Mutual Evaluation Procedures.

Typologies Research

- Completion of Concept Note on *“Money Laundering through the Real Estate Sector in the ESAAMLG Region”*;
- A new typologies study will be proposed and adopted in September 2013.

Mutual Evaluation Procedures

- Development of Mutual Evaluation Procedures and SIP Framework for consistency with the revised FATF standards and new assessment methodology.

The FATF ICRG Process

- Providing assistance to all members who are currently undergoing FATF ICRG review. For this reason, ESAAMLG would like to undertake a number of TA&T initiatives to ensure that concerned member countries receive guidance on the ICRG process, developing their action plans, responding to the ICRG requirements, and accessing assistance and training.

FINANCIAL STATEMENTS



FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

September 2013

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**EASTERN AND SOUTHERN AFRICA ANTI-MONEY LAUNDERING GROUP (ESAAMLG)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013**



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HON. Dr Manuel Chang
Minister of Planning and Finance
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**INDEPENDENT AUDITORS REPORT TO MEMBERS OF THE EASTERN AND SOUTHERN
AFRICA ANTI-MONEY LAUNDERING GROUP**

Hon Minister, we have audited the accompanying financial statements of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) set out on pages 8 to 30 which comprise the statement of financial position as at 31 March 2013, the statement of profit or loss and other comprehensive income and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Council of Minister's Responsibility for the Financial Statements

The Council of Minister's is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an independent opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depended on auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and

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**EASTERN AND SOUTHERN AFRICA ANTI-MONEY LAUNDERING GROUP (ESAAMLG)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013**

the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of financial position of the Eastern and Southern Africa Anti-Money Laundering Group as at 31 March 2013 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other regulatory requirements

In our opinion, proper accounting records have been kept by the Eastern and Southern Africa Anti-Money Laundering Group and the financial statements referred to in the preceding paragraph are in agreement with the accounting records and have generally complied with the requirements of Memorandum of Understanding.



INNOVEX Auditors
Certified Public Accountants
Dar es Salaam
Per Christopher Mageka, CPA





Date 15/12/ 2013

EASTERN AND SOUTHERN AFRICA ANTI-MONEY LAUNDERING GROUP (ESAAMLG)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2013

ASSETS	NOTES	2013 US\$	2012 US\$
Non - Current Assets			
Property and equipment	4	63,907	79,234
Intangible assets	5	523	-
Total Non-Current Assets		64,430	79,234
Current Assets			
Subscriptions receivable	6	188,120	81,755
Other receivables	7	32,716	46,022
VAT receivable	8	76,684	59,084
Fixed deposit	9	200,196	-
Cash and cash equivalents	10	721,290	988,139
Total Current Assets		1,219,006	1,175,000
TOTAL ASSETS		1,283,436	1,254,234
GRANTS, RESERVE AND LIABILITIES			
Special reserve		202,783	199,915
Capital grant	11	12,588	16,563
Accumulated surplus		699,358	662,506
Total Grants and Reserves		914,729	878,984
Current Liabilities			
Staff gratuity	12	72,844	94,496
Subscriptions received in advance	13	195,785	151,940
Accrued charges	20	100,078	128,814
Total Current Liabilities		368,707	375,250
TOTAL GRANTS, RESERVES AND LIABILITIES		1,283,436	1,254,234

The notes on pages 12 to 30 form an integral part of these financial statements. The financial statements on pages 8 to 11 were approved by the Executive Committee on..... 2013 and were signed on its behalf by:

 Date: 06/09/2013
  Date: 6/9/2013
 President of the ESAAMLG Executive Secretary

The independent auditors' report is on pages 6 and 7

EASTERN AND SOUTHERN AFRICA ANTI-MONEY LAUNDERING GROUP (ESAAMLG)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2013

	NOTES	2013 US\$	2012 US\$
INCOME			
Subscriptions	15	894,500	850,500
Donations	16	142,127	154,700
Other operating income	17	3,975	32,445
		<u>1,040,602</u>	<u>1,037,645</u>
EXPENDITURE			
Employee benefits expenses	18	494,421	337,953
Administrative expenses	19	73,631	73,968
Meeting expenses	20	181,405	205,262
Special project expenses	21	219,072	197,684
Depreciation charges	4	23,492	31,912
Amortization charges	5	227	1,758
Audit fees		<u>11,724</u>	<u>10,021</u>
TOTAL EXPENDITURE		<u>1,003,972</u>	<u>858,558</u>
Surplus the year		<u>36,630</u>	<u>179,087</u>
Other comprehensive income that cannot be reclassified to profit or loss			
Gain on foreign exchange		222	-
Total comprehensive for the year		<u>36,852</u>	<u>179,087</u>

The notes on pages 12 to 30 form an integral part of these financial statements. The financial statements on pages 8 to 11 were approved by the Executive Committee on 2013 and were signed on its behalf by:

 Date 06/07/2013
 Date 6/9/2013
 President of the ESAAMLG Executive Secretary

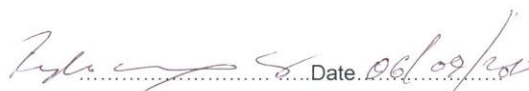
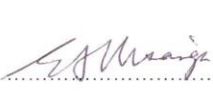
The independent auditors' report is on pages 6 and 7

EASTERN AND SOUTHERN AFRICA ANTI-MONEY LAUNDERING GROUP (ESAAMLG)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

STATEMENT OF CHANGES IN GRANTS AND RESERVES FOR THE YEAR ENDED 31 MARCH 2013

	Special Reserve US\$	General Reserve US\$	Capital Grants US\$	Total US\$
Opening balance as at 1 April 2011	199,915	483,419	20,538	703,872
Surplus for the year	-	179,087	-	179,087
Amortization of capital grant	-	-	(3,975)	(3,975)
Closing balance as at 31 March 2012	199,915	662,506	16,563	878,984
Opening balance as at 1 April 2012	199,915	662,506	16,563	878,984
Additions during the year	-	-	-	-
Bank interest for special reserve	2,868	-	-	2,868
Surplus for the year	-	36,852	-	36,852
Amortization of Capital grants	-	-	(3,975)	(3,975)
Closing balance as at 31 March 2013	202,783	699,358	12,588	914,729

The notes on pages 12 to 30 form an integral part of these financial statements. The financial statements on pages 8 to 11 were approved by the Executive Committee on..... 2013 and were signed on its behalf by:

 Date: 06/09/2013  Date: 6/9/2013

President of the ESAAMLG

Executive Secretary

The independent auditors' report is on pages 6 and 7

EASTERN AND SOUTHERN AFRICA ANTI-MONEY LAUNDERING GROUP (ESAAMLG)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

	2013 US\$	2012 US\$
Operating activities		
Surplus for the year	36,852	179,087
Non cash adjustments to reconcile surplus		
Depreciation of property and equipment	23,492	31,912
Amortization of intangible assets	227	1,758
Amortization of capital grant	(3,975)	(3,975)
Gain on disposal of property and equipment	-	(8,648)
Working capital adjustments		
(Increase)/Decrease in subscriptions receivable	(106,365)	45,681
Decrease/(Increase) in other receivables	13,306	(16,244)
Increase in VAT recoverable	(17,600)	(26,225)
(Decrease)/Increase in staff gratuity	(21,702)	20,847
Increase in subscriptions received in advance	43,845	148,774
(Decrease)/Increase in accrued charges	(28,736)	70,352
Net cash flows from operating activities	(58,069)	443,319
Investing activities		
Purchase of property and equipment	(8,115)	(64,505)
Purchase of intangible assets	(750)	-
Fixed deposit-special reserve	(200,196)	-
Proceeds from disposal of assets	-	21,545
Net cash flow used in investing activities	(209,061)	(42,960)
Financing activities		
Prior year adjustments for general reserves	-	(5,040)
Increase in special reserves	2,868	-
Net cash inflow/(outflow) from financing activities	2,868	(5,040)
Net in increase in cash and cash equivalents	(266,849)	395,319
Cash and cash equivalents as at 1 April	988,139	592,820
Cash and cash equivalents as at 31 March	721,290	988,139

The notes on pages 17 to 40 form an integral part of these financial statements. The financial statements on pages 13 to 16 were approved by the Executive Committee on..... 2013 and were signed on its behalf by:

 Date: 06/09/2013
  Date: 6/9/2013

President of the ESAAMLG

Executive Secretary

The independent auditors' report is on pages 6 and 7

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

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