

COMBATING MONEY LAUNDERING AND TERRORISM FINANCING

Good Practices for AML/CFT Capacity Development
Programs



By **Tracey Durner** and **Danielle Cotter**

September 2018

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1101 14th Street NW, Suite 900
Washington, DC 20005
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DESIGN: Studio You London

SUGGESTED CITATION: Tracey Durner and Danielle Cotter,
“Combating Money Laundering and Terrorism Financing: Good
Practices for AML/CFT Capacity Development Programs,” Global
Center on Cooperative Security, September 2018.

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SEPTEMBER 2018

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ACKNOWLEDGMENTS

The Global Center gratefully acknowledges the support for this report provided by the government of Norway. The authors recognize the contributions of Todd Harland, Gavin Durbin, and Matthew Schwartz and the guidance of Alistair Millar, Liat Shetret, Eelco Kessels, and Jason Ipe.

The views expressed are those of the authors and do not necessarily reflect the views of the Global Center or its advisory council or the government of Norway.

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ABBREVIATIONS

AML	anti-money laundering
CFT	countering the financing of terrorism
CIFG	Counter ISIL Finance Group
FATF	Financial Action Task Force
FDI	foreign direct investment
FinCEN	Financial Crimes Enforcement Network (U.S.)
FIU	financial intelligence unit
FSRB	FATF-style regional body
GFI	Global Financial Integrity
IFF	illicit financial flow
IMF	International Monetary Fund
ISIL	Islamic State of Iraq and the Levant
MLA	mutual legal assistance
MOU	memorandum of understanding
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
STR	suspicious transaction report
UN	United Nations
U.S.	United States

INTRODUCTION

Money laundering, terrorism financing, and other illicit financial flows (IFFs)¹ present significant challenges to security and development, underpinning transnational crime and terrorism networks. IFFs hinder economic development by draining capital from developing countries and reducing the amount of tax revenue and other resources available for governments to invest in infrastructure and socioeconomic services. This contributes to conditions of relative deprivation and marginalization that drive conflict and violent extremism. Widespread corruption, poor governance, and weak financial oversight further constrain economic growth and contribute to enabling environments for violent extremism.

This report seeks to merge the rich body of good practices for implementing AML/CFT standards with the foundation of literature on approaches to capacity development.

An accurate measurement of the scale of IFFs is difficult. Because the funds are illicit, they are often concealed, whether through unrecorded trade flows, false or misinvoicing practices, or transactions outside of the formal financial sector. The estimates that do exist are staggering. In 2012 the total value of IFFs from 145 developing countries was estimated to have been greater than the combined total of foreign direct investment (FDI) and net official development assistance (ODA) received by those countries.² As developing countries experience rapid economic growth, regional and international integration, and

increasingly liberalized markets, the IFF total is rising. Between 2003 and 2012, IFFs from developing countries grew at an estimated annual rate nearly double that of gross domestic product, totaling an estimated \$6.6 trillion.³ The most recent figures show an estimated \$1 trillion in illicit financial outflows in 2014 alone.⁴ More than half of IFFs are estimated to end up in developed countries and a further 45 percent in offshore financial centers.⁵

As such, combating IFFs by empowering institutions with mandates on anti-money laundering and countering the financing of terrorism (AML/CFT) has emerged as a critical element of comprehensive approaches to security and development. Beyond curbing illicit finance, AML/CFT activities can support efforts to address corruption, weak governance, and financial exclusion, helping to prevent and counter violent extremism. Recognizing that the financial system is only as secure as its weakest link, a multitude of actors, such as the World Bank, the International Monetary Fund (IMF), the Egmont Group of Financial Intelligence Units, and various UN agencies, are supporting developed and developing economies in establishing and implementing effective AML/CFT measures. Bilateral engagements between countries and institutions provide support mechanisms as well.

The AML/CFT field of practice remains highly technical and complex, involving overlapping regulatory structures, shifting and sometimes ambiguous compliance standards, and a wide and diverse range of stakeholders. Currently, AML/CFT practitioners have at their disposal a rich body of good practices on the implementation of AML/CFT approaches and standards,⁶ as well as a foundation of literature on general

1 In line with the definition used by the World Bank and Global Financial Integrity (GFI), the term “illicit financial flows” refers to the cross-border movement of money illegally earned, transferred, or used.

2 Dev Kar and Joseph Spanjers, “Illicit Financial Flows From Developing Countries: 2003–2012,” GFI, December 2014, <http://www.gfintegrity.org/report/2014-global-report-illicit-financial-flows-from-developing-countries-2003-2012/>.

3 Ibid.

4 Joseph Spanjers and Matthew Salomon, “Illicit Financial Flows to and From Developing Countries: 2005–2014,” GFI, April 2017, <http://www.gfintegrity.org/report/illicit-financial-flows-to-and-from-developing-countries-2005-2014/>.

5 GFI, “Illicit Financial Flows,” n.d., <http://www.gfintegrity.org/issue/illicit-financial-flows/> (accessed 14 May 2018).

6 For example, see IMF and World Bank, *Financial Intelligence Units: An Overview*, 23 July 2004, <https://www.imf.org/external/pubs/ft/FIU/fiu.pdf>; Paul Allan Schott, “Reference Guide to Anti-Money Laundering and Combating the Financing of Terrorism: Second Edition and Supplement on Special Recommendation IX,” World Bank and IMF, 2006, http://siteresources.worldbank.org/EXTAML/Resources/396511-1146581427871/Reference_Guide_AMLCFT_2ndSupplement.pdf.

approaches to capacity development.⁷ This report seeks to merge the two, providing guidance on the design and implementation of effective AML/CFT-focused programs. The concepts discussed are relevant for AML/CFT practitioners, but the primary audience of this guide are those seeking to support those actors: technical assistance providers, donors, and AML/CFT policymakers.

Drawing on the Global Center on Cooperative Security's expertise of more than 10 years, the first section reflects on the current AML/CFT landscape and its implications for capacity development programming. It begins by highlighting the need to support effective systems and strengthen institutional capacities, as underscored by recent changes to international AML/CFT evaluation methodologies. It discusses the convergence and divergence of responses to money laundering and terrorism financing, as well as some of the negative consequences resulting from AML/CFT measures and their implications for "do no harm" interventions. Finally, it discusses integrating financial inclusion elements into AML/CFT programming to support broader economic development and security goals.

Against this background, the second section outlines good practices for the development of regional and national AML/CFT capacity development programs. It has segments on each stage of the program cycle: inception and design, implementation, and monitoring and evaluation. The report concludes with reflections on how technical assistance providers can help reconcile international standards, existing policies, and practical implementation contexts.

Building capacity is a process whereby actors, organizations, and societies work together to develop, strengthen, and maintain the skills to achieve shared objectives over time.

In this report, the term "technical assistance provider" refers to a category of actors that support and assist "local partners," referring to institutions that have an AML/CFT mandate, to deepen their capacities. The use of these terms is intended to differentiate between these types of actors and does not imply a defined or static relationship between them. The use of "technical assistance provider" should not limit the approaches to programming discussed in this report. Technical assistance suggests a one-way sharing of expertise and, as noted by the Organisation for Economic Co-operation and Development (OECD),⁸ does not necessarily translate into capacity development. Building capacity is a process whereby actors, organizations, and societies work together to develop, strengthen, and maintain the skills to achieve shared objectives over time. This report intentionally focuses on capacity development programming, referring to collaborative, locally owned programs that are intended to have long-term, sustained impacts on behaviors that in turn translate into institutional and macrolevel change.

7 For a comprehensive review on the topic, see Ian Christoplos, Kristoffer Engstrand, and Anna Liljelund Hedqvist, "Capacity Development Literature Review," *UTV Working Paper*, no. 2014:1 (April 2014), https://www.sida.se/contentassets/e152ed3b81ab4b9ebaf51362cc2721ea/capacity-development-literature-review_3761.pdf.

8 OECD, "The Challenge of Capacity Development: Working Towards Good Practice," *DAC Guidelines and Reference Series*, 2006, http://www.fao.org/fileadmin/templates/capacitybuilding/pdf/DAC_paper_final.pdf.

AML/CFT LANDSCAPE

Although efforts to address financial crimes have been developed and deployed for many decades, the global focus on AML grew out of international efforts to crack down on drug smuggling in the late 1980s. The Financial Action Task Force (FATF) was established in 1989 as an intergovernmental body focused on combating money laundering. Following the 11 September 2001 terrorist attacks in the United States, these efforts were expanded to include terrorism financing. Today, the FATF Recommendations and related guidance documents represent the international standards on AML/CFT.⁹ FATF and associated regional bodies regularly conduct and publish a desk-based and on-site assessment of a country's compliance with the recommendations. The United States has also been a driving force on AML/CFT issues globally, including by application of sanctions and extension of the extraterritorial reach of its national AML/CFT laws through the PATRIOT Act and other measures.¹⁰ More recently, the European Union issued its fourth AML directive—the most sweeping AML/CFT legislative act in Europe in years—which has implications for financial sectors seeking to engage with European markets.¹¹

The evolving and overlapping nature of these legal frameworks has created a complex web that can be challenging for countries to navigate and effectively implement. In some instances, the shifting compliance landscape has resulted in frustration for emerging AML/CFT regimes that have met the standards only to see the bar raised higher or new standards issued. Many simply cannot match the rapid pace of change. Below are key aspects of the evolving AML/CFT landscape relevant for technical assistance providers, including recommendations for adapting and reflecting these contexts in AML/CFT capacity development programs.

EMPHASIZING EFFECTIVENESS OVER TECHNICAL COMPLIANCE

As the most widely recognized international standard-setting body on AML/CFT matters, FATF drives policy discourse and practitioner implementation efforts. Although not legally binding, compliance with the FATF Recommendations is commonly seen as critical for jurisdictions seeking to retain access to the global financial system. FATF's enforcement power comes from its publication of triannual lists of high-risk and noncooperative jurisdictions. Colloquially referenced as a unified "Public Statement," it includes two lists: one with countries that are high risk and noncooperative, and another with monitored jurisdictions that have "strategic AML/CFT deficiencies" and are working with FATF to address them.¹² Comparatively evaluating jurisdictional risk solely based on compliance with the FATF Recommendations can be problematic. Incomplete or ineffective regulation is a concern, but the scale and volume of transactions must also be considered. Large financial hubs such as the United States and United Kingdom may present comparatively equal or higher money laundering or terrorism financing risks due to their centrality in the international financial system, yet their robust compliance regimes mean they are unlikely to be included in the Public Statement.

Inclusion on an FATF list comes with consequences. FATF calls on its members, which include the largest global economies, and other jurisdictions to apply administrative and financial measures against countries identified as high risk, making it difficult and expensive for members to conduct business with listed countries. The monitored jurisdiction label suggests that a country's financial institutions are considered to

9 FATF, *International Standards on Combating Money Laundering and Financing of Terrorism and Proliferation: The FATF Recommendations*, February 2012, http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf.

10 For further discussion, see Robert J. Graves and Indranil Ganguli, "Extraterritorial Application of the USA PATRIOT Act and Related Regimes: Issues for European Banks Operating in the United States," *Privacy and Data Security Law Journal*, October 2007, pp. 967–1003, http://www.jonesday.com/files/News/2df0b605-1cc3-4729-ae61-a0305551bbe5/Presentation/NewsAttachment/bef3c83a-6b61-46f4-9229-48c2369e9628/Graves_Ganguli.pdf.

11 "Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the Prevention of the Use of the Financial System for the Purposes of Money Laundering or Terrorist Financing, Amending Regulation (EU) No. 648/2012 of the European Parliament and of the Council, and Repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC," 2015 O.J. (L 141) 73.

12 Inclusion in either part of the Public Statement is based on review by the FATF International Coordination and Review Group. For more information, see FATF, "High-Risk and Other Monitored Jurisdictions," n.d., <http://www.fatf-gafi.org/countries/#high-risk> (accessed 15 May 2018).

be at risk for money laundering and terrorism financing exploitation. This may dissuade foreign countries, investors, and financial institutions from engaging with the listed jurisdiction, resulting in reduced investment and hindering economic development. For emerging economies seeking to attract and retain FDI and integrate into global financial markets, this can be a significant blow. The Public Statement has proven a successful motivator: of the 65 countries that have been publicly identified by FATF since November 2007, 53 have demonstrated progress sufficient for removal from the process.¹³

For more than a decade, FATF focused on technical compliance, assessing whether a country has the necessary frameworks and institutions in place. As a result, countries and technical assistance providers prioritized enacting and strengthening laws and establishing or operationalizing financial intelligence units (FIUs) as the key national body responsible for receiving, analyzing, and disseminating suspicious transaction reports (STRs) and other relevant AML/CFT information. Emphasis on technical compliance often resulted in countries and technical assistance providers taking a tick-box approach to AML/CFT concerns that did not necessarily lead to an increase in the effectiveness and capacity of systems and institutions. To address this, FATF revised its mutual evaluation criteria in 2012 to include 11 Immediate Outcomes that assess how well AML/CFT systems are working.¹⁴

This “effectiveness of implementation” standard is significantly higher and more difficult to demonstrate than technical compliance, and it will take time for countries to become compliant. To date, only five of the 48 countries evaluated under the revised criteria have been found to have high effectiveness, and only the United States has been rated as highly effective on more than one indicator.¹⁵ A lack of clarity exists surrounding how effectiveness is measured. At present, assessors appear to be giving weight to the number of investigations, prosecutions, and convictions for

This shift in the FATF assessment methodology underlines the need for technical assistance providers to prioritize operational effectiveness and institutional capacity development.

money laundering and terrorism financing. Yet, many countries have lengthy judicial backlogs that could hinder their ability to demonstrate effectiveness within evaluation timelines. Further, it is ultimately a reactive metric that does not account for the strength and effectiveness of a country’s preventative measures.

This shift in the FATF assessment methodology underlines the need for technical assistance providers to prioritize operational effectiveness and institutional capacity development. Although a role for technical trainings remains, capacity development also demands interventions focused on practitioner-level outputs and institutional outcomes that promote sustained implementation in practice.

CONVERGENCE AND DIVERGENCE OF RESPONSES TO MONEY LAUNDERING AND TERRORISM FINANCING

Following the 11 September attacks, FATF issued a special set of recommendations specific to terrorism financing. In 2012, these were consolidated into the FATF Recommendations and have been subsequently revised on a regular basis, in line with a trend among the international community toward viewing AML and CFT as a unified field of practice. Money laundering and terrorism financing often exploit the same vulnerabilities in the financial system, and similar

13 FATF, “High-Risk and Non-Cooperative Jurisdictions,” n.d., [http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/?hf=10&b=0&s=desc\(fatf_releasedate\)](http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/?hf=10&b=0&s=desc(fatf_releasedate)) (accessed 19 May 2018).

14 FATF, “Methodology for Assessing Technical Compliance With the FATF Recommendations and the Effectiveness of AML/CFT Systems,” February 2018, <http://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology%2022%20Feb%202013.pdf>.

15 FATF, “Table of Ratings for Assessment Conducted Against the FATF Recommendations, Using the 2013 FATF Methodology,” 18 May 2018, <http://www.fatf-gafi.org/media/fatf/documents/4th-Round-Ratings.pdf>.

processes and institutions are tasked with identifying, tracking, and combating these crimes.

Yet, the needs and motivations of money launderers and terrorism financiers often differ. Money laundering always involves a predicate offense that generates the funds or assets to be laundered. Money launderers are seeking to integrate “dirty money” into the financial system to make it appear legitimate. They are often looking to conceal large amounts of funds or assets and typically utilize multiple transactions conducted through various mediums to distance the proceeds from the original crime. In terrorism financing, the source of the funds is not exclusively illegal.¹⁶ Terrorism financing can have legitimate sources, for example an individual who donates a portion of their lawful income, either knowingly or unknowingly, to a terrorist group. As such, terrorism financiers may use laundering techniques not to conceal the source of the funds, but rather to conceal its support for terrorist acts or groups. The continuing proliferation of low-cost and high-impact terrorist activity demonstrates the relatively small amount of funding required for an attack, thus rendering it easier to transmit and more difficult to detect. Consequently, different sectors or methods may be more appealing or viable for terrorism financiers to exploit than those simply seeking to conceal origins of funds.

The rise of the Islamic State of Iraq and the Levant (ISIL) and its effectiveness at self-financing has renewed international attention on the specific ways that terrorists and their sympathizers fund their acts and operations. These include raising funds via controlled territory (e.g., taxation, natural resource extraction, and extortion), utilizing social media platforms to solicit donations, accessing new payment services such as prepaid cards, and recruiting foreign terrorist fighters to provide material support and resources. Extortion, kidnapping for ransom, abuse of legitimate commercial enterprise, and the abuse of nonprofit

organizations remain some of the key terrorism financing typologies used by violent extremist groups.

In response to these trends and reflecting the growing body of knowledge on CFT, the international community is increasingly treating AML and CFT as separate fields of policy and practice. FATF issued revised guidance on emerging terrorism financing risks in 2015¹⁷ and set out a consolidated strategy on combating terrorism financing in 2016.¹⁸ New international bodies with a CFT-specific remit have emerged, including the Global Coalition to Counter ISIL and its Counter ISIL Finance Group (CIFG). In turn, AML efforts are more frequently included within broader counter-IFE, anti-corruption, or asset recovery initiatives and framed as part of broader development and governance initiatives.

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For technical assistance providers, this redivergence between AML and CFT is reflected in the OECD guidelines regarding ODA classification. AML capacity development programs with the main objective to counter IFFs are eligible for ODA funding under the rubric of “promoting the economic development and welfare of developing countries.”¹⁹ Expressly antiterrorism activities, which can include engagement on CFT with relevant agencies and institutions that have counterterrorism mandates, are excluded from ODA eligibility. As a result, a number of donors have designed CFT-specific interventions that are not ODA eligible and that engage more traditional counterterrorism partners.

16 See Erik Alda and Joseph L. Sala, “Links Between Terrorism, Organized Crime, and Crime: The Case of the Sahel Region,” *Stability: International Journal of Security and Development* 3, no. 1 (2014).

17 FATF, *Emerging Terrorist Financing Risks*, October 2015, <http://www.fatf-gafi.org/media/fatf/documents/reports/Emerging-Terrorist-Financing-Risks.pdf>.

18 FATF, “Consolidated FATF Strategy on Combatting Terrorist Financing,” 19 February 2016, <http://www.fatf-gafi.org/media/fatf/documents/reports/FATF-Terrorist-Financing-Strategy.pdf>.

19 OECD, “Official Development Assistance—Definition and Coverage,” n.d., <http://www.oecd.org/dac/stats/officialdevelopmentassistancedefinitionandcoverage.htm> (accessed 19 May 2018).

Technical assistance providers should be mindful of these considerations when exploring programming options. Securing a mix of ODA and non-ODA funding may be required to engage with the full spectrum of CFT-relevant agencies, which includes intelligence and counterterrorism-specific civilian or military units.²⁰ Further, donors and providers must work to ensure alignment and complementarity between programs on AML and CFT. Each of the different AML/CFT actors has a unique role to play in combating IFFs. Critically, demonstrating effectiveness of implementation will require proficient coordination and collaboration between governmental actors (FIUs, law enforcement, judiciary, and intelligence bodies) and with the private sector reporting entities, who are on the front lines of money laundering and terrorism financing prevention.

ENSURING 'DO NO HARM' PRINCIPLES

AML/CFT activities are a necessary element of peace and stabilization efforts, yet their implementation has not been without significant negative consequences. UN Security Council Resolution 1373, passed unanimously in the days after the September 11 terrorist attacks, required all member states to implement laws that criminalized terrorism financing and to freeze the assets of individuals and entities associated with terrorism or terrorist networks. Such requirements were further elaborated under FATF Recommendations 5 and 6. In the past, sanctions regimes applied only to individuals and entities designated by the United Nations. Without a universal definition of terrorism, Resolution 1373 allowed states to determine their own criteria for the domestic designation of terrorists and

terrorist organizations. In his 2015 report to the Secretary-General, the UN Special Rapporteur on counterterrorism and human rights noted that “many of the measures taken or envisaged by States violate the principle of legality by containing overly broad and vague definitions of terrorism.... Unclear, imprecise or overly broad definitions can be used to target civil society, silence human rights defenders, bloggers and journalists, and criminalize peaceful activities in defence of minority, religious, labour and political rights.”²¹

Although revised in 2016, FATF Recommendation 8 previously identified nonprofit organizations as “particularly vulnerable” to terrorism financing due to the belief that terrorists were exploiting civil society organizations to raise and transfer funds, support recruitment, and provide logistical support. This terminology created significant reputational challenges for nonprofit organizations and has resulted in heightened scrutiny and administrative burdens, such as new or expanded licensing and registration requirements and limitations or bans on foreign funding. Such measures allow governments wide discretion and influence over the establishment and operations of civil society²² and can be abused to further target political dissidents and constrain freedoms of speech and association.

Another unintended consequence that has gained prominence in recent years is de-risking, or the closure of accounts, transaction delays, and denial of services to categories of clients. Heavily impacted sectors include correspondent banking relationships, money service businesses, and nonprofit and humanitarian organizations, especially those operating in conflict or disaster-affected areas.²³ The term “de-risking” itself is problematic, suggesting that the financial institutions are acting solely on the basis of risk when the driv-

20 Alistair Millar, “Updated Guidance on ODA-Eligible Activities for Preventing Violent Extremism: Implications and Opportunities for the European Union,” Counter-Terrorism Monitoring, Reporting and Support Mechanism, n.d., <http://www.globalcenter.org/wp-content/uploads/2017/05/DAC-and-PCVE-Think-Piece-1.pdf>.

21 UN General Assembly, “Promotion and Protection of Human Rights and Fundamental Freedoms While Countering Terrorism: Note by the Secretary-General,” A/70/371, 18 September 2015, para. 14.

22 Ben Hayes, “The Impact of International Counter-Terrorism on Civil Society Organizations: Understanding the Role of the Financial Action Task Force,” *Brot für die Welt*, April 2017, p. 21.

23 World Bank, *Report on the G20 Survey on De-Risking Activities in the Remittance Market*, October 2015, <http://documents.worldbank.org/curated/en/679881467993185572/pdf/101071-WP-PUBLIC-GPFI-DWG-Remittances-De-risking-Report-2015-Final-2.pdf>; World Bank, *Withdrawal From Correspondent Banking: Where, Why, and What to Do About It*, November 2015, <http://documents.worldbank.org/curated/en/113021467990964789/pdf/101098-revised-PUBLIC-CBR-Report-November-2015.pdf>; Sue E. Eckert, Kay Guinane, and Andrea Hall, “Financial Access for U.S. Nonprofits,” Charity and Security Network, February 2017, [https://www.charityandsecurity.org/system/files/FinancialAccessFullReport_2.21%20\(2\).pdf](https://www.charityandsecurity.org/system/files/FinancialAccessFullReport_2.21%20(2).pdf).

ers are actually more varied and complex. Perceived client risk and concern over rising AML/CFT fines and enforcement actions are an element of de-risking decisions, but other factors include low profitability of clients in the face of rising compliance costs, higher capital requirements and liquidity thresholds following the 2008 financial crisis, and reputational and liability concerns.²⁴ De-risking reduces overall financial transparency, forcing affected actors to conduct transactions outside of regulated sectors and reducing the ability of authorities to monitor transactions or obtain information. De-risking also contributes to the economic exclusion and marginalization of vulnerable communities, particularly women,²⁵ conditions that are commonly cited as drivers of conflict and violent extremism.

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Technical assistance providers must recognize the sensitivities of the landscape in which they operate and take care to do no harm by ensuring that programming does not contribute to perceptions of unacceptable risk or facilitate constraints on civil society space inadvertently. Across activities, providers should balance hard-line AML/CFT enforcement perspectives with more

development-focused approaches that demonstrate the overall value of supporting and enabling these sectors and their constituencies. The expertise of local partners can play a critical role, navigating political sensitivities to ensure that regulation is calibrated to risk and that its implementation is human rights based and in accordance with the rule of law.

PRIORITIZING FINANCIAL INCLUSION

Financial inclusion involves making affordable and accessible financial services available to underserved communities—the “unbanked” or “underbanked.” This concept is often considered to refer to the formal financial sector only, but it should also include access to and use of alternative payment products and services, sometimes called the informal economy by FATF. At the community level, financial inclusion can help individuals or families send and receive funds, accumulate savings, and invest in small businesses. On a macrolevel, financial inclusion has been observed to correlate with economic growth, increased employment opportunities, and reductions in extreme poverty.²⁶ Financial inclusion measures can be enhanced when taken in conjunction with efforts to address socioeconomic conditions that negatively affect security and development, such as corruption, unequal distribution of resources, and marginalization. As such, financial inclusion has been on the international development agenda for many years. The Group of 20 has developed a Financial Inclusion Action Plan,²⁷ and the World Bank is working toward a goal of universal financial access by 2020.²⁸ Financial inclusion has been cited as an enabler of the UN Sustainable Development Goals.²⁹

24 Tracey Durner and Liat Shetret, “Understanding Bank De-Risking and Its Effects on Financial Inclusion,” Oxfam America and the Global Center on Cooperative Security, November 2015, <http://www.globalcenter.org/wp-content/uploads/2015/11/rr-bank-de-risking-181115-en.pdf>.

25 Duke Law International Human Rights Clinic and Women Peacemakers Program, “Tightening the Purse Strings: What Countering Terrorism Financing Costs Gender Equality and Security,” 2017, <https://law.duke.edu/sites/default/files/humanrights/tighteningpursestrings.pdf>.

26 Robert Cull, Tilman Ehrbeck, and Nina Holle, “Financial Inclusion and Development: Recent Impact Evidence,” *Focus Note*, no. 92 (April 2014), <http://www.cgap.org/sites/default/files/FocusNote-Financial-Inclusion-and-Development-April-2014.pdf>.

27 Global Partnership for Financial Inclusion, “2017 Financial Inclusion Action Plan,” July 2017, http://www.gpfi.org/sites/default/files/documents/2017_g20_financial_inclusion_action_plan.pdf.

28 World Bank, “World Bank Group and a Coalition of Partners Make Commitments to Accelerate Universal Financial Access,” 17 April 2015, <http://www.worldbank.org/en/news/press-release/2015/04/17/world-bank-group-coalition-partners-make-commitments-accelerate-universal-financial-access> (press release).

29 UN Capital Development Fund, “Financial Inclusion and the SDGs,” n.d., <http://www.uncdf.org/financial-inclusion-and-the-sdgs> (accessed 19 May 2018).

Financial inclusion and AML/CFT efforts can be seen as mutually advantageous: taking a risk-based approach to AML/CFT efforts supports expanded financial access and the integration of countries into the global economy while reducing the risk for money laundering and terrorism financing abuse through additional transaction monitoring and enhanced transparency. In practice, however, the implementation of AML/CFT measures can sometimes negatively affect financial inclusion, for example by contributing to de-risking practices.

Technical assistance providers can play a critical role in ensuring that AML/CFT policies are developed and implemented in line with broader financial inclusion, economic development, and peace and stabilization goals. This may include engaging new financial service providers, finance ministries, and economic development actors alongside more traditional AML/CFT actors such as FIUs, law enforcement agencies, and national security structures to highlight the direct contribution of AML/CFT implementation to economic development while promoting balanced and holistic financial regulation policies and strategies. Situating such discussions within the context of existing national economic development plans can help support polit-

Financial inclusion and AML/CFT efforts can be seen as mutually advantageous. In practice, however, the implementation of AML/CFT measures can sometimes negatively affect financial inclusion, for example by contributing to de-risking practices.

ical prioritization for AML/CFT matters from a more diverse range of stakeholders. For practitioners, referencing to and highlighting international guidelines and approaches can be useful in bridging gaps and aligning perspectives between financial inclusion and AML/CFT concepts. For example, the World Bank's second-generation national risk assessment methodology includes a specific module on financial inclusion products, and FATF has issued guidance on financial inclusion, including a 2017 supplement on customer due diligence.³⁰

³⁰ FATF, *Anti-Money Laundering and Terrorist Financing Measures and Financial Inclusion With a Supplement on Customer Due Diligence*, November 2017, <http://www.fatf-gafi.org/media/fatf/content/images/Updated-2017-FATF-2013-Guidance.pdf>.

CONSIDERATIONS FOR AML/CFT PROGRAMMING

Strong political will is the first step for effective AML/CFT capacity development. Government and private sector institutions must be committed to enacting necessary measures and to sustainably operationalizing training material and other capacity development support. Existing guidance on delivering effective development assistance offers a foundation for designing and implementing impactful AML/CFT-specific programs. Early wins that demonstrate the possibility of progress and an expression of confidence and support by senior- and operational-level staff in relevant governmental institutions can build the momentum necessary to nurture the longer-term commitment required to have lasting impact on AML/CFT regimes.³¹ The 2011 *World Development Report*, although focused on institutional transformation in postconflict contexts, highlights practices applicable to supporting the sustainable growth of AML/CFT regimes in countries at different stages of development. This includes taking a gradual and systematic approach, noting that although repeated small successes are important for reinforcing morale among stakeholders, institutional development takes significant time.³² AML/CFT programming is beholden to timing and funding constraints, but planned activities and resulting successes should still contribute to the ultimate long-term objectives of enhancing institutions in an enduring way and establishing locally owned knowledge.

Effectively combating money laundering, terrorism financing, and other forms of IFFs requires political will, capacity, and cooperation at the national, regional, and international levels. Approaches to capacity development at each level differ and offer distinct contributions. AML/CFT programming on a global scale facilitates cross-regional experience sharing; aggregate analysis of trends, typologies, and impacts; and opportunities for global standard-setting and policy discussions. Similarly, regional-level AML/CFT programming can support relationship building and the development of information-sharing channels

between countries that enable coordinated responses to IFFs. Regional and international programs can also convene institutions from a number of countries that face similar challenges or that are linked financially. Yet as an AML/CFT regime advances, capacity development efforts require customization to reflect a country's unique legal frameworks and threat profiles. In these cases, sustained and holistic national programming can be useful to develop the expertise of a core group of AML/CFT practitioners and institutions. National programs can also be effective in raising stakeholder awareness of the money laundering and terrorism financing threats a country faces. Practical considerations often limit the number of participants at regional and international forums, while national programming frequently supports wider practitioner engagement, including those from outside of the capital or institutional headquarters.

These approaches are interrelated. Building national capacity can create a foundation for regional and international coordination because the effectiveness of multilateral coordination hinges on the ability and capacity of national AML/CFT regimes. Even if information-sharing processes are established between jurisdictions, they are ineffective if one party lacks the capacity to detect and investigate instances of potential abuse or to gather and analyze data in an efficient and useful way. Information technology systems that can enhance analytical capacity and that have the ability to securely store and share sensitive information are critical.

Following are good practices for the development of regional and national-level AML/CFT capacity development programs, divided by each stage of the program cycle: inception and design, implementation, and monitoring and evaluation. Although separately examined for the purposes of this report, monitoring and evaluation systems should be embedded at every stage of the program cycle and regularly reviewed to

31 For a more detailed discussion on change management within the context of rule of law programs, see Vivienne O'Connor, "A Guide to Change and Change Management for Rule of Law Practitioners," International Network to Promote the Rule of Law, January 2015, https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID2665670_code2453565.pdf?abstractid=2665670&mirid=1&type=2.

32 World Bank, *World Development Report 2011: Conflict, Security and Development*, 2011, p. 108, http://wdr2011.worldbank.org/sites/default/files/pdfs/WDR2011_Full_Text.pdf.

assess whether activities are aligned to achieve the intended objectives and whether identified indicators are effectively measuring outputs and outcomes. Local ownership and sustainability should dictate work across all stages.

INCEPTION AND PROGRAM DESIGN

AML/CFT capacity development is most effective when informed by the needs and priorities of national partners and other stakeholders, based on a holistic assessment of the capacities of the various institutions involved, and tailored to a country or region's unique operating context. Refinement of these understandings throughout project planning is important, especially as political situations and institutional capabilities change, but the inception phase is when technical assistance providers must confirm that the project is properly grounded. Even in cases where the project is a continuation of prior work or with well-established partners, technical assistance providers should allot sufficient time and attention to the inception phase to challenge their assumptions and establish a baseline of capacity on which progress will be measured. There are three key, interrelated objectives for any inception phase: listening and learning, building relationships, and project planning. These objectives are not exclusive to AML/CFT programming but are worth reiterating as core elements of any capacity development program.

Listening and Learning

Learning should be an ongoing part of all capacity development programming, but it is particularly important that technical assistance providers thoroughly research and understand the context-specific landscape at the start of a program before engaging with local partners. Local partners often have a strong contextual and practical understanding but may not “know what they don't know.” Technical assistance providers are tasked with bridging this gap, recognizing and drawing on local expertise while contributing their own technical knowledge to collaboratively identify areas for institutional development.

Desk research is often the first step in building this knowledge base. Useful sources include national laws and strategies, policy documents, local media

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reports, and journals or newsletters from professional associations, as well as international assessments and analysis by FATE, FATF-style regional bodies (FSRBs), and others. Thorough research should go beyond the technicalities of a country's AML/CFT regime to gain an understanding of the situation and prioritization of AML/CFT issues; domestic, regional, and international political dynamics; the health of the national economy, including production and trade; and human development indicators, including financial inclusion. Money laundering, terrorism financing, corruption, and other IFFs and efforts to prevent them are sensitive issues that cannot be addressed without contextual understanding. This information will assist technical assistance providers in developing AML/CFT programming that will do no harm and respect human rights.

Armed with a baseline understanding of the country's operating context, a series of in-country consultations should be conducted to listen to the experiences, perspectives, and priorities of project partners and other interlocutors. These consultations augment, validate, and refine desk research with local expertise, filling in gaps in publicly available or accessible information. Consultations also help to identify areas of overlap and divergence in stakeholder perceptions and to assess levels of political will within and across institutions. Given the focus on effectiveness of implementation in AML/CFT regimes, inception-phase consultations must include a broad range of stakeholders, from reporting entities and related professional associations to FIUs, regulators, and law enforcement and judicial actors. Consultations should seek to engage high-level

officials and rank-and-file staff to explore whether management and frontline employees perceive the same challenges and share the same priorities. When possible and appropriate, consultations should be held separately and insights from those meetings recorded anonymously to ensure a frank reflection of perspectives without fear of retribution. The extent to which consultations will yield candid conversations is influenced by the level of trust between technical assistance provider and local partners and between local partners and interlocutors.

During these consultations, technical assistance providers should seek to understand the current institutional operating climate and level of capacity and political will among stakeholders. Are policies and procedures followed and, if so, how? What are the perceptions of awareness and capacity across stakeholders? What seem to be actual versus perceived roadblocks or challenges? What are the decision-making factors regarding institutional priorities on AML/CFT matters? Consultations should also be used to identify AML/CFT-specific and -relevant programming to avoid duplication and maximize efforts. Providers should reach out to current and prior capacity development partners to share lessons learned.

These meetings provide an opportunity for the technical assistance provider to recognize, utilize, and build on existing expertise while identifying gaps relative to international standards and good practices. As an external and neutral party, providers can be more direct in assessing challenges within an AML/CFT regime, including those that might be too politically sensitive for the project partner to raise. If possible, a series of iterative consultations is advised to allow time for reflection, further research, and ongoing discussion.

Building and Strengthening Relationships With Local Partners

Once the context is fully understood, the most important objectives of the inception phase are establishing and strengthening relationships with identified local partners and beneficiaries. Building trust and rapport underpins the informal and candid communication necessary for program development and ongoing refinement. Open dialogue can foster local ownership and investment in project activities, ensuring that they

align with capacities, needs, and perspectives. This is particularly important for AML/CFT programs, which often collide with sensitive areas where foreign involvement is understandably restricted, including intelligence, information security, political change and corruption, investigation techniques, and due process.

Therefore, the technical assistance provider must ensure high-level political buy-in for program objectives. Ideally, donor and recipient countries would sign political agreements before program funds are allocated, ensuring a mutually beneficial and desired engagement and initiating the relationship-building process. Even in cases when this occurs, providers should conduct due diligence and ensure that the project has been cleared by all appropriate senior-ranking officials and that programming is in compliance with all national laws in the country of operation. Once the program is operational, providers and local partners should be sure to keep relevant authorities informed on program updates as appropriate. In addition to providing cover politically, this can help raise the visibility of AML/CFT issues and program partners and ensure continued support and investment by the government.

Technical assistance providers should use the inception phase to ensure that they understand and follow any necessary institutional protocols. This includes procedures for the timing, method, and type of authorities to consult and engage; the selection of program participants; and the preferred methods of communication and feedback with project partners. Cultural practices and organizational hierarchies in this regard should be understood and respected. Setting clear expectations and processes at the start of the program can help avoid issues and delays in implementation.

Throughout the program, technical assistance providers, especially any local staff, should establish open pathways of communication so that local partners feel the providers are accessible and transparent. Frequent and ongoing in-country meetings with partners, local staff, and other stakeholders can further advance trust and rapport. Prior experiences of the technical assistance provider in the region can be a critical building block. Relationship building is necessarily time intensive, and providers should be responsive to their partners rather than prescriptive during this process. As appropriate during this dialogue, providers should

offer their experiences, positive and negative, rather than adopting a “you must” dialogue so that project partners can contextualize the issues with their deeper understanding of the institution, jurisdiction, and environment. Trust, mutual respect, and understanding can facilitate entry points for more difficult or sensitive conversations that may emerge around capacity gaps or risks as the project progresses.

Project Planning

Once inception consultations are complete, the next steps are analyzing the information collected, identifying objectives with local partners, elaborating a theory of change,³³ and developing project workplans. Project workplans should consider prior and ongoing AML/CFT efforts and focus on what they can offer to the landscape as a way to synergize programming.

Mutual evaluation reports can provide a great starting point, outlining a clear and jointly agreed set of capacity gaps. Following its assessment, a country may work with FATF and its International Co-operation Review Group and regional review groups to develop an action plan. Countries may also have existing national AML/CFT strategies or national risk assessments, which can be useful in project planning, perhaps even more so because they are locally owned and backed by a process that commonly fosters AML/CFT awareness raising and relationship building among critical, high-level stakeholders. Alignment of project workplans with these action strategies and assessments can be useful in that it capitalizes on existing political will. Yet, technical assistance providers must ensure that programming is focused on holistic and sustainable capacity development rather than reactively implementing activities solely to tick a box.

Workplans should reflect the theory of change and illustrate the steps that must be undertaken to achieve identified objectives. Dedicating sufficient time to

developing a clear and simple mission statement can also be helpful, providing a benchmark that can be referenced throughout implementation to ensure activities align with overarching program goals. Workplans need to be logically sequenced to achieve the intended outcomes of the capacity development program within the allotted program duration. Although including a few small wins that can be achieved early in the program may be important for initial momentum and buy-in, activities should be designed with the intention of advancing the objectives in the longer term, including beyond the duration of the project. Written project plans should be codeveloped with local partners and approved by both parties before finalization.

When undertaking project planning, technical assistance providers should consider several elements.

- Impact (the strategic objective to which outcomes contribute)
- Outcomes (the benefits, results, or changes achieved by the outputs)
- Outputs (the tangible and intangible results of activities)
- Activities (actions undertaken with those inputs)
- Inputs (human, material, financial, and knowledge resources of the program)

In developing workplans, technical assistance providers are encouraged to work backward, as listed above, from the intended objective or impact. To do this, they must identify (1) what outcomes will contribute to the project’s objective or intended impact, (2) what outputs are required to meet that objective, (3) the necessary inputs and activities required to produce the output, and (4) the logical sequence of events and activities and allocate sufficient human and resource capital. As noted above, it is critical that project workplans are

33 The theory of change concept is not specific to AML/CFT matters, and numerous resources are available on this topic. See Dana H. Taplin and Heléne Clark, “Theory of Change Basics: A Primer on Theory of Change,” ActKnowledge, March 2012, http://www.theoryofchange.org/wp-content/uploads/toco_library/pdf/ToCBasics.pdf; Peter Woodrow and Nick Oatley, “Practical Approaches to Theories of Change in Conflict, Security & Justice Programmes,” UK Department for International Development, March 2013, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/304613/Practical-approaches-theories-change-conflict-security-justice-prog.pdf; Jesper Johnson, “Theories of Change in Anti-Corruption Work: A Tool for Programme Design and Evaluation,” *U4 Issue*, no. 6 (October 2012), <http://www.u4.no/publications/theories-of-change-in-anti-corruption-work-a-tool-for-programme-design-and-evaluation/downloadasset/2922>.

In developing workplans, technical assistance providers are encouraged to work backward from their intended impact by first identifying the desired outcomes or changes and then identifying activities and outputs that would support those changes and advance the intended impact.

designed to support long-term objectives and sustainable institutional development. This requires looking beyond the identified gaps to understand the related skills and operational contexts that are required to achieve the intended outcome.

A program intended to strengthen the ability of a country to combat IFFs provides one example. Through inception research and consultations, the project team (the technical assistance provider and local partners) has identified that insufficient analysis of STRs are hindering the country's ability to detect, investigate, and prosecute financial crimes. Therefore, it is agreed that the intended outcome of the project is enhanced STR analysis. The project team must then examine the factors that are driving the low levels of analysis. Do staff lack sufficient knowledge and expertise on advanced STR analytical skills? Does the FIU not have adequate software or analytical tools to conduct advanced analysis? Is there not enough staff and therefore not enough time dedicated to examining STRs?

Some of these factors may fall outside the remit of the program but will be necessary to achieving intended objectives. For example, is there sufficient institutional prioritization of STR analysis and thus sufficient allotment of staff time and resources? Is the FIU receiving quality, timely, and sufficient STRs from reporting entities? Are regulatory bodies providing effective supervision and enforcement?

Once these factors have been identified, the project team can determine which can be feasibly addressed

within the scope of the project and develop activities that address the selected issues and achieve the intended outcome. For example, if lack of staff expertise is a factor, the technical assistance provider can develop a curriculum on strategic and operational analysis (input) and implement a series of trainings (activities) that strengthen the capacities of FIU staff to conduct STR analysis (output).

The project team must consider the risks and challenges associated with the planned activities and outputs, as well as the risks posed by factors outside the program, to its success. Integrating risk matrices into project workplans is advised, particularly given the unpredictable nature of terrorism and the political nature of counterterrorism actions. Risk matrices should identify a variety of different types of risk, including contextual (security, political), institutional (political will, resources, mandates), and programmatic (hindrances to effective activities). Technical assistance providers should work closely with local partners and other stakeholders to assess the likelihood of each risk, the level of impact it would have on the program, and what actions can be taken to prevent against or mitigate its impact. Providers and local partners are responsible for monitoring for these and other unanticipated risks throughout the duration of the program and staying in close communication with donors to proactively respond where necessary and appropriate.

Developing workplans can prove challenging, particularly when differences exist between policy and institutional priorities or when needs assessments and perceptions vary across in-country actors and partners, international bodies and assessors, and the program donors. Beyond AML/CFT policy, project workplans and objectives often must account for the stated foreign policy of the donor country and its bilateral relationships. It can be a difficult balancing act for technical assistance providers, but the needs of the program should drive the workplan: what activities would be most useful to the local partners to achieve the intended outcome of the program? This requires being responsive and reflective of project partner's priorities while remaining aware of how those needs fit into the broader AML/CFT policy and compliance landscape.

Finally, technical assistance providers should not become too rigid in their approaches to project planning and should set similar expectations with the donors. Although sticking to a project plan is advisable, a degree of flexibility is required, particularly at the output and activity levels to remain responsive to partners and reflective of changing contexts. Good practice suggests adopting short-, medium-, and long-term plans and remaining in open and regular communication with all project stakeholders. In practice, this may mean developing inputs and activities three months in advance, identifying target outputs six months in advance, and planning overall outcomes in sequence across the duration of the project.

PROGRAM IMPLEMENTATION

Once the workplan has been agreed, the program moves to the implementation phase, and activities can begin. Effective capacity-development programs should include various and flexible configurations of activities, the deployment of which should be informed by an ongoing process of monitoring and evaluation. This section outlines some of the key methodologies for AML/CFT capacity building, focused on methods of technical assistance, relationship building, and peer information sharing. It also discusses good practices for program and donor coordination, as well as the ongoing role of the technical assistance provider in program implementation.

Effective capacity-development programs should include various and flexible configurations of activities, the deployment of which should be informed by an ongoing process of monitoring and evaluation.

Given the nature of the subject matter, AML/CFT programs often rely heavily on trainings and other methodologies for delivering technical assistance. On an individual level, these activities offer participants an opportunity to develop specialized knowledge and

employ new skills and tactics in their work. The extent to which those skills are employed at an aggregate level demonstrates whether an AML/CFT regime has increased capacity.

Training and Workshops

There are several training formats, each of which suit different participants and topics. For example, an on-site training workshop would benefit a specific team within one institution, whereas broader workshops with participants from several entities provide opportunities for interagency engagement and discussion. Should the budget allow, it is important that training or strategic guidance materials be translated into local languages to promote sustainability.

Beyond imparting technical knowledge, trainings should incorporate collaborative exercises that require active participation. These include traditional group exercises, case studies, and simulations that support translating knowledge into practice and are conducive toward learning and information retention. These exercises are best when customized, including by using realistic sample documents, common local names and references, and institutions that exist in the host country. Simulations and mock exercises that engage multiple organizations with linked mandates, for example FIUs and investigators, can be especially useful. It encourages actors to see the full AML/CFT picture and understand the operations of their peers and the assistance to and use by those partners of their work. This can help them identify gaps or areas of disconnect and ways in which partnerships can be strengthened and policies streamlined.

The substance of the training will generally dictate the participant selection process. Relevance of training participants should be emphasized over quantity; prioritize attendees who are actually charged with AML/CFT responsibilities over filling the room. For example, a training for regulatory bodies should include those individuals who play a role in supervision. Seniority of participants is another important consideration. An awareness-raising exercise might be more conducive to a mix of seniority levels than a participation-intensive operational training, because junior officials may be hesitant to participate in front of their superiors lest they answer a question incorrectly or

offer constructive criticism perceived as insubordination. In some contexts, it may be beneficial to include a few senior-level officials in trainings for midlevel officers, for example FIU analysts or police investigators, to further secure political buy-in for national AML/CFT efforts.

Technical assistance providers and project partners alike should seek to engage a gender-balanced and diverse set of participants in capacity development activities whenever possible. In instances where newly established AML/CFT units do not yet have female employees, requests for gender-balanced participation should still be submitted on the record, which may encourage the recruitment or promotion of female talent. Under the guidance of project partners, efforts should also be made to include participants from a variety of ethnic groups, religions, and localities.

Training of Trainers

In many contexts, low pay or limited opportunities for growth contribute to a trend of high employee turnover across governmental agencies, including FIUs, central banks, customs agencies, and ministries of justice. This can threaten the extent to which trainees employ the content they learn and invest in long-term institutional growth. As such, developing trainings in a way that promotes longer-term sustainability and expands the scope of impact is key. Whenever possible, a train-the-trainer model should be adopted. In addition to promoting sustainability, it allows for the spread of skills beyond the capital, especially in cases where technical assistance providers are unable to travel frequently to all areas of the country. In these instances, participants may be selected from different parts of the country to attend training in the capital. This is likely to be more resource efficient and result in a more sustained dissemination of information than the alternative, i.e., selecting participants from the capital and supporting them in traveling to regions for individual trainings. As an additional benefit of a train-the-trainer model, participants can deliver subsequent trainings in one or more native languages,

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removing the need for interpretation and facilitating more direct engagement between trainers and trainees.

In terms of designing a train-the-trainer program, a multipart certification program³⁴ is often advised to help develop a depth of expertise and should include substantive and didactic components. Where appropriate, technical assistance providers should consider having trainers and peers evaluate a participant's delivery of training material prior to certification as a measure of quality control and to ensure certificate prestige. Involving local experts in the development of train-the-trainer curriculums and evaluations is recommended to ensure that training modalities are appropriate for sustainable use and that material reflects national contexts. Anchoring train-the-trainer programs in existing national training centers cements local ownership and promotes the sustainability of institutional memory through the creation of new knowledge products.

Legal Drafting Assistance

Many countries may want to amend their AML/CFT laws in response to a FATF Public Statement, legal review by an external source, or self-assessment. Technical assistance providers can support the establishment of committees consisting of local legal experts who research, draft, and revise laws and amendments. The project budget could support the costs associated with the committee, including payment to experts and funding workshops at which documents are drafted and revised. Additionally, the technical assistance provider can support the convention of a finalization

³⁴ Even if unacknowledged by an external training body, a certification program is beneficial because it instills confidence in participants. For unacknowledged certification programs, the trainers or technical assistance provider may wish to offer to serve as professional references for participants.

workshop in which the document is presented and discussed among a wider audience of stakeholders. Providers may contribute to the review of the document, offering suggestions based on model AML/CFT laws; but they should not “hold the pen” during these processes, which should be led by project partners and other local stakeholders.

Official translations of all AML/CFT laws and directives should be available in all of a country’s national languages and updated following any amendments. Should such translations not exist, the technical assistance provider should include the cost of such translations in the project budget. It is good practice to have multiple translators review the document to ensure that it accurately reflects the original meaning.

Development of Standardized Procedures and Summary Documents

Standardized procedures are helpful for any institution seeking to professionalize its approaches to work. For example, FIU analysts may benefit from uniform procedures on rating and prioritizing the order in which they analyze STRs. The technical assistance provider can incorporate procedural development workshops, drafting sessions, periodic reviews, and internal feedback discussions. Such elements can be key to sustained implementation and institutional capacity development and can support relationship building by providing opportunities for participants to work together to develop solutions. Local and international experts can contribute to these elements by sharing examples and serving as the moderator or rapporteur of discussions.

Another useful exercise may be convening involved authorities to reflect on completed cases, prepare written summaries of their outcomes, and record lessons learned. This would provide an opportunity to assess the efficacy of national interagency cooperation and identify trends in IFFs. Cases would be anonymized should they be made available for public consumption, for example for inclusion in the national FIU annual report or for incorporation in an international compendium. Efforts to improve processes and consolidate lessons learned, although time consuming, contribute to enhanced staff competencies in carrying out their duties and help achieve FATF’s effectiveness of implementation threshold.

Institutional Guidance

A program may not be able to directly address all of the factors needed for a certain outcome. Yet, technical assistance providers may be able to provide guidance and support to project partners on issues outside the scope of the program. For example, a common challenge is securing sufficient staffing budgets and recruiting and retaining staff. Newly established FIUs may not have a dedicated human resource professional, but clarity on the structure and function of the organization will contribute to an enhanced understanding and articulation of needs. Based on their understanding of an FIU’s functions, the technical assistance provider could encourage the development or review of an FIU organizational chart. This would help to outline how different roles work and support one other, identify staffing gaps, and determine hiring priorities. Building on this exercise, the project partner could work with the provider to develop written job descriptions that clarify each role and the ideal skills and experience of the people who fill these positions. These documents can be used by leadership to clearly articulate the need for additional staffing with relevant authorities.

Recruitment processes must remain flexible and temper expectations of fulfilling this candidate wish list. Narrow job descriptions could limit the applicant pool, which is an especially relevant consideration in countries where AML/CFT institutions and laws are relatively new and technical expertise may be inadequate. Creativity, for example by focusing on desired traits in candidates, such as their malleability to new approaches, rather than restricting discussions to skills and experience, will likely lead to the selection of well-rounded and qualified team members.

Deepening Pathways of Collaboration

Although technical capacity forms the foundation, effective AML/CFT regimes demand coordination and collaboration across a diverse chain of actors within a country and between respective agencies in different countries. Formal methods for coordination such as treaties and agreements are useful, but informal channels of communication between focal points can often be more effective in responding to time-sensitive matters.

Technical assistance providers should connect rele-

Although technical capacity forms the foundation, effective AML/CFT regimes demand coordination and collaboration across a diverse chain of actors within a country and between respective agencies in different countries.

vant actors and support relationship building as an ongoing element of all programming, including by the facilitation of peer learning and information exchange opportunities. Ideally, this should be done in consultation with program partners to ensure respect for appropriate procedures and contexts. Relationship building can be conducted as a specific activity (e.g., information-sharing workshops) that link and bridge workstreams for programs that have multiple partners or objectives. In contexts where organizations have weak or contentious interagency dynamics or countries have limited formal bilateral structures, relationship building can be accomplished as part of ongoing programmatic development. For example, if two separate entities are tasked with investigating money laundering and terrorism financing, the technical assistance provider can convene an informal meeting of focal points to discuss areas of shared priority under the broader program, i.e., training priorities. Although discussing the training needs was the impetus for the meeting, the bigger success was opening or expanding the chain of communication between focal points.

On-Site Visits

When project partners travel to peer institutions for information exchanges, it often results in a valuable experience for both parties. Partners have the chance to see the inner workings of institutions and may be motivated to adopt good practices observed during the study visit upon their return. Both parties benefit from the opportunity to network and develop informal relationships that could promote future information exchange. Such lines of communication increase the likelihood that information requests between FIUs will be answered at the visit's conclusion.

Due to information classification, a hosting institution may require that delegation members hold a security clearance or the national equivalent. Lack of such clearance may disqualify staff of institutions or limit the exchange of information and should be considered when planning peer information exchanges.

Peer-learning opportunities should connect institutions at similar levels of capacity as much as possible. For example, analysts from a number of peer FIUs have had the chance to visit the U.S. FIU, the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN), and found the experience to be instructive and valuable. FinCEN, however, has significantly more manpower and technology available than many other FIUs, which makes relating to shared examples difficult. For these reasons, it might be more relevant and practical for a project partner to visit a country that was in a similar position, whether institutionally, legally, or developmentally, in the last five to 10 years. Learning how the institutions managed its development would provide more direct insight into how the project partner can realize progress and avoid pitfalls. It can also help project partners set realistic estimates of expected progress and model an action plan based on the experiences shared. The insights from such exercises are potentially more transferable and enable the activity to be a true exchange rather than a one-sided presentation.

Participants should be encouraged to prepare a written summary or personal action plan following the study visit, relating the contributions from the trip to their objectives as an institution. Such documents can become part of the institutional memory and referenced by those who did not participate.

Formal Mechanisms of Cooperation

Memorandums of understanding and mutual legal assistance treaties outline formal pathways for cooperation among peer institutions. They can be critical elements in enhancing the bilateral information sharing and strengthening cross-border collaboration necessary to combat financial crimes. In addition, there are international forums dedicated to supporting enhanced cooperation and coordination. For example, membership in the Egmont Group offers access to its secure network for information exchange with

155 FIUs, as well as opportunities for engagement on regional and topical levels through its various regional and working groups.³⁵ Similarly, many law enforcement agencies have access to the databases of Interpol and other regional entities or may submit a request for international cooperation during a money laundering or terrorism financing investigation. Regional inter-agency networks also facilitate information sharing and dissemination for asset forfeiture and confiscation, including the Camden Asset Recovery Inter-Agency Network in Europe and the Asset Recovery Inter-Agency Network for Southern Africa.

A technical assistance provider can facilitate introductions and support the development of formal coordination mechanisms between peer institutions, as well as provide guidance to the project partner in gaining membership in relevant regional or international information-sharing bodies. Trainings conducted as part of capacity development programming should highlight these entities and partnerships to help raise awareness and expand the tool kit available to practitioners.

International Forums

FSRBs, of which many countries are members, provide a sustained platform for guidance and regular opportunities for regional networking. Similar platforms exist in issue-specific contexts. For example, the CIFG convenes a number of states affected by ISIL, sharing the latest intelligence on ISIL's financing methods and formalizing cooperation to counter ISIL financing. Technical assistance providers can support project partners in joining or enhancing the effectiveness of their engagement with these bodies. These entities host meetings at least once per year, and project partners may be invited to attend as part of their national delegation. The technical assistance provider can identify which meetings would provide the most meaningful advocacy, learning, and networking opportunities so project partners can prioritize the forums to which they allocate their limited budgets and send their limited staff. The technical assistance provider could also assist with the project partner's participation and, if applicable, presentation. If the project partner has not been invited to a relevant event due to lack of

membership, the provider can assist in preparing and submitting a formal request for independent observer status. Should this not be possible, the provider could consider arranging the logistics of the project partner's travel to the host country of the meeting, allowing them to meet important delegations on the margins of the official meeting. These meetings may be used to network and discuss strengthening partnerships with peer institutions. Connections between the project partner's FIU and another FIU can help build support for the project partner's observer status or membership in an FSRB or other forums in the future.

Role of the Technical Assistance Provider in Program Implementation

The technical assistance provider is typically responsible for managing the administrative elements and financial accountability of the project. This includes facilitating individual activities and monitoring overall program objectives. As noted above, the workplan should be designed to accommodate adjustments and changes. Priorities may shift for project partners, requiring revision to the date and substance of workplans. In some cases, project focal points may change. Providers are tasked with remaining responsive to these changes while ensuring that activities continue to align with intended programmatic impact and stay within budgetary parameters. This requires regular and sustained lines of communication with project partners and attention to political and economic developments in the country or region of operation.

The technical assistance provider and the project partner should play a role in ensuring stakeholder involvement and participation, including the identification of the actors to engage and a process for involving them in various project activities. In many contexts, it will be more credible if the project partner or another governmental entity issues official project communications. To minimize the burden placed on the project partner, the technical assistance provider can prepare a program summary for public consumption, including a brief description of the provider's role, which can be modified for a specific purpose and disseminated by the project partner to identified stakeholders.

35 Egmont Group, "About," n.d., <https://egmontgroup.org/en/content/about> (accessed 20 May 2018).

Inclusion of diverse individuals of various ethnicities, genders, religious affiliations, nationalities, and relevant career backgrounds will broaden the perspectives reflected during the project.

An AML/CFT capacity development project will ideally be staffed by a combination of local experts and outside experts highly specialized in a specific subject matter. The selection of engaging, culturally competent, local and outside experts is critically important. Inclusion of diverse individuals of various ethnicities, genders, religious affiliations, nationalities, and relevant career backgrounds will broaden the perspectives reflected during the project. Local experts may come from a variety of disciplines, such as accounting, banking, management consulting, insurance, the legal profession, and law enforcement. They might have previous experience as an employee of a government agency or as a compliance officer with a financial institution or have been in the spheres of academia, non-profit organizations, and civil society. Local experts are crucial to the project, offering specialized knowledge and their understanding of the history, political system, and unspoken norms of their country.

The technical assistance provider assumes responsibility for the strategic direction and everyday management of the project, but it may wish to call on issue-specific outside experts, such as former FIU officials, investigators, intelligence officers, and prosecutors, as well as academics and former compliance officers from well-established AML/CFT regimes. Additionally, experts with UN entities such as the UN Office on Drugs and Crime and relevant Security Council committees, the World Bank, and the IMF, as well as current officials of other governments, are often available to contribute their skills to projects on a short-term basis.

In some cases, it may be possible to embed or second expert personnel within targeted AML/CFT agencies. Embedded personnel can provide great value to

an institution, particularly those professionals that accept a longer-term assignment and are based in the country in which they are working. Work experience in that country and fluency in at least one of the country's working languages is preferred. The degree to which the expert is embedded within a particular institution depends on the level of trust in the donor and the embedded expert; an institution requiring its employees to hold a security clearance may not accept a foreign embedded expert. Alternatively, multilateral organizations may structure a grant to fund a particular position, such as an accountant or legal expert. Although this can be useful, it must be viewed as a stopgap measure. Local governments must budget employee salaries specifically for them to be sustainable, rather than relying on donor assistance. Instead, foreign grants that support an institution's direct costs might be better used to support the purchase of a software system for an FIU or equipment such as cash counters for a customs authority.

Donor and Program Coordination

Numerous donors and implementing bodies are active in AML/CFT capacity development, which can present a challenge for coordination. The criminal and terrorism-related nature of AML/CFT work also introduces specific complications. Legal and intelligence classification restrictions may offer little to no open source information about counterterrorism or security sector-specific programs that relate to CFT efforts. Additionally, AML/CFT-relevant efforts may not be explicitly labeled as such, including larger good governance and financial inclusion initiatives. In some cases, stakeholders may not be actively aware of potential linkages between their work and AML/CFT issues.

Technical assistance providers should promote coordination by connecting and briefing donors and communicating with other technical assistance providers to discuss converging objectives and identify potentially beneficial topics for cooperation. Project partners also play a role in strengthening coordination because they may have more access to nonpublic information on ongoing capacity development efforts or may be consulted by donors considering new programs of support. Effective coordination requires ongoing information sharing in order to ensure that

efforts remain complementary and not duplicative. In addition to bilateral communications, the provider may wish to apply for observer status with a relevant FSRB so they can partake in plenary meetings and side meetings dedicated to donor coordination. This is especially important for those implementing regional programs and needing to understand the scope and breadth of activities in each country. Further, providers and donors should participate in national and regional donor coordination platforms and bodies where possible.

MONITORING AND EVALUATION

Monitoring and evaluation is a critical element of all successful programming, and sufficient time and resources should be dedicated to ensuring the program is achieving its intended goal. Project-level monitoring and evaluation frameworks and indicators are typically developed by the technical assistance provider as part of the inception phase but should involve close collaboration and ongoing refinement with local partners and the donor. Given the confidential nature of financial intelligence, providers may not have access to data that would enable them to establish the ideal set of metrics to measure improvements in performance. In the absence of such data, measuring progress may be difficult. Below are recommendations on the use of common sources of AML/CFT information for measuring the progress of an AML/CFT regime, i.e., to assess overall impact and change, and a discussion of the design of activity indicators for measuring a program's contributions to intended outputs and outcomes.

The focus of this section is the monitoring and evaluation of the impact of a program, not the delivery or efficiency of the program itself, i.e., whether it has produced the intended deliverables within the allotted time and budget. When measuring the impact of an AML/CFT capacity development program, a combination of indicators should be used to assess the changes observed within individual institutions and stakeholders and the effects on the AML/CFT regime as a whole. Change within one organization is useful, but overall sustainable improvements within AML/CFT regimes will require a number of actors working effectively together. Furthermore, although AML/CFT

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performance indicators may be used to suggest positive correlation with the intended results of a program, a number of factors external to the program also affect AML/CFT regimes, including national or international events of importance, political developments, available resources, and other AML/CFT investments. Thus, it is difficult to attribute progress or regression solely to a particular activity or program. Finally, the sensitive nature of AML/CFT programming and lack of available data often result in monitoring and evaluation frameworks that are overly reliant on self-reporting from program beneficiaries and partners, which may be skewed or subject to unintentional bias.

Sources of Information

Trainings should only be one element of a comprehensive AML/CFT capacity development project. Although it may be tempting to quantify success with the number of trainings held or participants trained, such numbers are merely indicative descriptions of the activities. These indicators have no bearing on an understanding of the program's results—whether trainees improved their learning, whether they are successfully utilizing the skills and knowledge they gained during the training, and whether and how their employment of these skills contributed to AML/CFT gains. The number of trainings convened and participants trained should be avoided as indicators

for success³⁶ in favor of an approach that measures the changes, if any, that resulted from the training.

Pre- and post-training surveys that measure actual and perceived knowledge levels of participants can provide a more instructive measure of training effectiveness. Surveys should also examine participant use of this information in their work, and technical assistance providers should follow up with participants, where possible, to determine if and to what extent training knowledge and skills were successfully implemented in practice. Funding structures that permit repeated follow-up over an extended time period, including after the conclusion of activities, are ideal for evaluating impact and long-term sustainability. These indicators can be cross-referenced with organization-wide indicators to determine the overall impact of trainings on AML/CFT regime behavior.

Similarly, technical assistance providers may be tempted to treat an increase in the number of STRs as an indicator of program success, suggesting that an uptick in reports reflects implementation of training knowledge. This may be true, especially for nascent AML/CFT regimes. Upticks can reflect new or expanded reporting from entities, which in turn suggests an increased understanding of money laundering and terrorism financing typologies and risk factors among compliance officers. Again, providers must be mindful of correlation rather than causation. An increase in STRs could indicate increased illicit financial activities due to a growing criminal or terrorist presence in the country. Further, the number of STRs does not reveal whether the reports have been fully and correctly processed; include sufficient detail; triggered other compliance measures, such as enhanced customer due diligence measures; or resulted in investigation and successful prosecution. STRs represent only a portion of the AML/CFT chain; they must be sufficiently analyzed and disseminated to actors in the criminal justice system for investigation, prosecution, and sentencing.

Annual reports published by FIUs or national AML/CFT bodies can be a useful tool for understanding longer-term changes in performance. In addition to quantitative data on the activity of an AML/CFT regime, these reports often include information about the activities of various actors, including those outside the scope of the program, which can be an indicator of political prioritization, interagency collaboration, and resource allocation. Such information can help technical assistance providers understand long-term strategic priorities of an AML/CFT regime and assess the larger impact of trainings, workshops, and other forms of capacity development assistance, in other words, whether the AML/CFT regime is invested in taking measures outside of program activities that are necessary to meet intended outcomes and impact. Such an investment can suggest that the program is contributing to organizational and behavioral change that is likely to be sustainable. Providers should strive for this type of multilevel monitoring and evaluation analysis, which in reality is often constrained by issues of resources, staffing, time, and project scope.

FATF mutual evaluations and other formalized processes of international assessment, such as those conducted by the IMF, United Nations, or World Bank, would appear to be the gold standard for measuring the progress of an AML/CFT regime as a whole. Backed by the influence of one or more of these international bodies and with a political agreement from the host country, assessors blend data analysis, legal and technical compliance evaluations, and qualitative assessments from stakeholders to measure overall progress. Acceptance as an observer or member in an FSRB or the Egmont Group can also be a useful indicator because it similarly requires meeting certain standards and can reflect confidence in an AML/CFT regime.

Use of these assessments at the program level presents challenges. Some jurisdictions have not yet had any such assessment, so there is little or no publicly

36 An exception would be appropriate for a program intended to increase representation of marginalized groups, for instance, women. In such a scenario, data on the number and demographics of participants may be relevant.

available independent analysis.³⁷ Even for countries that have been assessed, these reports often have a limited utility in the context of measuring the progress of an AML/CFT capacity development project. Despite revision of the FATF assessment methodology, the process of these assessments remains imperfect. Jurisdictions that have been included in the FATF Public Statement, particularly those that have been or are currently listed as having strategic deficiencies, have accused the process of being highly politicized and biased against developing countries in particular. Although they provide a baseline, the length of time between assessments also makes it difficult to use them to track progress, particularly for short- and medium-term programs.

Designing Indicators to Measure Progress

In project planning, technical assistance providers and local partners are encouraged to work backward from the desired impact or objective. The same is true when developing monitoring and evaluation frameworks for an AML/CFT program.

For example, for a program to achieve the intended impact of strengthening a country's ability to com-

bat IFFs, the project team has identified the need to enhance abilities to detect and investigate financial crime (outcome). Next, the team determines what outputs and activities will advance and contribute to the intended outcome and must identify and analyze the various factors at play and determine in what areas the program can feasibly have impact. In this example, the team identifies the following outputs: (1) increased AML/CFT awareness among criminal justice stakeholders; (2) implementation of operational procedures for financial investigations; and (3) development of procedures for information sharing between actors and countries.

These outcomes and impacts are the desired results of program activities, and monitoring and evaluation indicators should be developed in a way that measures whether the activities (outputs) meaningfully contribute to the intended results. Often, indicators can be used to measure progress across a number of outputs, and technical assistance providers are again advised to use combinations of indicators and to avoid attributing causality rather than correlation to program activities (box 1).

³⁷ Some helpful independent analyses exist, but they are not comprehensive for use as the primary monitoring and evaluation baseline. One U.S. Department of State annual report includes information on money laundering and financial crimes in a number of jurisdictions. See Bureau for International Narcotics and Law Enforcement Affairs, U.S. Department of State, "International Narcotics Control Strategy Report, Volume II: Money Laundering and Financial Crimes," March 2017, <https://www.state.gov/documents/organization/268024.pdf>. Another annual report includes a section on the financing of terrorism. See Bureau of Counterterrorism, U.S. Department of State, "Country Reports on Terrorism 2017," July 2017, <https://www.state.gov/documents/organization/272488.pdf>. The annual Basel AML Index is an informative source, but it relies on aggregating and analyzing data from a number of other publicly available sources. See International Centre for Asset Recovery, "2017 Basel AML Index," n.d., <https://index.baselgovernance.org/>. A recent Global Center report included an assessment of a number of jurisdictions that had not previously been subject to an AML/CFT evaluation. In those instances, the Global Center conducted field and desk research and relied on information from FIU heads in the absence of such publicly available assessments. See Liat Shetret et al., "Tracking Progress: Anti-Money Laundering and Countering the Financing of Terrorism in East Africa and the Greater Horn of Africa," Global Center, March 2015, <http://www.globalcenter.org/wp-content/uploads/2015/03/Tracking-Progress-low-res.pdf>. More quantitative metrics are necessary to properly evaluate a jurisdiction's AML/CFT progress and the contributions of a related capacity-building program.

BOX 1. ENHANCED ABILITY TO DETECT AND INVESTIGATE FINANCIAL CRIME

Similar to the number of suspicious transaction reports (STRs), an uptick in the number of investigations and prosecutions can be used as evidence of an impactful program. A significant increase in the number of money laundering and terrorism financing cases can demonstrate that investigators and prosecutors have strengthened skills and acquired knowledge to deal with financial crimes and suggests effective identification and reporting of suspicious transactions, as well as sufficient analysis by the financial intelligence unit (FIU) and operational dissemination practices. Given the evidentiary burdens in financial investigations and prosecutions, these numbers may offer more useful insights than STR statistics, but they should be considered in context and in combination with other measurements. Furthermore, sudden increases in prosecution numbers should not be expected in the short term of a project. In many countries, such investigations and judicial proceedings are a slow process with significant backlog. In lieu of this timely data, some alternative monitoring and evaluation frameworks are offered below in relation to the intended outputs in the example.

OUTPUT 1(A): INCREASED AWARENESS ON ANTI-MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM (AML/CFT) ISSUES AMONG CRIMINAL JUSTICE STAKEHOLDERS. Activities under this output might include train-the-trainer sessions for investigators, prosecutors, and judges or the development of communications materials. To assess the impact of these activities on awareness levels, technical assistance providers must determine whether they have resulted in changed behaviors. In this instance, the number of predicate offense cases that include a money laundering or terrorism financing charge could be measured, suggesting an increased understanding and application of money laundering and terrorism financing knowledge. Establishment of financial crime divisions or specialists could serve as an indicator of an increased awareness and prioritization of AML/CFT issues. Inclusion of AML/CFT topics in new-hire onboarding or criminal justice training academies could similarly suggest political commitment and sustainability. These metrics should be employed in conjunction with those that assess the effectiveness of these elements, for example the effectiveness and comprehensiveness of money laundering and terrorism financing investigation methodologies in securing sufficient evidence for prosecution, extent to which specialized units are active, and surveys of how useful participants found communications or training

materials. Similar metrics should be applied to the participants of any trainings conducted, paired with evaluations of trainer performance by participants.

OUTPUT 1(B): IMPLEMENTATION OF OPERATIONAL PROCEDURES FOR FINANCIAL INVESTIGATIONS.

Activities under this output might support the drafting of standard operating procedures on financial analysis procedures and techniques or a “role swapping” exercise with FIUs and police to help understand better the responsibilities and types of information required by counterpart agencies. Effectiveness of the first activity can be measured by the type and seniority of actors involved in the drafting process, dissemination of the operating procedures, and surveys and analysis of how frequently and in what ways participants and institutions utilize these procedures at all points of a program. The effectiveness of exercises can be measured by the level of discourse and debate that suggests understanding and critical thinking, reported increases in the quality of STR disseminations, and an increase in evidence and intelligence generation that results in more money laundering and terrorism financing prosecutions. Where possible, such assessments should be done in the medium and long term, including after program conclusion, to understand the sustainability of program impact.

OUTPUT 1(C): DEVELOPMENT OF PROCEDURES FOR INFORMATION SHARING BETWEEN ACTORS AND COUNTRIES. Technical assistance providers may support local partners in drafting memorandums of understanding (MOUs) and mutual legal assistance (MLA) treaties or by facilitating introductions and opportunities for information exchange and rapport development. Measuring the increase in the number and type of MOUs or MLA treaties that the project partner’s government agencies have with peer institutions in other countries can be instructive, particularly if these MOUs or MLA treaties are with countries with which it has a high volume of business, trade, or interactions or diaspora connections. One must integrate a qualitative assessment to this metric, not only seeking to chart the frequency of use of such measures but also the effective use of the information and the timeliness of responses to foreign requests for information. Written reports from participants in information exchanges can help assess what information was learned and the extent to which participants anticipate utilizing the knowledge. Changes in reported behavior, such as adoption of new policies, procedures, or priorities based on experiences shared, provide a better measure of real impact.

POLICIES, PRIORITIES, AND PRACTICE

As with many other fields of practice, there is a gap between AML/CFT policy and its practical implementation. FATF advocates for a risk-based approach to AML/CFT matters that is intended to provide a country with sufficient flexibility to align resources to match its unique risk profile. Yet, the concept of risk is underexplored or more often misinterpreted. Under Recommendation 1, FATF encourages countries to conduct a risk assessment at the national and sectoral levels. Existing methodologies by the World Bank and IMF seek to measure the threat (scale, volume, and characteristics of money laundering and terrorism financing in the country) and vulnerability (weaknesses or gaps in a country's money laundering and terrorism financing defenses) in order to guide the risk profile for the country and within each sector. This information is necessary at the macrolevel, but there is a need to develop a more nuanced understanding of money laundering and terrorism financing risk as it relates to practical implementation of AML/CFT measures in institutions and businesses. For example, an individual may be considered low risk and high net worth in Dubai and undergo customer due diligence procedures. That same individual may trigger enhanced due diligence measures in New York or not be accepted at all. This contributes to trust deficits between institutions that are threatened by increasing de-risking challenges. Further, it complicates the ability to assess comparative jurisdictional risk. As such, many criticize the risk-based approach as an ambiguous standard requiring further guidance for effective implementation.

Technical assistance providers can help bridge these divides, serving as translators and intermediaries between international policies and the cultural and practical operating contexts. For example, a provider might assist an FIU in identifying creative ways to implement a particular FATF Recommendation given resource and capacity constraints and provide guidance on effectively demonstrating compliance to international assessors and partners. On the other side, providers can serve as advocates for partners at international forums. This can, for example, involve

meeting with donors, evaluators, and policymakers to explain the challenges to freezing sanctioned accounts without delay in a place where customer databases and account ledgers are not typically digitized. Providers are often uniquely placed to serve in this role, drawing on their experiences across jurisdictions to help inform a bottom-up, evidence-based approach to policy development. They can also provide support and guidance to project partners in conducting this work, offering an outside perspective on how to best highlight their national progress in line with established compliance frameworks.

Lastly, technical assistance providers are well positioned to promote interdisciplinary perspectives on AML/CFT concepts. This includes highlighting the linkages among AML/CFT actions, international trade, and FDI to showcase the economic development benefits of strong financial regulation. It also means promoting integrated approaches to financial integrity and inclusion while highlighting the effect such measures can have on addressing the drivers of conflict and violent extremism. Providers must be mindful of the potential negative consequences of AML/CFT policies and ensure program activities are not contributing to those practices. For example, heavy-handed approaches to AML/CFT regulation and overly restrictive CFT laws can single out and stifle sectors, such as nonprofit organizations, or be abused to target political opposition and other vulnerable groups. Providers should exercise particular sensitivity on CFT-specific efforts given the numerous national and regional definitions of "terrorism" and classification of terrorist organizations.

As with all capacity-building or development assistance, adherence to the principle of do no harm is critical and should be at the forefront of all related efforts. Consequently, effective AML/CFT programming will achieve security and development objectives, strengthening safeguard mechanisms against IFFs while facilitating financial access and inclusion for vulnerable communities.



The Global Center on Cooperative Security works with governments, international organizations, and civil society to develop and implement comprehensive and sustainable responses to complex international security challenges through collaborative policy research, context-sensitive programming, and capacity development. In collaboration with a global network of expert practitioners and partner organizations, the Global Center fosters stronger multilateral partnerships and convenes key stakeholders to support integrated and inclusive security policies across national, regional, and global levels.

The Global Center focuses on four thematic areas of programming and engagement:

- multilateral security policy
- countering violent extremism
- criminal justice and the rule of law
- financial integrity and inclusion

Across these areas, the Global Center prioritizes partnerships with national and regional stakeholders and works to ensure respect for human rights and empower those affected by transnational violence and criminality to inform international action.