



DISRUPTING CRIMINAL TRAFFICKING AND SMUGGLING NETWORKS THROUGH INCREASED ANTI-MONEY LAUNDERING AND FINANCIAL INVESTIGATION CAPACITY IN THE GREATER HORN OF AFRICA

(AML-TBH in the GHOA)



This project is funded by the European Union

AML-TBH NEWSLETTER

Issue No. 3 | May 2020

MESSAGE FROM THE PROJECT DIRECTOR



The AML-TBH project is well aware of COVID-19's impact and intends to surmount the challenges brought about by the sudden pandemic to ensure it delivers on its mandate of disrupting criminal trafficking and smuggling networks in the Greater Horn of Africa (GHOA) through increased anti-money laundering and financial investigation capacity. Accordingly, the project aims to address the evolving threats to our work by seeking to strengthen the capacity of the GHOA states.

The pandemic has disrupted the project's calendar of activity, which had been scheduled to run till the end of 2020, a situation that has led to the postponement of some of our programmes. Consequently, the project has adopted a programme for conducting various e-training modules in the near future.

One will involve previous participants in the Countering the Financing of Terrorism (AMT-CFT) project accredited with the training of trainers (ToT) certification. Among other relevant stakeholders, further modules will be developed for financial investigation unit (FIU) analysts and officials working for public and private financial entities.

In addition, to provide more and better feedback and information to participants within the region, the project has introduced e-learning information platforms, including newsletters and technical articles as well as a documentary cell created with the purpose of gathering, analysing, synthesising and processing any information published on the internet about money laundering and the financing of terrorism.

COVID-19 has brought about a different working style at the AML-TBH project because physical brainstorming sessions are no longer possible. However, one advantage may be that staff are now able to maintain a more equal work-life balance.

Finally, all stakeholders can rest assured that, despite the setbacks caused by the pandemic, the team remains as enthusiastic and dedicated to the cause as before.

Frédéric Bayard



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EUTF FOR AFRICA AND THE AML-THB PROJECT

The trafficking of human beings (THB) and the smuggling of migrants (SoM) are now two of the most profitable crimes in the Greater Horn of Africa (GoHA) region. For example, an Ethiopian migrant moving to Yemen via Somalia can pay smugglers up to US\$1,540 for the journey, while maritime crossings from Somalia to Yemen reportedly cost in the region of US\$2,504. Given the number of people that cross these migration routes every year, the profits generated by THB and SoM are extremely high.

Despite recent progress in the area, most countries in the GoHA (Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan, Tanzania, Uganda and Yemen) still lack the investigative capacity and skills required to trace the significant flows of money generated by these crimes. Research has also shown a lack of understanding of the damage caused by these crimes, and how they link to other forms of organised crime, such as terrorism.

Insufficient knowledge about the vulnerabilities of financial institutions and possible measures to protect them, as well as the lack of trust among stakeholders and countries, are problems that need to be addressed.

EUTF for Africa

Disrupting Criminal Trafficking and Smuggling Networks through Increased Anti-Money Laundering and Financial Investigation Capacity in the Greater Horn of Africa (AML-THB in the GHOA) is a regional project, funded by the European Union Emergency Trust Fund (EUTF) for Africa, which aims to address these challenges. The AMT-THB project seeks to improve the investigation methods used to track the cross-border criminal organisations profiting from irregular migration, human trafficking and other types of organised crime, and hence contribute towards disrupting these criminal activities.

The main beneficiaries of the project's work are financial intelligence units (FIUs), law enforcement and border management agencies, criminal justice sector (CJS) authorities, as well as participating countries' financial institutions. The project will provide support for the development of national and regional anti-money laundering techniques, including tracing and seizing assets and criminal proceeds, as well as providing support for criminal investigations and prosecutions. This will be achieved by supporting regional and national bodies' analytical and operational capacity in financial investigation and anti-money laundering techniques, and by facilitating increased coordination and collaboration between national agencies and countries in the region.

Key objectives and activities

Increased national capacity in anti-money laundering and countering illicit financial flows

The training of law enforcement agencies (LEAs), financial institutions, FIUs and CJS authorities will not only improve their capacity throughout

Most countries in the GoHA still lack the investigative capacity and skills required to trace the significant flows of money generated by these crimes.

ABBREVIATIONS AND ACRONYMS

AML	anti-money laundering
AU	African Union
CFT	countering the financing of terrorism
CJS	criminal justice sector
CSO	civil society organisation
CTR	cash transaction report
EAC	East Africa Community
EUTF	European Union Emergency Trust Fund
FIU	financial investigation unit
GHOA	Greater Horn of Africa
LEA	law enforcement agency
MENA	Middle East and North Africa
SoM	smuggling of migrants
STR	suspicious transactions report
THB	trafficking of human beings
UNODC	United Nations Office on Drugs and Crime

the different phases of an investigation, but will also boost cooperation among them. Examples of such activities include:

- Support LEAs in skills development to initiate investigations after receiving information from a financial institution;
- Enable financial institutions to better cooperate with, and reply to requests from LEAs according to the relevant legal procedures;
- Train FIUs to better analyse information to identify persons of interest, suspicious activity, and patterns and networks of criminal activity.

Increased awareness and understanding of the modus operandi of criminal networks regarding the means of financing their operations and the destination of their illicit financial flows

The project will support research, analysis and evidence-based intelligence in this field, as well as raise awareness of the human and financial cost of THB and SoM, and how they link to other forms of crime, such as terrorism. Examples of these activities include:

- Increase awareness amongst the private sector and financial services of their exposure to the financing of THB as well as their ability to disrupt it;
- Raise awareness among financial institutions and certain non-financial businesses and professions on how THB networks may support terrorist organisations.

Improved coordination between national agencies in the region, and greater inclusion into international networks and best practice

Due to the transnational nature of these crimes, regional cooperation is key. Accordingly, the AMT-THB project will facilitate the exchange of information and best practice amongst countries and other relevant networks and regional bodies. Examples of such activities include:

- Regional workshops to increase operational and information exchange, bringing together FIUs, LEA and CJS officials as well as non-state actors, notably civil society organisations (CSO)s and the private sector where relevant;
- International study visits and exchange programmes with European, Asian and Middle Eastern countries and institutions;
- Establish cooperation networks, including with the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), Interpol, the African Union (AU) and the Intergovernmental Authority on Development (IGAD).

EUR 5 million

Countries:

- Djibouti
- Eritrea
- Ethiopia
- Kenya
- Somalia
- South Sudan
- Sudan
- Tanzania
- Uganda
- Yemen

Implementing partner:



Duration: 36 months

Complementary regional projects

The AMT-THB project builds on the achievements and lessons learned from the precedent *Anti-Money Laundering/Countering the Financing of Terrorism in the Greater Horn of Africa (AML/CFT)* project, which has been funded by the EU's Instrument contributing to Stability and Peace (IcSP), with a budget of €6 million. When appropriate, the project will also build synergies by, for example, developing joint activities and trainings with:

- Better Migration Management (BMM);
- The Regional Operational Centre in support of the Khartoum Process and AU-Horn of Africa Initiative (ROCK);
- The East Africa Community (EAC) joint response to the Anti-Money Laundering/Countering the Financing of Terrorism: Regional and Cross-border Security Threats-Worldwide (AML/CFT Global) project;
- The Anti-Money Laundering/Countering the Financing of Terrorism-Middle East and North Africa (MENA) project; and
- The Strengthening Ethiopia's Capacity to Counter Money Laundering and Illicit Financial Flows programme (Denmark).

More information can be found in the project action document: https://ec.europa.eu/trustfundforafrica/region/horn-africa/regional/disrupting-criminal-trafficking-and-smuggling-networks-through-increased_en

FROM THE DESK OF THE DIRECTOR GENERAL OF IMMIGRATION SERVICES, KENYA

11 May 2020

My warmest greetings and message of good will to the AML-THB project participants and partners. I hope everyone is safe wherever you are and adhering to the measures put in place by the Government of Kenya to combat the spread of COVID-19.



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I begin by thanking the AML-THB project for the tremendous work done so far, only six months into its inception. The good work is well documented in the two previous newsletters that I had the privilege to read. I also had the honour of attending and delivering a speech during a Continental Workshop which took place in Tunisia in December 2019 and had a continental spectrum, involving and coordinating the institutional partners of the three main AML-CFT/THB projects presently running in Africa, notably the EU Global Facility on Money Laundering and Terrorist Finance, the EU AML-THB in the Greater Horn of Africa, and the West African Response to Money Laundering and the Financing of Terrorism (OCWAR-M). Over 100 participants from 33 countries attended the workshop on *Strengthening Effective Targeting of Illicit Financial Flows from Money Laundering, Terrorism Financing and Trafficking in Human Beings*. The project has engaged the Directorate from the onset, granting some of our staff the opportunity to take part in the project activities that have since taken place.

The AML-THB project recognises the central role Immigration Services plays as a law enforcement agency (LEA)

in anti-money laundering (AML), the trafficking in human beings (THB) and the smuggling of migrants (SoM). As custodians of ports of entry and exit, Immigration Services officials often come face to face with victims and perpetrators of THB and SoM. Financial facilitation networks follow their trails too. THB networks have since avoided illegal travel routes, electing to use legitimate means to avoid suspicion. The documents used are produced by Immigration Services. Therefore, detection, collaboration with other LEAs and the protection of victims, among other measures, are of great importance to Immigration Services officials. The AML-THB project has attempted to involve our officials in appreciating such measures.

I further recognise the efforts of the AML-THB project to continue engaging partners even at this time of global crisis. The COVID-19 pandemic has however slowed the project's activities, as it has the Directorate's services. While acknowledging that the crisis has slowed THB and SoM activities, it has brought new challenges too. Travel restrictions across borders and lockdowns within countries have led to victims being trapped or abandoned by their agents. Those already trapped are now more vulnerable than ever to continued exploitation. Online recruitment may well be on the rise, only awaiting post-COVID-19 movement resumption. Moreover, the overall economic effects of post-COVID-19, such as increased unemployment and poverty, are likely to place more potential victims at higher levels of vulnerability. Diverting resources meant for law enforcement targeting THB towards mitigating the effects of COVID-19 only makes the situation worse for victims. These, among others, are the emergent issues of concern that governments and partners in the GHoA need to be alive to.

Once more I thank you and look forward to future engagements with the project and partners within the GHoA. In my capacity as the Director General of Immigration Services, I pledge to support the project in any capacity in its current and all its future activities once you resume your work at the end of this pandemic.

Alexander I. Muteshi

Director General

Immigration Services, Kenya

TERRORISM IN THE HORN OF AFRICA: THE IMPACT OF COVID-19

By Alma Wanyama

Terrorism is a major threat to stability in the Greater Horn of Africa (GHOA) and the unprecedented global pandemic is likely to adversely impact the ongoing war on terror. COVID-19 has ravaged countries across the world, claiming lives as well as straining and stretching resources as governments in the region hastily implement mitigating measures.

Notably, terrorist strongholds and groups have also been hit by the contagion. However, the terror groups – which include Al-Shabab, Islamic State and Al-Qaeda – have taken the opportunity to enhance their capacity by acquiring weapons and undertaking reconnaissance, in addition to recruiting and radicalising new members. Furthermore, Al-Shabab and Islamic State have continued to carry out terror attacks amid the COVID-19 pandemic.

The ensuing threat of terror in the pandemic's wake is likely to overwhelm GHOA states, with negative implications for regional security.

Al-Shabaab

Al-Shabaab, which remains the biggest terror threat within the GHOA, is taking advantage of governmental focus on the fight against COVID-19 to expand its terror attacks and infrastructure. In Somalia, Al-Shabaab continues to put in place strategies to acquire weapons and infiltrate militants into the region, including along the Kenya–Somalia border, and plans to deploy militants disguised as health workers to propagate their terror activities.

Taking advantage of the scaling down of the war on terror, Al-Shabaab is re-organising and expanding its activities in Somalia and beyond in the GHOA. The group is reviving its local networks in neighbouring countries in a bid to enhance its operations, including coordinating the movement of arms and militants, and conducting reconnaissance to identify potential targets. Consequently, Al-Shabaab is likely to carry out attacks within the GHOA.

Islamic State

Islamic State has risen exponentially in the last five years, with affiliated groups and cells in most parts of the world. The terror group has employed diverse tactics to perpetrate its agenda, including arson, hijacking, kidnapping, assassinations, bombing and bioterrorism.

Notably, the jihadist group has tried to survive the effects of the pandemic. In its wake, Islamic State leader Abu Ibrahim al-Hashimi al-Qurashi has called for renewed attacks and urged followers to take operational advantage while countries are busy fighting the pandemic.

The core remnants of Islamic State, including their families at refugee centres, have reportedly played down the disease and view it as the West's punishment for their plight. Europe, which has been hard hit by the pandemic, still faces threats from Islamic State elements. In the United Kingdom (UK),

COVID-19 has ravaged countries across the world, claiming lives as well as straining and stretching resources as governments in the region hastily implement mitigating measures.



unconfirmed reports have indicated that Islamic State operatives may target hospitals and other frontline services working to avert the pandemic. This has prompted the UK's Counter Terrorism Department to issue additional security guidelines to the country's National Health Service Trust. Scotland Yard Chief Superintendent Nik Adams, the National Coordinator for the UK's preventive counter-extremism programme, has claimed that Islamic State could be looking to exploit the crisis to find new recruits globally. Adams has warned that terror supporters could be encouraging people to target the places that appear "most vulnerable" and calling for attacks during the lockdown in the hope that the police and security services would be "distracted and overwhelmed".

There are separate reports of Islamic State operatives crossing over into Europe from North Africa and keeping a low profile there during the pandemic. Significantly, there have been arrests in Spain, Poland and the UK, which portends the looming threat of foreign fighters in Europe. Intelligence experts fear the UK's most-wanted jihadist, Abdel-Majed Abdel Bary, could have been heading back to the UK to launch new attacks before being arrested.

In Mozambique, Islamic State affiliate Ansaar al-Sunna has increased its attacks since March 2019, capitalising on the government's focus on efforts to stem the spread of COVID-19. Prior to this, the group was relatively dormant, but the new wave of attacks, especially on government and military installations, has highlighted their potency. This poses a potential threat to the GHoA states since the group is thought to be gaining recruits from within the region.

Unconfirmed reports also indicate the presence of Islamic State within the eastern provinces of the Democratic Republic of the Congo (DRC), which could undermine security in GHoA states, particularly in Tanzania, South Sudan and Uganda, which share a common border with the DRC.

Al-Qaeda

Al-Qaeda has provided its followers with guidelines on how to prevent the spread of the disease, even highlighting in its message that "Islam is a hygiene-oriented religion"¹. However, in addition to recognising the threat posed by COVID-19, their messages also make it clear that they are savvy enough to utilise the global upheaval resulting from the pandemic to persuade more recruits to join their ranks, as well as to exploit the situation to plan and perform targeted attacks.

1 <https://www.wilsoncenter.org/article/what-islamists-are-doing-and-saying-covid-19-crisis>

Al-Qaeda attributes the pandemic to the oppression of Muslims and has called on people, including those from the "Western World"², to use their time in self-isolation to convert to Islam. Al-Qaeda has urged its followers to actively continue waging global jihad and to take advantage of overburdened security capabilities to launch attacks. Despite the UN Secretary-General's recent call for a global ceasefire³ in light of the pandemic, it is clear that terrorist groups, who thrive on instability and chaos, will continue to wage jihad in the current climate⁴. Notably, Al-Shabaab has been acknowledging Al-Qaida in its publications this year by praising Al-Qaida attacks, and stating their intention of becoming the second strongest outfit. It will potentially be very dangerous for the region if the two terror groups decide to collaborate.

Terrorism financing

The GHoA states' measures to mitigate the economic impact of COVID-19 pandemic is undermining their ability to implement their obligations towards anti-money laundering (AML) and countering the financing of terrorism (CFT). The most affected areas include supervision, regulation and policy reform, suspicious transaction reporting and international cooperation. This could lead to emerging risks and vulnerabilities within the GHoA as terrorists seek to exploit gaps and weaknesses in national AML/CFT systems.

Security analysts are of the view that terrorism financing is likely to either take a different direction or to enhance the avenues already in existence. The embracing of cashless transactions by most GHoA states to avoid physical contact with money has seen central banks and mobile money remittance services lifting or extending their limits on deposits and withdrawals to encourage online transactions. This situation is likely to be tapped by the terror groups without raising immediate red flags. In addition, other crimes related to the pandemic (such as cybercrime and the sale of counterfeit goods) could be carried out by the terror groups to amass funds. Notably, terrorists could use front companies to gather funds and aid from international, regional, national and other well-wishers to further their terrorist activities.

In a related development, the intergovernmental Financial Action Task Force (FATF) claims the COVID-19 pandemic is diminishing the ability to fight money laundering and terrorist financing. The FATF has further outlined the

2 <https://www.fdd.org/analysis/2020/04/06/how-jihadists-are-reacting-to-the-coronavirus-pandemic/>

3 <https://www.un.org/en/un-coronavirus-communications-team/fury-virus-illustrates-folly-war>

4 <https://icct.nl/publication/the-impact-of-coronavirus-on-terrorism-in-the-sahel/>

concerns and challenges linked to the pandemic's effect on financial crime, summarising recommendations and other input from member states and law enforcement agencies throughout the world⁵. The FATF is of the view that the pandemic has created new sources of income for illicit actors, including the misappropriation of funds intended for pandemic-related financial assistance. In addition, the pandemic has caused governmental delays in taking remedial action to address money laundering risks, including the imposition of monetary fines for compliance violations.

At the same time, financial intelligence units (FIUs) have warned that the current pandemic could lead to an increase in COVID-19-related crime. Similarly, most financial regulatory agencies have issued notices calling for businesses to concentrate on the basics to combat illicit financing and maintain their AML obligations during the COVID-19 pandemic. In the United States, the Financial Crimes Enforcement Network (FinCEN) issued a notice on 3 April requesting banks to contact them regularly for updates to help them comply with the American Bank Secrecy Act (BSA) and the Coronavirus Aid, Relief and Economic Security Act (CARES Act)⁶.

Radicalisation and recruitment

Terror group activity in the GHoA is predicted to increase during and after the COVID-19 pandemic. The decline

5 <https://www.riskscreen.com/kyc360/news/fatf-outlines-challenges-and-best-practices-for-covid-19/>

6 <https://www.caseaware.com/alessa/blog/aml-guidance-from-fius-covid-19/>

in economic activity within GHoA states will cause a loss in livelihoods across the region, a situation likely to be exploited by the terrorists to attract new recruits with promises of financial rewards and a better life.

Similarly, the banning of religious gatherings by some regional states to minimise the spread of the virus could be used by extremists to propagate anti-government views in the region, and to promote extremism and the recruitment of disgruntled sympathisers. Terror groups could reach out to those vulnerable and disgruntled youths in the region who are in search of an identity. Such aggrieved groups could buy into the idea of making the government pay, and may be vulnerable to recruitment. Some of the most compelling reasons for, and causes of terrorist propaganda are likely to gain legitimacy among the public and will be applied by terror groups to put psychological pressure on targeted audiences.

Way forward

In summary, the measures taken by GHoA states to mitigate the COVID-19 pandemic have adversely impacted the ongoing war against terrorism. Terror groups are likely to continue planning attacks aimed at GHoA states as governments focus their resources on containing the pandemic and restoring their economies. This will undermine AML and CFT measures within the region as a consequence.

Accordingly, the adoption of a common GHoA terrorism strategy amid the COVID-19 pandemic is vital for addressing the persistent terror threats that undermine regional security.



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COVID-19-RELATED MONEY LAUNDERING: ROLE OF FINANCIAL INTELLIGENCE UNITS

By **Tuemay Aregawi**¹

The Greater Horn of Africa (GHOA) region has been characterised by severe conflicts, instability, terrorism and various forms of organised crime. Human trafficking, migrant smuggling, drug trafficking, small arms and light weapons proliferation and trafficking, cybercrime, fraud, corruption and contraband are the common forms of organised crime prevailing in the region. Most of these criminal activities are considered as predicate offences that generate illicit proceeds. Terrorist groups and their networks operating in the region and beyond are also engaged in illicit trade and other financing practices to support their financial needs.

The most common goal of organised criminals is illicit profiteering while terrorists need resources to pursue their nefarious deeds – both of which make an effective anti-money laundering (AML) and countering the financing of terrorism (CFT) strategy an urgent necessity. Recommendation 29 of the intergovernmental Financial Action Task Force (FATF) clearly outlines the mandatory requirement for the establishment of national Financial Intelligence Units (FIUs)², which are the central authorities in any AML/CFT regime. To this end, countries of the GHOA have been working to establish an effective AML/CFT response, and the majority have set up operational FIUs. To date, some of these are well established while others are only at foundational stages.

The COVID-19 pandemic has affected criminal behaviour and the criminal economy. While this poses both new and old criminal threats, it is also likely to disrupt various ongoing criminal activities³. COVID-19 has also affected state and non-state capabilities in implementing effective AML/CFT measures. The FATF Statement⁴ points out that

criminals are taking advantage of the COVID-19 pandemic to carry out financial fraud and exploitation scams, including advertising and trafficking in counterfeit medicines, offering fraudulent investment opportunities, and engaging in phishing schemes that prey on virus-related fears.

These crimes – along with corruption, smuggling of goods and illicit financial flows – are among the complex predicate offences that pose new and evolved money laundering (ML) and terrorism financing (TF) risks. FIUs, entrusted as central authorities in coordinating AML/CFT efforts, now have a pivotal role in understanding and mitigating against these risks.

The most common goal of organised criminals is illicit profiteering, while terrorists need resources to pursue their nefarious deeds.

1 The author is a Technical Advisor to the AML-THB project. He was the Head of the Transnational Organised Crime Pillar of the IGAD Security Sector Programme.
2 FATF (2019) International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation: The FATF Recommendations. <https://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendations%202012.pdf>
3 See <https://amlthb.wordpress.com/2020/04/17/emerging-crime-threats-of-covid-19-pandemic-in-the-greater-horn-of-africa/>
4 FATF (2020, 1 April) Statement by the FATF President: COVID-19 and measures to combat illicit financing. <https://www.fatf-gafi.org/publications/fatfgeneral/documents/statement-covid-19.html>

This article summarises a review of the relevant literature, policy responses and reports on emerging ML/TF vulnerabilities and risks, and identifies the necessary responses required from FIUs to mitigate against these risks. The focus here is specifically on the risks of laundering of illicit proceeds, financing of terrorism and how the FIUs could provide innovative and adaptive tools and strategies to deal with COVID-19-related challenges and threats. This article supplements a previous paper⁵ on the subject, and the two together provide a detailed overview of the criminal activities that trigger ML/TF risks. As this article neared completion, the FATF released a comprehensive policy response⁶ that is also relevant.

COVID-19-related financing risks

The COVID-19 pandemic has provided new opportunities for criminals while simultaneously exposing the vulnerabilities and limitations of regulatory bodies, financial services and the criminal justice sector (CJS). The pandemic and the subsequent stringent mitigating measures are expected to impact the following challenges that contribute to emerging ML/TF risks and compromise AML/CFT efforts:

- **Limited capabilities of financial institutions and other reporting entities** as a result of lockdown restrictions, and the complications the pandemic poses with respect to conducting checks, identifying risks and providing good quality suspicious transaction reports (STRs) and cash transaction reports (CTRs). Minimal information and low quality STRs and CTRs are likely to compromise the depth of analysis, decreasing the ability to detect and identify ML/TF risks, which in turn undermines the quality of investigations, thus leading to weaker prosecutions and fewer convictions.
- **Scarcity of some services and supplies** (basic commodities, medical and safety equipment and related goods) provides an opportunity for criminals and terrorists to fill the gap in the supply chain through illicit. This may also create opportunities for criminal groups and terrorist financiers to take advantage of the possible reduced capability of financial institutions to offer financial services⁷.

- **New procurement processes and the flow of charity funds and public subsidies** “are made available to fight the pandemic [creating] more opportunities for rent-seeking [...] with more discretion in decision-making and allocation of resources, less transparency and accountability mechanisms and limited supervision and enforcement”⁸.
- **Large cash transactions** as criminals seek to exploit the coronavirus pandemic by pushing through a volume of unusual transactions because of concerns about the impending economic crisis, or as attempts at ML/TF, or to engage in informal high value/high return markets.
- **Increased online financial services**, transactions and e-commerce requiring advanced technical security and safety measures that may not be readily in place.



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- **Limited information-sharing among national agencies** (task forces, committees, etc.), particularly with fewer joint meetings and less joint analysis.
- **A shift in the focus and priorities of governments and the CJS** as they deal with the lockdown and its impacts such that criminal elements, often with the support of corrupt insiders, manipulate the situation to commit crimes and move illicit finance⁹.

5 <https://amlthb.wordpress.com/2020/04/17/emerging-crime-threats-of-covid-19-pandemic-in-the-greater-horn-of-africa/>

6 <http://www.fatf-gafi.org/publications/fatfgeneral/documents/covid-19-ml-tf.html>

7 UNODC (2020), Money-Laundering And COVID19: Profit and Loss. https://www.unodc.org/documents/advocacy-section/unodc_-_money_laundering_and_covid19_-_profit_and_loss_v1.1_-_14-04-2020_-_cmls-covid19-gpml1_-_unclassified_-_branded.pdf

8 Maira Martini (2020, 22 April) COVID-19: A perfect storm for the corrupt? New and old money laundering risks during the coronavirus pandemic. <https://voices.transparency.org/covid-19-perfect-storm-for-the-corrupt-c42eb9dfc234>

9 Jodi Vittori (2020, 2 April) Illicit financial flows will be easier during the coronavirus pandemic. <https://thehill.com/opinion/finance/490815-illicit-financial-flows-will-be-easier-during-the-coronavirus-pandemic?amp>



It is imperative that GHoA countries adopt effective AML instruments and practices to counter the threat of COVID-19-related fraud and money laundering, and to safeguard the integrity of the financial sector.

- **Constrained international cooperation and information/intelligence sharing** caused by the lockdown, and a shift in focus of law enforcement agencies – though the effect may vary across jurisdictions. The United Nations Office on Drugs and Crime (UNODC) has reported that “some law enforcers around the world report disrupted access to secure Anti-Money Laundering intelligence systems”¹⁰.

These new and evolving trends pose higher ML/TF risks and compromise the integrity and security of the financial sector and the ability of FIUs, regulatory agencies and the CJS to effectively play their AML/CFT roles.

Countering the risks

It is imperative that GHoA countries adopt effective AML instruments and practices to counter the threat of COVID-19-related fraud and money laundering, and to safeguard the integrity of the financial sector. As Maira Martini has strongly stated¹¹:

The failure to stop the flow of dirty money now will have both short-term and long-term consequences. It will affect the ability of countries to save lives and the economy. Ultimately, illicit financial flows during this crisis, and at any time, will lead to further decline in institutional capacity, trust in government and the rule of law.

Special circumstances require special focus and intervention. This article suggests the following policy and operational interventions, specifically focused on encouraging national FIUs to ensure the effective implementation of existing national frameworks (in their respective jurisdictions) in cooperation with other stakeholders (central banks, law enforcement and other relevant agencies).

- In collaboration with the private sector and relevant actors, **identify and raise awareness of the specific emerging ML/TF risks** and the methods and typologies organised criminals to launder their illicit proceeds and move their illicit finance by exploiting the COVID-19 crisis. Terrorist groups also can exploit the crisis to mobilise funds and finance their terrorist operations. High-value sectors – such as businesses in precious stones and metals, and real estate businesses – are among the suggested businesses to focus on.
- **Develop red flag (risk) indicators** from an analysis of the criminals’ modus operandi obtained from STRs/CTRs, investigated cases, intelligence sources, trend analysis and good practices of other FIUs.
- **Advise, encourage and monitor financial institutions to heighten their vigilance** – particularly on COVID-19-related financial transactions – to stop fraud, corruption and illicit financial flows.
- **Designate and guide reporting entities to assign a special reference number to COVID-19-related STRs/CTRs** so that FIUs can prioritise them and conduct immediate, real-time analysis for further action, and provide feedback to the reporting entities on how to take remedial action.

¹⁰ UNODC (2020, 14 April) Money Laundering and COVID19: Profit and Loss. https://www.unodc.org/documents/Advocacy-Section/UNODC_-_MONEY_LAUNDERING_AND_COVID19_-_Profit_and_Loss_v1.1_-_14-04-2020_-_CMLS-COVID19-GPML1_-_UNCLASSIFIED_-_BRANDED.pdf

¹¹ Maira Martini (2020, 22 April) fn 8.



It is of vital importance that coordination between national agencies in the region, as well as greater inclusion into international networks and best practice, are strengthened. © AML-THB

- **Initiate, support and collaborate with each country's relevant CJS agencies** to assess the current and future impact of the pandemic on serious and organised crime and terrorism financing. These assessments should then guide national evidence-based responses. The EUROPOL assessment framework¹² can be considered as a good practice in this regard.
- **Strengthen interagency cooperation** among regulators, FIUs and law enforcement agencies, and intensify the sharing of information with the private sector "to prioritize and address key ML risks, particularly those related to fraud, and TF risks linked to COVID-19"¹³.
- **Undertake selected risk-based supervision of financial institutions and other critical reporting entities** to confirm that effective systems and controls are in place to ensure the financial system is safeguarded from money laundering and terrorist financing.
- **Formulate and disseminate working guidelines in close collaboration with financial institutions, central banks** and other regulatory bodies and raise awareness of the relevant reporting entities and stakeholders. FIUs should motivate and support financial institutions to find innovative and adaptive protocols of compliance against ML/TF.
- **Strengthen FIUs' digital capability** to minimise the impact of the lockdown and social distancing, and to effectively receive STRs/CTRs, provide feedback to reporting entities, analyse the reports, have greater access to databases and easily disseminate reports to the authorities concerned. Securing systems against possible cyberattacks is also crucial.
- **Continuous assessment and monitoring of the situation and learning from other organisations' best practice** (such as [ESAAMLG](#), [MENAFATE](#), [Egmont Group](#), [FATE](#), other FIUs, the [European Banking Authority](#) and [UNODC](#)), and informing the private sector, regulatory bodies and law enforcement agencies on how to act proactively to prevent ML/TF, and how to detect and disrupt flows of illicit finance.

¹² <https://www.europol.europa.eu/publications-documents/beyond-pandemic-how-covid-19-will-shape-serious-and-organised-crime-landscape-in-eu>

¹³ FATF (2020, 1 April) Statement by the FATF President: COVID-19 and measures to combat illicit financing. <https://www.fatf-gafi.org/publications/fatfgeneral/documents/statement-covid-19.html>

ABOUT THE AML-THB PROJECT

The AML-THB project is a European Union Trust Fund (EUTF) funded project titled *Disrupting Criminal Trafficking and Smuggling Networks Through Increased Anti-Money Laundering and Financial Investigation Capacity in the Greater Horn of Africa*. The project aims to (i) strengthen national capacity for anti-money laundering and the countering of illicit financial flows; (ii) increase understanding of criminal networks and their flows of illicit finance; and (iii) enhance coordination among stakeholder agencies, among other objectives. Covering ten countries – Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan, Tanzania, Uganda and Yemen – the AML-THB project also works with regional and international intergovernmental bodies.



PARTNER FEEDBACK

“I have received your report and highlights with great pleasure. This work is really one of a kind. Congratulations on the excellent start to this huge, collective, inclusive and specialised programme for the Horn of Africa region.”

“Thank you very much for sharing the update and the informative newsletter. Our collaboration is much appreciated. I look forward to us working together again – as soon as we are through these difficult times.”

“Thank you for the newsletter. It has provided me with a good understanding of the project’s overall activities. And I look forward to receiving subsequent editions.”

“Thanks for the info and update via the newsletter.”

“Excellent initiative. Bravo!”

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