



PEACE, PROSPERITY AND
REGIONAL INTEGRATION

INTERGOVERNMENTAL AUTHORITY ON DEVELOPMENT
ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF
TERRORISM POLICY

TITLE	ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM POLICY (AML/CFT)
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POLICY CUSTODIAN	ADMINISTRATION AND FINANCE DIVISION

Table of Contents

Abbreviations.....	3
1. Policy Statement.....	4
2. Purpose	4
3. Definitions	4
4. Scope and Application	5
5. Policy Governance	5
5.1 Council of Ministers	6
5.2 Audit And Risk Committee	6
5.3 Executive Secretary.....	6
5.4 Director in Charge of Administration and Finance.....	6
5.5 Internal Audit	6
5.6 Employees.....	6
6. Due Diligence	6
6.1. Minimum Due Diligence	6
6.2. Enhanced Due Diligence.....	7
6.3. Screening Procedure.....	8
7. Risk-Based Approach	8
7.1 Risk assessment procedures.....	9
7.2 Risk classification.....	10
8. Confidentiality and Reporting	10
9. Protection and Prevention of Retaliation.....	11
10. Training and Development	11
11. Distribution of the Policy	11
12. Red flags of Money Laundering.....	12
13. Relevant Laws and Regulations	13
14. Breach of Policy	13
15. Review of Policy.....	13
Annex: Money Laundering Awareness Form.....	14

Abbreviations

AML	:	Anti-Money Laundering
AU	:	African Union
BO	:	Beneficial Owner
CFT	:	Combating the Financing of Terrorism
CDD	:	Counterparty Due Diligence
EU	:	European Union
FATF	:	Financial Action Task Force
IGAD	:	Intergovernmental Authority on Development
KYC	:	Know Your Customer
NGO	:	Non-Governmental Organisation
OFAC	:	Office of Foreign Asset Control
PEPs	:	Politically Exposed Persons
SDN	:	Special Designated Person
TF	:	Terrorism Financing
UN	:	United Nations

1. Policy Statement

IGAD is committed to ensuring its funds and resources are used solely to achieve its aims and objectives as stipulated in Article 7 of the Agreement establishing IGAD; and is determined to ensure full compliance with all local and international laws, regulations and treaties on Anti-Money Laundering and Terrorism Financing; especially diversion of funds for any illegal purpose or breaching sanctions.

This encapsulates the key principles that govern IGAD's approach to AML risk and can be classified as below:

- Compliance with AML laws and regulations (MS & Global)
- Cooperation with and support for regulators and law enforcement agencies in their efforts to prevent, detect and control financial crime
- Adherence to the requirements of IGAD's AML Program
- Provide collaboration that is consistent with IGAD's risk appetite, commitment to responsible finance and highest ethical standards.

IGAD will not accept or provide support or resources from or to individuals or entities that it knows, or has reason to believe advocate, plan, sponsor, engage or have engaged in terrorism, weapons proliferation, human rights violations or narcotics trafficking, any under prohibition instituted by a jurisdiction applicable to IGAD's activities, or acts of an agent of any individual or entity involved in any such activities, or has been designated by governments of IGAD member states, or any other country or body that provides funding to IGAD.

2. Purpose

The purpose of this Anti-Money Laundering and Combating Financing of Terrorism Policy (AML/CFT) is to ensure compliance to AML/CFT regulations and assist IGAD staff and other parties in understanding their AML/CFT obligations.

Specifically, to ensure compliance, the policy will:

- 1) Prevention – Build and adhere to a robust Know Your Customer (KYC) for IGAD stakeholders – Partners, Suppliers, Employees (etc) program that focuses on the creation and administration of globally consistent standards/policies, stakeholder risk scoring, on-boarding and maintenance of stakeholder data housed in an enterprise-wide repository.
- 2) Detection – Transaction monitoring to identify unusual or suspicious transactions or patterns of activity, as well as robust AML investigations to provide holistic reviews of both new and existing stakeholder across IGAD and its institutions
- 3) Reporting – Active creation, tracking and filing of Suspicious Activity Reports (SARs) and Suspicious Transaction Reports (STRs)

3. Definitions

Anti-Money Laundering (AML): refers to the laws, regulations and procedures intended to prevent criminals from disguising illegally obtained funds as legitimate income.

Applicable laws and regulations: means laws of Member States, any laws, rules or regulations agreed upon through agreements and IGAD rules and regulations .

Beneficial Owner (BO): means the natural person(s) who ultimately owns or controls a customer and or the natural person on whose behalf a transaction is being conducted including who exercise ultimate control over a legal person or arrangement.

Combating the Financing of Terrorism means the measures undertaken to tackle terrorism financing.

Counterparty Due Diligence: Obtaining information or facts (not limited to identification, verification and monitoring of transactions) about a counterparty, that should enable IGAD to assess the extent to which the counterparty exposes IGAD to a range of risks including money laundering and terrorism financing.

Counterparty: include but not limited to suppliers, contractors, service providers, government agencies, commercial banks, pension funds, international financial institutions among others.

Financial Action Task Force (FATF): is a global independent inter-governmental money laundering and terrorist financing watchdog founded in 1989 to develop policies to and set standards that aim to combat money laundering and terrorism financing and the harm they cause to society.

Financial restrictions: restrictions put in place by UN and or other international bodies to achieve a specific foreign policy or national security objective.

Money Laundering (ML): is the process by which proceeds from illegal activities disguised to conceal their illicit origin, such as corruption, illegal drugs or illegal arms

Proceeds of Crime: means any property or economic advantage derived, directly or indirectly, as a result of or in connection with an offence irrespective of the identity of the offender and includes, on a proportional basis, property into which any property or realized directly from offence was later successfully converted, transformed or intermingled, as well as income, capital or other economic gains derived or realized from such property from the time the offense was committed.

Sanctions: measures taken by IGAD to restrict trade and official contact with individuals or entities including corporates that have broken AML/CFT rules and regulations. Sanction Screening Service helps IGAD detect financial crimes and comply with AML / KYC regulations.

Terrorism Financing (TF): involves the solicitation, collection, or provision of funds with the intention that they may be used to support terrorist acts or organizations.

4. Scope and Application

This policy applies to all IGAD staff, partners, associated parties, implementing partners, vendors, contractors and any other third party. The term 'IGAD staff' will be used to throughout this policy to mean all the Secretariat's staff, project staff, staff at Specialised Offices, Interns, and consultants. The policy will be distributed and available to all IGAD employees and stakeholders via intranet and during induction. The policy will be applicable to the following categories of activities: -

- Obtaining goods and services from suppliers, consultants etc.
- Procurement of financial services.
- IGAD fundraising processes.
- Selection and appointment of implementing partners.
- Appointment of any person or entity to act on behalf of IGAD.

To ensure effectiveness of the policy, the Administration and Finance Division is responsible for recommending any changes to this Policy.

5. Policy Governance

The responsibility for mitigating risk against AML/CFT issues primarily lies on all IGAD personnel. Staff will own and manage the risk, including compliance risk, inherent in or arising from IGAD's Operations and are responsible for having controls in place, assessing these controls, and promoting a culture of compliance and control on AML/CFT. They will be aided and facilitated by IGAD's Independent Control Functions that includes the Divisions of Finance, Legal and those charged with Risk Management. These will set the standards that manage and oversee risk e.g. policies, procedures, regulatory requirements, applicable laws to be complied with. In addition, these functions will provide training, advice, establish tools, processes, methodology and oversight. Overall, they will be responsible for coordinating, monitoring, and overseeing day to day compliance with the AML/CFT policy. Finally, the Internal Audit Division would independently review activities based on a risk-based audit plan and methodology approved by Senior Management or Council. More specifically, the following organs will play roles as stipulated:

5.1 Council of Ministers

The Council of Ministers holds overall oversight responsibility on ensuring adherence to this policy and all relating laws and regulations. The Council shall ensure, through its Audit and Risk Committee that, the Secretariat headed by the Executive Secretary, implements this policy and all laws regulations relating to money laundering, terrorism financing and all other related crimes.

5.2 IGAD Audit Committee

The IGAD Audit Committee will oversee the implementation of this policy and recommend to the Council of Ministers for adoption, any changes to this policy or any comprehensive risk-based programs geared towards the promotion of high ethical and professional standards in addressing money laundering and terrorism financing activities within IGAD.

5.3 Executive Secretary

The IGAD Executive Secretary holds overall responsibility for ensuring implementation and compliance to this policy and all relevant laws relating to money laundering, terrorism financing and other related crimes. The Executive Secretary will work through the executive management committee comprised of the Executive Secretary and the four directors to ensure all employees and counterparties are aware of this Policy and adherence is maintained. However, the Executive Secretary retains, overall responsibility to ensure the purpose of this policy is met.

5.4 Director in Charge of Administration and Finance

The Director in charge of Administration and Finance has responsibility for interrogating the suspicious reports and filing of reports to the Risk Management Committee and externally to law enforcement and regulatory agencies as required. The Director in charge of Administration and Finance is the contact person for all matters relating to money laundering, financing of terrorism and other related crimes within IGAD.

5.5 Internal Audit

Internal Audit shall be responsible for implementation of policies and procedures that prevent, detect, monitor and report money laundering activities within IGAD. It is also responsible for continuous monitoring of risk indicators relating to money laundering, terrorism financing and other related crimes. The risk and compliance office will conduct periodic compliance checking which covers evaluation of existing and new processes, policies and procedures relating to money laundering and report compliance and non-compliance findings to the management and Audit and Risk Committee of the Council of Ministers.

5.6 Employees

Every staff of IGAD is expected to be keen and vigilant in identifying, analysing, monitoring, deterring, preventing and reporting all suspicious transactions to Director of Administration and Finance. All staff are expected to familiarise themselves with the Policy, all relevant laws and regulations, including any amendments, before engaging in or making any monetary transfer transactions, and where not clear, seek help from their immediate supervisor.

6. Due Diligence

6.1. Minimum Due Diligence

Minimum due diligence shall be carried gain information to obtain assurance about the identity, credentials and good standing of employees, suppliers, contractors, consultants, implementing partners and other counterparties before onboarding, and where red flags are noted on existing partners,

vendors, contractors, their agents and any other person that IGAD has existing relationship, to identify and understand any associated risk.

Reasonable risk-based due diligence will be conducted to obtain necessary details from partners, vendors, and contractors to ensure that adequate information on the identity of the beneficial owner is obtained.

Information to be obtained may include: -

- Registration certificates,
- Registered office addresses,
- Details of directors or owners.

IGAD will ensure that it enters into contracts and/or makes payments to parties who have been subjected to a satisfactory screening process or the due diligence process that complies with their AML/CFT requirements.

6.2. Enhanced Due Diligence

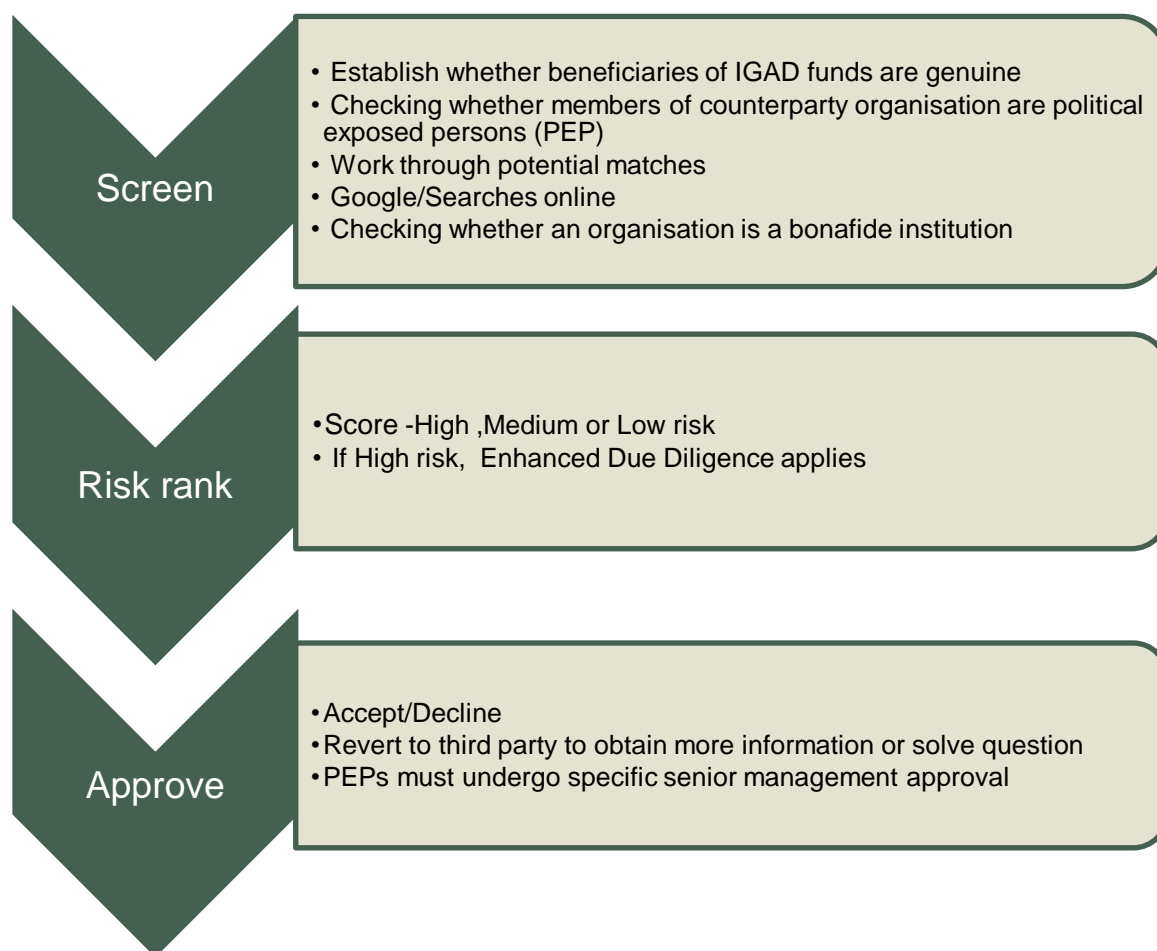
To reduce the risk of transferring funds to a proscribed or designated individual or entity, IGAD will undertake regular, routine enhanced due diligence (screening) by checking of data points of partners, vendors, contractors, and agents against a comprehensive set of global sanctions lists. The objective of this screening is to reduce the risk of dealing with a sanctioned or proscribed person or entity. Risk based approach will be applied in determining the extent of the screening. IGAD will avoid engagements with all counterparties found in sanctioned lists.

Organisation	Link
African Development Bank	https://www.afdb.org/en/projects-operations/debarment-and-sanctions-procedures
World Bank	https://www.worldbank.org/en/projects-operations/procurement/debarred-firms
European Union	www.sanctionsmap.eu

The following parties will be screened before appointment/engagement:

- Partners and sub-grantees prior to signing partnership agreements.
- All staff, consultants or interns
- Suppliers and contractors

6.3. Screening Procedure



7. Risk-Based Approach

IGAD will adopt a risk-based approach in instituting controls to mitigate the risk of AML/CFT in its programmes and operations.

- Risk assessment will be done at the design stage of all projects to assess and manage the risk of funds or materials being diverted.
- Risks will be monitored, reviewed and reported annually and at trigger points to account for changes in operating circumstances and programmes adjusted accordingly.
- Risk assessment results will inform the design and development of controls and procedures that mitigate the risk of AML/CFT. Controls will be reviewed regularly to ensure that they operate as intended.
- Risk assessment shall be carried on all partners, vendors, contractors to assign a risk profile. This will inform resource allocation to ensure measures to prevent or mitigate AML/CFT are commensurate with risks identified.

7.1 Risk assessment procedures

IGAD risk assessment procedures will include the following details:

- Due diligence on donors, taking into account factors such as size of donation, source of funds and donor's location, and whether its board members are PEPs.
- Before entering into any business relationship with IGAD, evaluation and review of supporting evidence that reinforce the identity of partners, vendors, contractors and agents will be checked to ensure that they are bona-fide organisations
 - Natural person: Identity will be verified on the basis of official identity papers or other reliable, independent source documents, or information as may be appropriate.
 - NGOs, Partner, Trust: Identity will be verified by IGAD on the basis of appropriate evidence of formation and existence or similar documentation.
 - Vendors, contractors, companies: Identity will be verified on the basis of documentary evidence of due organisation and existence, legal position, compliance with laws and regulations, history of business activity. Identification of the ultimate owner of the business in case of suspicious information.
- Ensure that staff have knowledge on how to recognise the warning signs of possible money laundering
- Protocols for monitoring the effectiveness of money laundering
- Taking appropriate follow-up action when anomalies and discrepancies in trade and financial transactions are identified. Appropriate action will include, reporting to external authorities.
- IGAD will check whether donors, partners, vendors and contractors are in any financial sanction list. At a minimum the following sites will be checked.

7.2 Risk classification

The risk rating is classified as low, medium or high, with low carrying the least risk and high carrying the most risk. Treatment of different types of risk rating.

Risk	Description
High	<ul style="list-style-type: none"> • Non legal persons or arrangements including NGOs, Trusts/Charitable organizations • Partners, vendors, contractors from countries where CDD and AML regulations are lax and a not sufficiently applying FATF recommendations and represents a high risk of crime and corruption • Partners, vendors, contractors who have been declined by regulatory institutions, including professional bodies, conviction based on reliable and verifiable information from independent sources • Partners, vendors, contractors that are on sanction lists or in a country of a sanction list • High net-worth individuals • Non-resident counterparty • Partners, vendors, contractors dealing in high-value items
Medium	<ul style="list-style-type: none"> • Slightly higher than average CDD measures to be applied
Low	<p>Entities or individuals may be considered under low-risk category, if the identity of the counterparty and the beneficial owner are publicly known or where adequate checks and controls exist. The following cases may be considered low risk for application of simplified or reduced CDD:</p> <ul style="list-style-type: none"> • Public listed companies on securities exchanges that are subject to regulatory requirements, government administration/entities. • Financial institutions provided they are subject to requirements to combat ML and TF and are supervised for compliance with those requirements.

Enhanced CDD and ongoing monitoring to be applied.

8. Confidentiality and Reporting

IGAD staff/divisions shall not divulge any information regarding a suspicious transaction report filed or being filed or any information they come across in performance of their duties to any unauthorised persons. Staff/Divisions can apply discretion to disclose information under the following circumstances:

- i. For the purpose of performance of duty, disclosure shall be done as follows: -
 - Seeking legal advice from legal unit.
 - Seeking legal advice external legal professional through legal unit.
 - Seeking assistance from internal audit, and IGAD audit committee
 - Seeking clarification from senior management
- ii. When required to do so before a court of law.

Any member of IGAD staff who discloses information or identity of the source of such information is in contravention of the policy and relevant laws and regulation and would have committed an offense punishable by law.

9. Protection and Prevention of Retaliation

Protection of whistle-blower of AML/CFT is a necessary element of a coherent strategy in combating wrongdoing. IGAD will not tolerate an attempt on the part of anyone to apply any sanction, detriment or punishment to any persons who have reported to IGAD a genuine concern that they may have against apparent wrongdoing. Retaliation against staff who report concerns in good faith is against IGAD's policy and IGAD will take all reasonable measures to protect all legitimate whistle-blowers from any retaliation, ostracising, discrimination or subsequent disadvantage. If, having made a report of suspicious conduct, the whistle-blower subsequently believes that he/she has been subjected to retaliation or mistreatment of any kind, he/she should immediately report it to his/her Director, Internal Audit, the Human Resources Officer, or Committee of Ambassadors or IGAD Audit Committee member. Reports of retaliation will be investigated promptly, in a manner intended to protect confidentiality, consistent with a full and fair investigation. The party conducting the investigation will notify the whistle-blower of the results of such investigation. Any staff member who is found to have engaged in retaliation to or mistreatment of a whistle-blower will be subject to disciplinary action.

10. Training and Development

The content of and obligations contained in this Policy shall be communicated by Administration and Finance on an ongoing basis to all staff of IGAD. Specific compliance training on AML/CFT shall be provided to all staff on an ongoing basis. As part of the capacity building of IGAD staff, the institution will be committed to creating awareness to staff on risks related to money laundering and understanding their obligation to report any actual or suspected money laundering activity. At a minimum it is expected that trainings cover the following areas:

- AML red flags
- Explaining law and regulation and placing them in the context IGAD activities
- Conducting customer due diligence
- How to deal with suspicious transactions
- Tipping off
- Record keeping

11. Distribution of the Policy

The policy will be distributed internally through the intranet and will be externally available on the IGAD website.

12. Red flags of Money Laundering

The respective Hiring or Procuring Division will be responsible for conducting risk assessments and/or due diligence for counterparties with support from the procurement division.

Type	Risk indicators
Insufficient or suspicious information	<ul style="list-style-type: none"> • Document cannot be verified • Multiple tax identification numbers • Reluctant to provide detailed information about their business activity • Large cash transaction with no history of prior business experience • Shielding Identity of beneficiary partner or owner. Owners appear to be nominees conceal the actual beneficial owner. • An organisation has unexplained period of dormancy • An organisation maintains a minimum number of working staff, inconsistent with its volume of activity.
Inconsistent business activity	<ul style="list-style-type: none"> • Cash transactions made but to not appear to relate to the business needs • Activity of the organisation does not appear to be appropriate for the stated address e.g. use of residential properties without having commercial or industrial space with no reasonable explanation.
Other areas considered a risk	<ul style="list-style-type: none"> • Use of email address that cannot be found in the internet • Entering into partnership agreements with organisations that may be fronts for criminal activities • Use of alternative banking system (Hawala) to move funds to areas of operations where banking options are available. • Use of conduit for funding (money held for organisation in a conduit's name) • Organisation structure of entity appears unusually complex and illogical • A partner, vendor or beneficiary registered or has offices in a jurisdiction with weak AML/CFT • Organisation lacks online presence, or the online presence suggests business activity inconsistent with the stated line of business. g website indicates lack of knowledge regarding the particular activity in which the entity is trading. • Organisation is not compliant with regular business obligations, such as filing of Vat returns. • The name of the organisation appears to be a copy of the name of a well-known corporation or very similar to it, potentially in an effort to appear as part of the corporation, even though it is actually not connected to it.

13. Relevant Laws and Regulations

Relevant donor /Country	Relevant Laws and regulation
United Kingdom	<ul style="list-style-type: none"> ✓ <i>Money Laundering Regulation 2007</i> ✓ <i>Sanctions and Anti-Money Laundering Act of 2018</i> ✓ <i>Proceeds of Crime Act 2002</i> ✓ <i>Anti-Terrorist Crime and Security Act 2001</i> ✓ <i>Counter-Terrorism Act 2008</i> ✓ <i>Terrorism Act 2000</i>
European Union (EU)	<ul style="list-style-type: none"> ✓ <i>Money laundering or terrorist financing, amending regulation (EU) No 648/2012</i>
United States (US) Government	<ul style="list-style-type: none"> ✓ <i>US Patriot Act of 2001</i> ✓ <i>Executive Order 13224 of 2001</i>
Ethiopia	<ul style="list-style-type: none"> ✓ <i>Proclamation No.657/2009, a proclamation on prevention and suppression of money laundering and financing of terrorism.</i>
Djibouti	<ul style="list-style-type: none"> ✓ <i>Act No.112/AN/11/ supplementing law No.196/AN/02 on laundering, confiscation, and international cooperation in criminal proceeds.</i>
Eritrea	<ul style="list-style-type: none"> ✓ <i>Anti-money laundering laws and regulation 2021</i>
Uganda	<ul style="list-style-type: none"> ✓ <i>Anti-Money laundering Act, 2013</i>
Sudan	<ul style="list-style-type: none"> ✓ <i>Money laundering and terrorism financing Act,2010</i>
South Sudan	<ul style="list-style-type: none"> ✓ <i>Anti-Money Laundering and Counter Terrorist Financing Act ,2012</i>
Kenya	<ul style="list-style-type: none"> ✓ <i>Proceeds of Crime and Anti-Money Laundering Act (2009) (Revised 2019)</i> ✓ <i>Prevention of Terrorism Act (2013)</i>

14. Breach of Policy

Any employee who breaches this Policy and related guidelines shall be subject to disciplinary action as per IGAD's Service Regulations.

15. Review of Policy

The policy will be reviewed from time to time as need arises by Executive Secretary. However, this notwithstanding, the policy may be reviewed at any time where there is material need for amendment.

Annex: Money Laundering Awareness Form

Name	
Division	
<p>I confirm that:</p> <p>I have read and understood IGAD's documented policies and procedures concerning Anti-money laundering, I also confirm that I will fully comply with these policies and procedures.</p> <p>As a result of reading these procedures and any other information received,</p> <p><input type="checkbox"/> I understand my duty to report knowledge or suspicion of terrorist financing or money laundering and will fulfil my obligations in this area.</p> <p><input type="checkbox"/> I am aware of the prohibition on making any disclosure that could amount to tipping off or prejudicing an investigation.</p>	
Signature	
Date	