



7th ESAAMLG Public Private Sector Dialogue (PPSD)

30th – 31st August 2024

**Diamond Leisure Beach and Golf Resort,
Diani, Kwale County
Kenya.**

SUMMARY REPORT

***STRENGTHENING COUNTER-TERRORISM FINANCING (CTF) EFFORTS IN THE
ESAAMLG REGION THROUGH ENHANCED COLLABORATION***



I. GENERAL BACKGROUND

On 30th and 31st August 2024, the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) held its 7th Public Private Sector Dialogue (PPSD) at the Diamond Leisure Beach and Golf Resort, Diani, Kwale County, Kenya. The Dialogue, launched by the Secretary General of the East African Community, H.E. Veronica Mueni Nduva, CBS, and was attended by key figures including the President of the Financial Action Task Force (FATF), Ms. Elisa de Anda Madrazo; the FATF Executive Secretary, Ms. Violaine Clerc; the ESAAMLG Executive Secretary, Ms. Fikile Zitha; the Director General of the Financial Reporting Centre, Mr. Saitoti Maika; and the Central Bank of Kenya Governor, Dr. Kamau Thugge. In addition, Finance Ministers from ESAAMLG member countries and Governors of Central Banks from the ESAAMLG region were present. Participants were drawn from both the public and private sectors, as well as from Cooperating and Supporting Nations and Organizations (COSUNS).

The theme for the Dialogue: *"Strengthening Counter-Terrorism Financing (CFT) Efforts in the ESAAMLG Region through Enhanced Collaboration"* presented an opportunity for stakeholders from both the public and private sectors to engage and collaborate on enhancing both the private and public sectors' implementation of CFT measures. The agenda covered a range of topics aimed at promoting financial inclusion and enhancing the detection and prevention of terrorist financing by leveraging new technologies, as well as the unique insights and capabilities of each sector. The Dialogue emphasized the need to build trust to strengthen cooperation and information sharing between the public and private sectors, while utilizing technology to counter the financing of terrorism and promote financial inclusion.

II. OBJECTIVES

The key objectives of the 7th PSD were as follows:

- a. Equip participants with up-to-date knowledge of TF threats and trends;
- b. Explore collaboration mechanisms between the public and private sectors to enhance the effective implementation of targeted financial sanctions;
- c. Strengthen public-private sector collaboration for unified TF prevention;
- d. Promote the use of Artificial Intelligence, Machine Learning, and other technologies in TF detection and prevention;



- e. Share successful strategies and case studies on using technology for TF risk management; and
- f. Discuss the critical role of financial inclusion in mitigating TF risks and preventing financial exclusion-related vulnerabilities.

III. THE KEY ISSUES HIGHLIGHTED

a. Keynote Speech by the FATF President

The keynote speech by the FATF President emphasized that the private sector, as gatekeepers, plays a crucial role in countering the financing of terrorism, while the public sector is responsible for sharing indicators and trends. Although terrorist actors need only one successful attempt to carry out their activities, the public and private sectors must ensure that they have robust and effective CFT mitigation measures in place at all times. The President reiterated the importance of public-private partnerships, specifically the proactive and reactive sharing of information between these sectors, as well as private-to-private sector information sharing within the boundaries of data protection.

The President encouraged participants to read the following FATF reports on terrorism financing:

i. FATF Guidance - Private Sector Information Sharing

Key highlights from this guidance include:

- Information sharing allows the private sector, supervisory authorities and law enforcement agencies to better use available resources and exploit new technologies and business models to develop innovative techniques to tackle terrorist financing.
- Legal constraints and operational challenges can prevent the effective exchange of information between financial institutions. However, addressing these challenges is essential to ensuring that information-sharing frameworks and mechanisms are effective.

ii. FATF report on Crowdfunding for Terrorism Financing

- This report highlights how terrorist actors use social media platforms and messaging applications to recruit supporters, share campaign links or payment



instructions with their followers, share advice on how to avoid detection and take advantage of features like encryption to transmit sensitive details.

iii. FATF report on Risk of terrorist abuse in Non-Profit Organisations (NPOs)

- NPOs play an important role in meeting social needs all over the world. However, NPOs are at risk of being exploited by terrorist actors through the diversion of funds to support recruitment efforts and facilitation of terrorists. Not all NPOs are compromised and therefore, countries and the ESAAMLG region should apply a risk-based approach in monitoring NPOs at risk of terrorism financing and those that collect resources to support terrorist activities.

b. SESSION I: THE MODERN FACE OF TERRORISM FINANCING

The session provided an overview of terrorism financing risks (threats and vulnerabilities) in the ESAAMLG region, while highlighting the critical need for enhanced collaboration between the private and public sectors.

i. Overview of CFT measures in the ESAAMLG region

The presentation set the tone for deliberations by highlighting the following key points:

- An overview of ESAAMLG member countries' compliance with FATF Recommendations related to TF.
- A geographical context where ESAAMLG member countries are more prone to terrorism risks.
- How FATF Standards and ESAAMLG typologies can assist countries to identify the TF risks and implement relevant measures to combat them.
- The significant role of financial institutions in providing information that enriches ESAAMLG's typologies and National Risk Assessments.
- High risk factors in the region include the use of cash, the informal nature of regional economies, porous borders, informal cross-border remittances, and public sector corruption.
- Key challenges in CFT measures within the region include:
 - Low understanding of TF risks.
 - Limited mitigation measures including legal and policy gaps.
 - Lack of specialized skills.



- The overemphasis on risk mitigation measures in the financial sector, particularly in large financial institutions, while ignoring smaller players such as MVTs, which pose the highest TF risk, exposes the financial system to significant vulnerabilities.
- Collaboration between the private and public sectors is important for identifying and understanding TF risks, as well as using risk assessment results to develop appropriate risk mitigation measures.
- The importance of private sector having the right processes to ensure that requests from the FIU and LEAs are attended to within the required timelines, and using the information on the requests to enrich their institutional risk assessments.
- Appropriate CFT measures are important to protect the financial systems' integrity to ensure that the systems are not used to finance terrorist activities.
- The level of compliance with FATF Standards within the region is generally low. It's thus important for the private and public sectors to collaborate to ensure effective implementation of the FATF Standards on combating TF.
- The importance of the utilization of technology and data analytics in combating terrorism financing to assist in processing large sets of transaction data. However, human intervention is still required to further synthesize information.

ii. Panel Discussion

The discussion started off by acknowledging the disconnect between the private and public sectors in combating terrorism financing. The panel discussion highlighted the following:

- As TF risks continue to evolve, it is essential that risk mitigation measures also adapt accordingly, without overlooking traditional methods such as the use of MVTs.
- The use of emerging technology such as crowd funding, online platforms and virtual assets in terrorism financing cannot be ignored.
- New technologies can be harnessed to leverage CFT efforts by:
 - Using artificial intelligence and machine learning to review the numerous transactions and calibrate the transaction monitoring tools.
 - Use of machine learning to enable transaction monitoring tools to “learn” transaction behaviour and detect anomalies.
 - Using digital E-KYC solutions.



- Need for an environment to share information between the public and private sector by ensuring:
 - Creation of an environment that allows information sharing within the private sector and between the private and public sectors;
 - That information sharing is two-way i.e. information flowing is not only from the private sector to public sector but from the public to private sector as well;
 - Building of trust between the private and public sector.
- A successful public and private partnership can be created by:
 - The public and private sectors working towards a common objective.
 - Providing an adequate framework that provides for information sharing.
 - Factoring in data protection requirements and securing the information shared.
 - Empowering the private sector with mechanisms and secure systems to share information.
 - Providing feedback on the information received from the private sector.
 - Training of the private sector to enhance their capacity to detect and share quality information.

c. SESSION II: POLCY AND BEST PRACTICES

This session explored the collaboration between TF investigators, prosecutors and the private sector within the ESAAMLG region. It focussed on aligning their actions, sharing key challenges and best practices, and exploring innovative solutions to manage and mitigate TF risks.

i. *Panel Discussion: Implementing Risk Based Measures for TF investigations and Prosecutions – Public Sector*

The panel discussion highlighted the following:

- There is need for a proper and shared risk understanding between the private and public sectors as this is a key element for collaboration in countering TF. This will enable prioritization and resource allocation in mitigation measures.
- To secure prosecution of TF there is need for compelling facts (evidence) linking the suspect to TF. Collaboration between public and private sectors is thus crucial.



- There is a general suspicion/mistrust between the private and public sectors in combating terrorism financing in the region which is evident in the difficulties related to information sharing.
- Prosecution led investigations of TF cases enables prosecutors to directly lead the collection of evidence during the investigation, whereas with the prosecutor guided TF investigation, the prosecutor's role during investigation is a bit remote. However, both processes allow a risk-based approach to be followed thereby prioritizing more serious TF cases.

ii. Panel Discussion: Implementing Risk Based Measures – Private Sector

The panel discussion highlighted the following:

- There is a need for collaboration between the public and private sectors, particularly in improving trust levels. This can be achieved through the development and implementation of feedback mechanisms between both sectors.
- The modalities for determining the existence of terrorism financing (TF) within the private sector are problematic. TF is difficult to detect because it often involves small amounts of money moving across jurisdictions and at times from legitimate sources. There is a need for continuous training on identifying TF red flags.
- With regard to cryptocurrency, it was noted that banks in many jurisdictions are facilitating its use, while many countries remain in denial about this trend. Due to lack of or weak regulation, VA pose significant threat of being abused for TF.
- That VAs are simple to monitor. It was noted that VAs are actually the easiest to trace owing to the existence of many analytical tools. There is however need for the regulators and law enforcement agencies to be trained and build an understanding on these tools. More sensitization is required. It is time for the policy makers to have discussions on VAs/VASPs regulation and supervision.
- In summary, there is a need to build trust between the private and public sectors for any meaningful collaboration in the fight against terrorism financing (TF) to be effective.



d. SESSION III: TARGETED FINANCIAL SANCTIONS

i. Panel Discussion: Targeted Financial Sanctions

This session explored collaboration mechanisms between the public and private sectors to enhance effective implementation of targeted financial sanctions.

The panel discussion highlighted the following:

- Collaboration between the public and private sector is crucial in effective implementation of TFS.
- There is a distinction between the 1267 and 1373 sanctions regimes as 1267 is a global mandate while 1373 is domestic and country specific.
- There existing shortcomings in understanding TFS and on actual implementation across the ESAAMLG region.
- Targeted financial sanctions measures do not follow a judicial process but rather an administrative regime meant to cut the funding of terrorists or terror acts. Thus, they are a tool to disrupt terrorism financing and curb the impact of the terror groups.
- While there has been progress in the ESAAMLG region regarding the implementation of TFS, a lot is yet to be done especially in enhancing the legal and regulatory frameworks, creating awareness both in the public and private sector and providing appropriate guidance to the sectors.
- It was noted that TFS implementation gaps exist in the region and they include:
 - Inadequate laws on TFS and lack of clear national designation procedures particularly for the 1373 sanction regime.
 - Lack of appreciation of TFS as a parallel administrative mechanism to prevent terrorism financing.
 - Reliance on only supra national designations such as the 1267 sanction regime and not implementing the 1373 sanction regimes.
 - Operational gaps affecting implementation “without delay” due to lack of a coordinated and timely communication mechanism.
 - Non-involvement of the private sector during development of TFS mechanisms.
 - Limited resources and capacity building for both the public and the private sector.
- Namibia shared best practices on implementation of TFS and particularly on creating awareness, monitoring and communicating sanction lists, and



providing tools to assist reporting entities to screen against listed individuals and entities. These efforts are aimed at ensuring the TFS measures are implemented “without delay.”

- UNCTED is supporting countries in the region to create awareness aimed at guiding countries on conducting listing under the domestic regime, supporting the development of regulatory frameworks, provision of software to automate the screening systems and development of manuals to guide both the public and the private sectors on TFS matters.
- Collaboration between the public and private sectors is crucial for the effective implementation of TFS.
- There is a distinction between the 1267 and 1373 sanctions regimes: 1267 is a global mandate, while 1373 is domestic and country-specific.
- There are shortcomings in understanding TFS and in actual implementation across the ESAAMLG region.
- Targeted financial sanction measures do not follow a judicial process but rather an administrative regime designed to cut the funding of terrorists or terrorist acts. Thus, they are a tool to disrupt terrorism financing and mitigate the impact of terror groups.
- While there has been progress in the ESAAMLG region regarding the implementation of TFS, much remains to be done, especially in enhancing the legal and regulatory frameworks, creating awareness in both the public and private sectors, and providing appropriate guidance to these sectors.
- TFS implementation gaps exist in the region, including: (a). Inadequate laws on TFS and a lack of clear national designation procedures, particularly for the 1373 sanction regime. (b). Lack of appreciation of TFS as a parallel administrative mechanism to prevent terrorism financing. (c). Reliance solely on supra-national designations, such as the 1267 sanction regime, and not implementing the 1373 sanction regime. (d). Operational gaps affecting implementation "without delay" due to a lack of a coordinated and timely communication mechanism. (e). Non-involvement of the private sector during the development of TFS mechanisms. (f). Limited resources and capacity-building for both the public and private sectors.



e. SESSION IV: UNDERSTANDING THREATS, TRACKING TRENDS AND UTILIZING TOOLS

This session explored the nature and extent of technological advancements on TF.

i. Presentations: Terrorism financing and the New Digital Frontier

- The presentations addressed terrorism financing and the New Digital Frontier including the digital platforms, virtual currencies and the dark web.
- UNOCT runs several programs and projects across the globe, including ensuring gender equality and empowering women in countering terrorism financing. There was also a mention of the United Nations goFintel Software that provides countries with a range of features that enable them to identify and investigate suspicious financial activity, while upholding human rights.
- Virtual Assets and TF interface influenced by factors such as anonymity, global reach, funding opportunity recruitment and propaganda.
- Rec 15 on VASP envisions preventive measures including KYC, risk-based approach, sanctions, STR and assets freezing.
- Trends noted with VA include: increased use in Asia, enhanced security features and the adoption of stablecoins as preferred assets.
- Best practices include adopting a risk-based approach, regulating VASPs, providing training for law enforcement agencies, and fostering international cooperation.
- Participants were taken through a demonstration on how to use tools such as ChatGPT to help in CFT efforts.

ii. Panel Discussion: Technology, a double-edged sword

The panel discussion highlighted the following:

- Terrorists are increasingly leveraging on technology for TF purposes.
- Technology used to tackle TF include block chain analytics, artificial intelligence and natural language processing.
- Institutions need to consider data governance to ensure data is complete, consistent and valid.
- Regulators can use regulatory sandboxes to encourage use of innovation and provide a chance to understand risks of new products/ technologies in the sector.
- Reporting institutions have used technology to improve compliance through screening, strengthen internal controls and timely reporting of STR.



f. SESSION V: ENHANCING COOPERATION BETWEEN PUBLIC AND PRIVATE SECTORS FOR THE PREVENTION OF TERRORISM FINANCING

This session considered the various collaborative forms of cooperation to facilitate counter financing of terrorism including strategic information sharing, operational frameworks, initiatives and common challenges/gaps.

i. Presentation: Challenges in producing TF related STRs

The presentation highlighted the following challenges in producing TF related STRs by reporting institutions:

- TF transactions appear like normal transactions which are difficult for FIs to pick and proactively raise SARs/STRs.
- No available intelligence in the market to inform proactive detective and preventive measures on terrorism financing.
- Banks host other payment service providers including money remittance providers and it's possible for such businesses to be used to move terrorist funds.
- A lack of sufficient identifier information in national designation lists can result in numerous false positives and may lead to profiling of certain individuals, potentially causing financial exclusion.
- Inadequate capacity in the private sector to identify terrorism financing.
- A lack of comprehensive TF national risk assessments hinders the private sector's ability to understand the TF risk context in which they operate.
- Challenges in the identification and verification of customers, both individuals and legal entities, pose a risk for identity theft and fraud.
- The cost of CFT controls can be prohibitive, especially for small financial institutions, exposing them to terrorism financing risks.

The presentation highlighted the following as some of the recommendations:

- Establishing governance structures that ensure top management sets the tone for TF controls, encouraging investment in these measures.
- Ensuring a risk-based approach to deal with TF risks.
- Need for proactively sharing safe and strategic information between the private and public sectors.
- Capacity building for both private and public sector stakeholders.



- Implementing more proactive national designations of known terrorism financiers and actors.

ii. Panel Discussion: Technology, a double-edged sword

The panel discussion highlighted the following:

- Financial institutions play a crucial role in detecting and reporting suspicious transactions and activities, which contribute to the information used to build evidence for successful prosecutions and convictions.
- Private public cooperation helps improve the quality of STR/SARs from the private sector. Information can be shared with the private sector through typologies and trends reports.
- There is a need for collaboration between the private and public sectors in combating terrorism financing to provide information that enables the tracking of terrorist actors.
- Learning from Netherlands, public- private sector collaboration can be started informally followed by formalisation of the collaboration through a legal framework.
- The need to balance compliance measures that ensure financial integrity to avoid unintended consequences that affect financial inclusion.
- The appreciation of the role that Africa Development Bank play in supporting ESAAMLG member states in enhancing their terrorism financing prevention frameworks through development of policies, strategies and actions plans and policy-based dialogue on the legal framework

IV. CONCLUSION

- There is need for collaboration due to the shared goal between the public and private sectors. This collaboration favours information sharing and cooperation.
- Trust should be the foundation of this collaboration, and it is a two-way responsibility between the public and private sectors.
- There is need for proactively sharing safe and strategic information between the private and public sectors. Frameworks and mechanisms that enable information sharing are key to achieving this goal.
- CFT should not only be taken as a compliance obligation but also as a moral obligation for both the private and public sectors to safeguard lives, livelihoods and economies.
- Capacity building to both private and public sector players.



- National TF Risk Assessments should be comprehensive and speak into the different TF risks (threats and vulnerabilities) in every sector.
- There is need to bring on-board DNFBPs in CFT space and to build their capacities.