AFRICAN DEVELOPMENT BANK GROUP

AFRICAN DEVELOPMENT BANK GROUP ACTION PLAN FOR ANTI- MONEY LAUNDERING AND COMBATTING ILLICIT FINANCIAL FLOWS (2024 - 2026)

ECGF/PIAC

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ACRONYMS AND ABBREVIATIONS

AfBOTN	African Beneficial Ownership Transparency Network
AfDB	African Development Bank
ADF	African Development Fund
Afrodad	African Forum and Network on Debt and Development
AIF	African Investment Forum
AEOI	Automatic Exchange of Information
APNAC	African Network of Parliamentarians against Corruption
AML	Anti-Money Laundering
ARINEA	Asset Recovery Inter-Agency Network for Eastern Africa
ARINSA	Asset Recovery Inter-Agency Network of Southern Africa
ARINWA	Inter-Agency Asset Recovery Network for West Africa
ATAF	African Tax Administration Forum
AU	African Union
BEPs	Base Erosion and Profit Shifting
CIFF	Combating Illicit Financial Flows
CFT	Combating the Financing of Terrorism
CoDA	Coalition for Dialogue on Africa
CODE	Committee on Operations and Development Effectiveness
CSO	Civil Society Organization
CDD	Customer Due Diligence
CDS	Capacity Development Strategy
CSP	Country Strategy Paper
DNFBPs	Designated Non-Financial Businesses and Professions
DRM	Domestic Resource Mobilization
EAPCCO	Eastern Africa Police Chiefs Cooperation Organization
ECGF	Governance and Economic Reforms Department
EFCC	Economic & Financial Crimes Commission (Nigeria)
EITI	Extractive Industry Transparency Initiative
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
ESW	Economic and Sector Work
EU	European Union
Eurodad	European Network on Debt and Development
FATF	Financial Action Task Force on Money Laundering
FinCEN	Financial Crimes Enforcement Network
FIU	Financial Intelligence Unit
FSRBs	FATF-Style Regional Bodies (ESAAMLG, GABAC, GIABA, MENAFATF)

FT	Financing of Terrorism
GAP II	Governance Strategic Framework and Action Plan II
GFI	Global Financial Integrity
GIABA	Intergovernmental Action Group against Money Laundering in West Africa
GTF	Governance Trust Fund
HLP	High-Level Panel
ICAR	International Centre on Asset Recovery
IDD	Integrity Due Diligence
IFFs	Illicit Financial Flows
IFIs	International Financial Institutions
IMF	International Monetary Fund
INTERPOL	International Criminal Police Organisation
IPR	Implementation Progress Report
IRT	Integrity Risk Tool
ISP	Institutional Support Project
IT	Information Technology
KRAs	Key Result Areas
KYC	Know Your Customer
MDBs	Multilateral Development Banks
ML	Money Laundering
MNCs	Multi-national Corporations
MONEYVAL	Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures
NARMIS	Natural Resources Management and Investment Strategy
NDLEA	National Drug Law Enforcement Agency (Nigeria)
NGO	Non-Governmental Organizations
NPA	National Prosecuting Authority (South Africa)
NPOs	Non-Profit Organizations
NRA	National Risk Assessment
NSO	Non-Sovereign Operations
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
PBOs	Program-Based Operations
PEPs	Politically Exposed Persons
PFM	Public Financial Management
PIAC	Office of Integrity and Anti-Corruption

RECs	Regional Economic Communities
RISPs	Regional Integration Strategy Papers
RMCs	Regional Member Countries
RMF	Results Measurement Framework
SARPCCO	Southern African Regional Police Chiefs Cooperation Organization
SWOT	Strengths, Weaknesses, Opportunities and Threats
SEGA	Strategy for Economic Governance in Africa
TBML	Trade Based Money Laundering
TF	Terrorism Financing
TJN	Tax Justice Network
TJN-A	Tax Justice Network – Africa
ToC	Theory of Change
TRACFIN	Traitement du renseignement et action contre les circuits financiers clandestins (France)
TYS	Ten Year Strategy
UNCTED	United Nations Counter Terrorism Executive Directorate
UNECA Panel Level	United Nations Economic Commission for Africa High Panel on Illicit Financial Flows in Africa
UNODC	United Nations Office on Drugs and Crime
UNSCR	United Nations Security Council Resolution
WAPCCO	West African Police Chiefs Committee

EXECUTIVE SUMMARY

1. Introduction and Rationale

1.1 Scale of Illicit Financial Flows (IFFs) in Africa : The magnitude of Illicit Financial Flows (IFFs)[1] out of Africa is considered to be significant. Estimates from the 2015 High-Level Panel (HLP) report on Illicit Financial Flows from Africa, are that Africa lost $1 trillion or more over a period of 50 years in IFFs. The report also indicated that IFFs from Africa range from, at least, $30 billion to $60 billion a year, making Africa a net creditor to the world rather than a net debtor, as is often assumed. Commercial activities by the private sector were noted in this report as the largest contributors to IFFs, followed by criminal activities, then corrupt practices. There are particular concerns about the scale and impact of IFFs in the natural resources sector in Africa – with trade mispricing, hidden contracts and link with illegal trafficking, terrorism, and corruption, being identified as key issues in country and regional studies. Studies also show that fragile situations promote illicit forestry, mining and petroleum activities.

1.2 Opportunities and risks of emerging technologies for combatting IFFs in Africa : Technologies, including monetary and payments systems, continue to evolve, and are becoming more available as the internet becomes more widespread. While the increased use of technology facilitates financial transactions and access to data for analysis and tracking IFFs, they have the potential of creating opportunities for misuse by criminals for the purposes of money laundering and other criminal activities. Cryptocurrencies are one of such emerging technologies with substantial benefits that also comes with the risk of facilitating the hiding of the source of criminal proceeds. Although Africa's crypto economy is still relatively small, the threat of crypto laundering cannot be ignored. Regional member countries must, therefore, prepare for the threats that come with digital currencies.

1.3 Evolving Global anti-IFFs policy and regulatory landscape : The global anti-IFFs agenda has continued to gain in clarity, political awareness, and depth since 2017 when the Bank Group Strategic Framework and Action Plan on the Prevention of Illicit Financial Flows in Africa (2017- 2021) was adopted. This global agenda comes with commitments (including from the Bank) to help developing countries implement the international standards. Consequently, the Bank, like other development partners, including the World Bank, IMF, and UN Office on Drug and Crime (UNODC), needs to step up its support to combatting money laundering (ML) and IFFs in Africa.

1.4 More recently, on the 30th of December 2022, the United Nations General Assembly adopted a new UN General Assembly resolution on the promotion of inclusive and effective tax cooperation at the United Nations, during its seventy-seventh session. The resolution, which was adopted by consensus, includes the decision to "begin intergovernmental discussions in New York at United Nations Headquarters on ways to strengthen the inclusiveness and effectiveness of international tax cooperation". The Africa Group, which had tabled the resolution, also called for the process to deliver a new UN Convention on Tax. Although there is an ongoing debate on the

[1] Report of the High-Level Panel (HLP) on Illicit Financial Flows from Africa, United Nations Economic Commission for Africa, 2015, page 15

modalities for the new UN tax process, it is clear that consensus has been reached on the creation of an intergovernmental UN tax process, and that the support for a UN Convention on Tax is growing. An inclusive and effective tax cooperation would enhance tax transparency and information sharing so as to improve tax authorities' ability to deter, detect and disrupt tax evasion and avoidance, thereby strengthen the international framework for fighting IFFs and to mobilizing domestic resources. The Bank supports the call by the African Group for the process to deliver a new UN Convention on Tax and will continue to monitor the debate and discussion on the modalities for the new UN tax process.

2. The Bank's Perspective on ML AND IFFs

2.1 Curbing ML and IFFs is key to improving governance and stemming the leakage of resources critical to funding Africa's investment needs. This proposed action plan, therefore, complements the inclusive growth and climate resilience agenda of the Bank, as being considered under the proposed new long-term strategy of the Bank, the Ten Year Strategy (TYS) by prioritizing measures to suppress economic crime in African countries thereby enhancing internal revenue mobilization for investment in the key priority areas of the High-5. In recent years, African countries[2] have increasingly relied on natural resource tax such as income from production sharing, royalties, and corporate income tax on oil and mining companies. While many African countries are progressing in tax collection, IFFs remain a major challenge to mobilizing domestic resources for development in Africa.

2.2 IFFs, including ML, is therefore, of major concern, due to the scale and negative impact on Africa's development (including the financing of climate change) and governance agenda. ML and IFFs also have negative impact on climate change and state fragility, as well as social impact on human development, equity/ redistribution of income, and public trust in government. The Bank is concerned with the growing incidence of ML and IFFs and their adverse effects on the continent's peace, security and development (economic social and human development), and is, therefore, committed to the continuous scaling up of its support to RMCs and regional institutions with a view to mitigating the adverse effects of ML and IFFs on the continent's development and governance agenda, and leveraging existing and additional resources to finance the ambitious objectives articulated by the Sustainable Development Goals (SDGs) and Agenda 2063.

3. The Bank's Approach to combatting ML and IFFs in Africa

3.1 Bank's mandate to promote good governance and development : The Bank considers enhancing its role in combating ML and IFFs in Africa as part of its mandate to promote good governance and development. It recognizes its responsibility to work closely with its development partners to support the anti-IFFs efforts of RMCs and their institutions, as well as, to support national, regional and global initiatives to combat ML and IFFs. The Bank, therefore, takes it upon itself to strengthen its AML/CFT/anti-IFFs procedures, its supranational status not with standing, thus

[2] Especially those rich in natural resources (oil and mining sector)

going “above and beyond” its status (and privileges) and leading by example. The Bank views AML/anti-IFFs requirements as part and parcel of broader due diligence obligations and must continue to take measures to guard against the risk of having its funds used for purposes other than those intended, in spite of its supranational status.

3.2 Strategic Alignment : The Bank Group Policy on the Prevention of Illicit Financial Flows (2017) sets out the policy framework, including the general guiding principles for the Bank’s Anti-Money Laundering (AML) and anti-illicit financial flows (anti-IFFs) work, and the minimum control and safeguard standards that must be complied with by the Bank Group and its entire staff. The Bank Group Strategy for Economic Governance in Africa, 2021 – 2025, (SEGA) was approved in February 2021 and embodies efforts to tackle IFFs including (i) eliminating tax loopholes and facilitating tax controls, (ii) establishing public registries of verified beneficial owner of legal entities and assets, and (iii) building state capacity to address trade mispricing and mis-invoicing. Others envisaged actions are; enhanced international collaboration and adoption of international standards, such as on AML/CFT, the inclusive framework on Base Erosion and Profit Shifting (BEPS), the Standard on Exchange of Information on Request (EOIR) and the Standard for Automatic Exchange of Financial Account Information in Tax Matters (AEOI), which are critical to stem tax evasion and avoidance. Against this background management has made the decision to prepare an action plan for combating ML and IFFs in Africa (2024-26). Rather than presenting an overall strategy (which is already encompassed in the SEGA), the Action Plan proposes specific actions required to deliver on the Bank’s commitments on combating ML and IFFs as enunciated in the Anti-IFFs Policy and SEGA. It includes a three-year cluster of activities, with timelines, estimated budgets, institutional arrangements and responsibilities for implementation of the activities and actions, for the Bank’s AML and anti-IFFs support to RMCs and capacity building for anti-IFFs knowledge management, as well as for the Bank’s internal due diligence and controls to prevent and combat ML and IFFs, and in-house human capacity development for internal ML and IFFs safeguards. The priority areas of emphasis of the High-5, within the proposed TYS framework provides the strategic platform for the anti-IFFs strategy and they are for all Bank Group’s interventions in combating IFFs under the action plan.

3.3 Strategic Goal and Objectives : The vision of the Bank Group with regard to the prevention and combating of ML/IFFs, as set out in SEGA and the anti-IFFs Policy, is to have an African continent with the requisite capacity to effectively combat illicit financial flows by 2030. The core objective of the Bank’s AML/anti-IFFs work is to significantly contribute to the continent’s response to the threat of ML/IFFs and the continents efforts to substantially reduce IFFs by 2030. The proposed action plan for combating ML and IFFs in Africa provides specific actions required to deliver on the Bank’s commitments on combating money laundering (ML) and illicit financial flows (IFFs) as enunciated in the Anti-IFFs Policy and SEGA. (See sub-pillar 1.1: Domestic Resource Mobilization of SEGA)

4. The Proposed Action Plan for Combatting ML and IFFs in Africa

4.1 The proposed action plan for combating ML and IFFs in Africa includes a three-year cluster of activities, with timelines, estimated budgets, institutional arrangements, and responsibilities for implementation of the activities and actions, for the Bank's AML and anti-IFFs external support and knowledge management, as well as for the Bank's internal due diligence and controls to prevent and combat ML and IFFs, and in-house human capacity development for internal ML and IFFs safeguards.

4.2 Taking into consideration the roles of the Bank as advisor, financier, partner and convener, the Bank aims to operationalize and implement the core objective of its AML/anti-IFFs work, through the following five clusters of interventions: (i) Enhancing Tax Systems and Tax Administration Anti-IFFs Framework; (ii) Strengthening Framework for Curbing ML and IFFs in the Natural Resources Sector; (iii) Enhancing Framework for Curbing ML and IFFs in the Financial Sector and Designated Non-Financial Businesses and Professions (DNFBPs); (iv) Enhancing Capacity for ML and IFFs Knowledge Management and Mainstreaming; and (v) Strengthening Internal framework for due diligence and controls to prevent and combat ML and IFFs.

5. Cross-Cutting

5.1 Recovery of Stolen Assets : One of the core aims of the fight against ML, terrorism financing (TF) and IFFs whether in tax administration, natural resources sector, financial sector, and other sectors, is to deprive criminals and offenders of their illicitly earned assets. Asset confiscation/recovery, therefore, cuts across, and is key in tackling ML/TF/IFFs in, all the key sectors. Most RMCs have problems with asset confiscation/recovery, due, amongst others, to weaknesses in their legal and institutional frameworks as well as inadequate capacity for assets recovery and interim management. The need for RMCs to develop effective systems to trace, seize and confiscate stolen funds and assets, as well as to manage seized assets, cannot therefore, be overemphasized. Although the Bank does not get directly involved in the investigation, tracing, law enforcement, prosecution, confiscation, and repatriation of stolen assets, its engagement with RMCs in addressing the problem of ML/TF/IFFs calls for support to RMCs to develop effective systems and capacity to trace, seize and confiscate stolen funds and assets.

5.2 Strategic Partnership and Coordination for Implementation of the Action Plan: Strategic partnership, coordination and harmonization with other development partners is a major enabler for the implementation of the proposed action plan. It will ensure a more effective engagement and support for governments' AML and anti-IFFs reform agendas and the global efforts at combating ML and IFFs. The role of regional organizations and civil society organizations (CSOs) in the global efforts at combating ML and IFFs is also acknowledged. Consequently, the Bank will continue to pursue and scale up collaboration with existing strategic partners at national, regional and global levels, with a view to developing synergistic relationships with organizations that align with the Bank's AML and anti-IFFs objectives and reform priorities. The Bank will leverage on its strategic partnership to channel its AML and anti-IFFs supports to RMCs and institutions and will provide targeted support to the regional bodies with a view to enhancing their capacities to meet the technical assistance needs of RMCs and institutions. Moreover, the Bank will forge and pursue new strategic partnership and collaboration to support countries' strong proactive commitment to influence emerging global frameworks for AML and anti-IFFs standards, international tax transparency, beneficial ownership, and to encourage automatic exchange of tax information among African countries and globally.

5.3 Policy Dialogue and Stakeholder Engagement : Policy dialogue provides an important platform to engage with RMCs to understand their ML and IFFs challenges, and an opportunity to support RMC's to identify, formulate, promote and implement effective AML and anti-IFFs policies and reforms. In implementing the AML and anti-IFFs action plan therefore, the Bank will actively promote broad-based consultations and participation of key stakeholders in RMCs. The Bank's anti-IFFs related policy dialogue, which will be informed by its analytical work, as well as leverage on the work of others partners, will facilitate open discussion with the public and private sectors and civil society on critical AML/anti-IFFs policy issues and will contribute to strengthening domestic ownership of policies, reforms and operations. The Bank's engagement with CSOs, in the implementation of the proposed action plan, will also seek to enhance constructive dialogue and cooperation with civic groups to build mutual understanding and increase support for Bank-backed anti-IFFs operations. It is expected that the Bank's anti-IFFs related policy dialogue (at national, regional and global levels) will contribute to the design and implementation of better and more inclusive evidence-based anti-IFFs reforms in RMCs by promoting broad-based consultations and participation of key stakeholders and at supporting RMC's efforts to achieve the objectives laid down in their AML/anti-IFFs strategies. Consequently, efforts would be made to start policy dialogue early in the process, of identification.

6. Implementation and Financing of the Action Plan

6.1 *Programs and Instruments* : To achieve the goals of the action plan for combating ML and IFFs, the Bank will, at the operational level, use program-based operations (PBOs) and institutional support projects (ISPs) to support RMCs in advancing policy, regulatory and institutional reforms. as the Bank will also use institutional and capacity building, with a view to enhancing AML and anti-IFFs frameworks particularly in the areas of tax systems and tax administration, natural resources sector and financial sector in RMCs. Result-Based Financing and technical assistance, financed through the African Development Fund (ADF) and Transition States Facility (TSF), and other trust funds and special funds managed by the Bank will complement PBOs and ISPs in providing capacity-building support to RMCs and regional institutions.

6.2 For the achievement of the goals of the Bank's internal framework for due diligence and controls to prevent and combat ML and IFFs and its in-house human capacity for internal ML and IFFs safeguards and automation of the due diligence processes, both human and technical resources will be required to implement the activities enunciated in the action plan. Training, workshops and conferences will be used to enhance staff capacity and disseminate information on AML-CFT and IFFs risks.

The Bank will also use policy dialogue (global, continental, regional and national) as an instrument to achieve the goals of the action plan for combating ML and IFFs. The generation and dissemination of knowledge and analytical products will serve as the basis for policy dialogue and capacity building for AML and anti-IFFs work in RMCs. At the program level, policy dialogue will be conducted in collaboration with the Bank's Regional Offices, with country managers playing pivotal roles.

6.3 The operational activities under the action plan will be financed using the Bank's core financing windows/sources, primarily ADB/ADF allocations, trust funds and special funds. The non-operational work, in particular the organization of events and production of analytical work, review of policies and processes, the automation of processes, training and capacity building will require administrative budget for staffing and consultancies.

6.4 *Institutional Arrangements for Implementation* : The action plan for combating ML and IFFs reflects the "One Bank" approach to addressing development issues. It provides a consolidated overview of how organizational units within the Bank will work together to address anti-money laundering and anti-IFFs issues. While ECGF and PIAC will remain the principal departments for the coordination of AML and anti-IFFs work in the Bank, the implementation of the action plan will be a Bank-wide responsibility, with ECGF and PIAC playing the lead roles and specific departments such as ECNR, PIFD, FITR, ECMR, ECST, amongst others, playing key roles.

6.5 *Monitoring Arrangements and Updating of the Action Plan* : The Bank's anti-money laundering and anti-illicit financing operations will be results-oriented with the ultimate focus being on enhancement of outcomes. The result measurement framework for the action plan is presented in appendixes 2. There will be an implementation progress report on the implementation of the three-year action plan at the end of its implementation. The process of preparing the implementation progress report will start six (6) months before its expiry. The report will show progress made in implementing the action plan. The result of the implementation progress report would inform the development of a new action plan for the next period. The responsibility for monitoring the implementation of action plan, as well as that of preparing the implementation progress report and developing a new action plan, will be on ECGF and PIAC, in collaboration with other key departments, including ECNR, PIFD, FITR, ECMR, ECST and SNSP.

ACTION PLAN FOR ANTI-MONEY LAUNDERING AND COMBATTING ILLICIT FINANCIAL FLOWS (2024 - 2026)

1. INTRODUCTION AND RATIONALE

1.1 Scale of Illicit Financial Flows (IFFs) in Africa

1.1.1 The magnitude of Illicit Financial Flows (anti-IFFs)[4] out of Africa is considered to be significant. According to estimates from the 2015 High-Level Panel (HLP) report on Illicit Financial Flows from Africa, the continent lost an estimated $1 trillion or more over a period of 50 years in IFFs[5]. This sum is roughly equivalent to all of the official development assistance (ODA) received by Africa during the same timeframe. The report also indicated that illicit financial flows (IFFs) from Africa range from, at least, $30 billion to $60 billion a year, and that without IFFs from the continent, Africa's Gross Domestic Product (GDP) would have been at least 16% higher. Some reports estimate that for every dollar of development assistance that developing countries received over the 10-year period (2003 - 2012) 10 USD left in the form of illicit financial flows (GFI 2014). According to the High-Level Panel report, IFFs from Africa originate from three sources: (i) commercial/business related activities (65%). The various means by which commercial activities related IFFs take place in Africa include abusive transfer pricing, trade mispricing, mis-invoicing of services and intangibles and using unequal contracts, all for purposes of tax evasion, aggressive tax avoidance and illegal export of foreign exchange"[6,7] ,(ii) criminal activities, including trafficking of people, drugs and arms, to racketeering, counterfeiting, contraband, money laundering and terrorist financing, as well as fraud in the financial sector (30%)[8]; and (iii) corruption, including bribes paid by multinational companies to corrupt public officials, embezzlement of funds by government officials, undeclared corporate revenues from illegal resource exploitation, and inflated costs by multinational companies (5%)[9,10]. Other estimates are given in Box 1.

Box 1. *Scale and Sources of IFF in Africa*

- *One-sixth of the continent's aggregate government revenue comes from corporate taxation and roughly a tenth of that revenue (roughly US$6.7 billion) is lost to tax avoidance.*[11]
- *About 10% of aggregate government revenue from corporate taxation (which accounts for about 17% of Africa's aggregate government revenue) is lost to tax avoidance.*[12]
- *Some global studies have estimated criminal activity to represent in the region of 35% of total IFFs* [13]*, but the argument has been made that in developing countries where the informal economy is quite large, the proportion could be far greater.*
- *5% of the world's IFFs stem from acts of active corruption and abuse of power. This figure could be higher for the African continent.*[14]

Source: Extracts from the anti-IFFs Strategy's 2022 Implementation Progress Report (IPR)

[3] Except otherwise indicated, where the term money laundering (ML) is mentioned in this action plan, it also includes terrorism financing and proliferation financing
[4] See appendix 6, item 10 for definition of IFFs
[5] Report of the High-Level Panel (HLP) on Illicit Financial Flows from Africa, United Nations Economic Commission for Africa, 2015,, page 15
[6] Report of the High Level Panel (HLP) on Illicit Financial Flows from Africa, United Nations Economic Commission for Africa, 2015, page 24
[7] UNCTAD/Ndikumana, 2016. Trade Misinvoicing in Primary Commodities in Developing Countries: Chile, Cote D'Ivoire, Nigeria, South Africa and Zambia. UNCTAD Paris.
[8] In developing countries where the informal economy is quite large, the proportion of IFFs related to criminal activities could be far greater.
[9] Kar, Dev, and Devon, Cartwright-Smith (2010). Illicit Financial Flows from Africa: Hidden Resource for Development. Washington, DC: Global Financial Integrity.
[10] African Union Commission, 2019; Domestic Resource Mobilization: Fighting against Corruption and Illicit Financial Flows.
[11] United Nations Conference on Trade and Development (UNCTAD) Economic Development in African Report 2020 on "Tackling Illicit Financial Flow for Sustainable Development in Africa
[12] Hearson M (2018). When do developing countries negotiate away their corporate tax base? Journal of International Development. 30(2):233–255.
[13] Boyce James K. and Leonce Ndikumana "Capital flight from Sub-Saharan African countries: Updated Estimates, 1970 – 2010. PERI Research Report (October 2012)
[14] Domestic Resource Mobilization: Fighting against Corruption and Illicit Financial Flows 2019 African Union Commission https://au.int/en/documents/20190905/domestic-resource-mobilization-fighting-against-corruption-and-illicit-financial

1.2 Scale and Impact of IFFs in the Natural Resources Sector in Africa

1.2.1 From a sector perspective, there are particular concerns about the scale and impact of IFFs in the natural resources sector in Africa – with trade mispricing, hidden contracts and link with illegal trafficking, terrorism, and corruption, being identified as key issues in country and regional studies. In the fisheries sector, IFFs are mostly about corruption along the value chain, with the upstream obtaining of fishing rights outside legal procedures and sustainable resource exploitation limits. Also, fragile situations promote illicit forestry activities. According to the International Criminal Police Organization (Interpol), in areas such as eastern DRC social and economic dynamics push populations to exploit timber resources, generally denominated as conflict timber amidst increased criminality and activities of militias. It is estimated that militia and terrorist groups in and around nations with ongoing conflict earn more than US$ 110 million annually through illicit trade in charcoal production and trading[15]. In Liberia the violence of different militias was strongly linked to the presence of security guards in the timber concessions (and vice versa, with the security guards using violence to help the militias)[16]. Illicit acts are also known to distort market prices, depressing world prices for wood by 7 to 16% as well as drives civil unrests[17]. With respect to negative impacts on the national economy, it is estimated that between 50% - 90% of Africa's trade in tropical timber and products is illegal[18]. Fragility promotes illicit petroleum and mining activities as well. For instance, fragility helps contraband in DRC for cobalt and the crisis in Cameroon Anglophone regions has exacerbated smuggling of oil products from Nigeria into Cameroon.

1.3 Opportunities and risks of emerging technologies for combatting IFFs in Africa

1.3.1 Technologies, including monetary and payments systems, continue to evolve, and are becoming more available as the internet becomes more and more widespread. The increased use of technology facilitates access to data for analysis and tracking IFFs. Especially with respect to financial institutions which handle high volume transactions, technology has the added advantage of creating transparency in addition to achieving commercial benefits. However, while these technological developments are designed to facilitate financial transactions, they have the potential of creating opportunities for misuse by criminals for the purposes of money laundering and other criminal activities. Cryptocurrencies[19] is one of such emerging technologies with substantial benefits that also comes with the risk of facilitating the hiding of the source of criminal proceeds. Africa has the smallest cryptocurrency economy globally, but the market is growing steadily. The legitimate use of cryptocurrencies can boost commerce on the continent, particularly among individuals, small businesses and entrepreneurs. However, the options for use of cryptocurrencies for money laundering and IFFs abound. Although Africa's crypto

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[15] International Criminal Police Organization / World Bank. (2009). Chainsaw project. An INTERPOL perspective on law enforcement in illegal logging, INTERPOL, Lyon.
[16] PROFOR (Program on Forests). 2011. Forests, Fragility and Conflict. Washington D.C. 182 pp.
[17] Achanyi-Fontem J. 2010. Corruption in the forestry sector and illegal logging. Tuesday, May 11. http://camlinknews.blogspot.com/2010/05/corruption-in-forestry-sector-and.html
[18] Tieguhong JC. In Prep. Illicit trading in Africa's forest products: focus on timber. ECNR. African Development Bank.
[19] Cryptocurrencies are built on the blockchain technology which acts as a public ledger of every transaction made with a particular cryptocurrency and allows for the verification of a transaction's authenticity. This public ledger is shared across all the computers in the network.

economy is still relatively small, the threat of crypto laundering cannot be ignored. Regional member countries must therefore, prepare for the threats that come with digital currencies – notably crypto scams, organised crime and financial crimes such as money laundering or crypto laundering. The Bank's anti-money laundering (AML) and anti-IFFs work will be expected to contribute to curbing these threats and mitigating the risks.[20]

1.4 Evolving global anti-IFFs policy and regulatory landscape

1.4.1 The global anti-IFFs agenda has continued to gain in clarity, political awareness and depth since 2017 when the Bank Group Strategic Framework and Action Plan on the Prevention of Illicit Financial Flows in Africa (2017- 2021) was adopted. As at that time, global commitments to fight tax avoidance and evasion had just been strengthened, with, more specifically, international standards agreed in three main areas: (i) Exchange of information on individual taxpayers between tax jurisdictions, and increasingly, the adoption of a common reporting standard to support Automatic Exchange of Information (AEOI); (ii) Disclosure of beneficial ownership to reduce secrecy in financial transactions and fight ML and tax evasion; and (iii) Measures on Base Erosion and Profit Shifting (BEPS) designed to limit the ability of multinational conglomerates to structure their affairs so as to avoid tax. Furthermore, the implementation by RMCs and enforcement of AML/CFT/Proliferation Financing (PF) international standards by the FATF and FSRBs continued under their rounds of Mutual Evaluations and Follow-Up Processes. The complementarity between AML/CTF and anti-IFF agenda also became better articulated, as a result of increased collaboration between key global actors, including FATF, FSRBs, IMF, UN organizations, and the World Bank, and global civil society advocacy. This global agenda also comes with commitments (including from the Bank) to help developing countries implement the international standards. Consequently, the Bank, like other development partners, including the World Bank, IMF, and UN Office on Drug and Crime (UNODC) needs to step up its support to combatting ML and IFFs in Africa.

1.4.2 More recently, on the 30th of December 2022, the United Nations General Assembly adopted a new UN General Assembly resolution on the promotion of inclusive and effective tax cooperation at the United Nations, during its seventy-seventh session. The resolution, which was adopted by consensus, includes the decision to "begin intergovernmental discussions in New York at United Nations Headquarters on ways to strengthen the inclusiveness and effectiveness of international tax cooperation". In this regard, the General Assembly requested the Secretary-General to prepare, for consideration in the seventy-eight session, a report analyzing all relevant international legal instruments, other documents and recommendations that address international tax cooperation. In pursuance of this, the Secretary-General invited written input from Member States and relevant stakeholders, to be submitted to the Secretariat by the 17th of March 2023. The Africa Group, which had tabled the resolution, also called for the process to deliver a new UN Convention on Tax. Although there is an ongoing debate on the modalities for the new UN tax process, it is clear that consensus has been reached on the creation of an intergovernmental UN tax process, and that the support for a UN Convention on Tax is growing. An inclusive and effective tax cooperation would enhance tax

[20] Details on cryptocurrencies and proposed Bank Groups interventions in this emerging area are presented Cluster 3 – framework for curbing ML and IFFs in the financial sector and DNFBPs.

transparency and information sharing so as to improve tax authorities' ability to deter, detect and disrupt tax evasion and avoidance, thereby strengthen the international framework for fighting IFFs and to mobilizing domestic resources. The Bank supports the called by the African Group for the process to deliver a new UN Convention on Tax and will continue to monitor the debate and discussion on the modalities for the new UN tax process.

2. THE BANK'S PERSPECTIVE ON ML AND IFFs

2.1 Curbing money laundering (ML) and illicit financial flows (IFFs) is key to improving governance and stemming the leakage of resources critical to funding Africa's investment needs. The TYS emphasizes demand side accountability, which provides an entry point for structured engagement by the Bank with civil society to support a greater role in combating IFFs. Consequently, in articulating this action plan, alignment, and consistency with the proposed new TYS was ensured. This action plan, therefore, complements the inclusive growth and climate resilience agenda of the proposed new TYS by prioritizing measures to suppress economic crime in African countries thereby enhancing internal revenue mobilization for investment in the key priority areas of the High-5.

2.2 In recent years, African countries have increasingly relied on natural resource tax such as income from production sharing, royalties, and corporate income tax on oil and mining companies, and it is expected that tax revenue will increasingly become a major domestic source of funding for public investments in education, health, physical infrastructure, and security in most African countries. While many African countries are making progress in tax collection, IFFs remain a major challenge to mobilizing domestic resources for development in Africa. Various studies, including those undertaken by the AfDB and GFI, have shown that Africa can finance its development from own resources if the continent is able to harness its potentials for domestic resource mobilization. However, the continent has not been able to do so partly because of net resource drain from the continent, the key driver of which is IFFs, including ML.

2.3 IFFs, including ML, is therefore, of major concern, due to the scale and negative impact on Africa's development (including the financing of climate change) and governance agenda. IFFs in (their) developmental consequences, amongst others, stifle Africa's socio-economic progress through draining scarce foreign exchange resources, reducing government tax revenues, deepening corruption, aggravating foreign debt problems, and increasing Africa's economic dependency, with ultimately negative impact on the quality of infrastructure and quality of life of Africans. Also, there are negative impact of ML and IFFs on climate change and state fragility, as well as their social impact on human development, equity/redistribution of income, and public trust in government. The Bank is also concerned with the growing incidence of ML and IFFs and their adverse effects on the continent's peace, security, and development, and is cognizant of the fact that tackling ML and IFFs will open the door to releasing much needed investments in education, health, and productive sectors as well as financing for climate change. The Bank is therefore, committed to the scaling up of its support to RMCs and regional institutions with a view to mitigating the adverse effects of ML and IFFs on the continent's development and governance agenda. Assisting and supporting the efforts of RMCs to combat IFFs is paramount to mobilizing resources internally, and critical for leveraging existing and additional resources to finance the ambitious goals articulated by the sustainable development goals (SDGs) and agenda 2063.

3. THE BANKS'S APPROACH TO COMBATTING ML AND IFFs IN AFRICA

3.1 Bank's mandate to promote good governance and development

3.1.1 *Combatting ML and IFFs as part of Bank's mandate to promote good governance and development* : As noted above, the Bank recognizes the negative impact that ML and IFFs can have on good governance and development, and therefore considers enhancing its role in combatting ML and IFFs in Africa as part of its mandate to promote good governance and development. It recognizes its responsibility to work closely with its development partners to support RMCs and their institutions to prevent and mitigate the adverse effects of ML and IFFs in the continent, as well as, to support national, regional, and global initiatives to combat ML and IFFs.

3.1.2 *The Bank's supranational status and own exposure to ML and IFFs risk*: Being a multilateral development bank, the Bank operates in the realm of public international law, and hence, is not subject to domestic laws and regulations. Hence, in principle, the Bank is not obligated to comply to the same anti-money laundering (AML) and combating the financing of terrorism (CFT) requirements as commercial banks and Designated Non-Financial Businesses and Professions (DNFBPs)[21], including, amongst others, beneficial ownership disclosure and suspicious transaction reporting requirements. However, the Bank and other International Financial Institutions (IFIs) take it upon themselves to strengthen their AML/CFT/anti-IFFs procedures, thus going "above and beyond" their status (and privileges) and leading by example. Like any financial institution, though, the Bank is exposed to ML/FT/IFFs risks and this is mostly associated with its contractual relationship with private sector entities or persons (also referred to as counterparties). This is because through its contractual relationships with private sector entities, the Bank risks supporting ML/FT/IFFs by financing entities that are engaged in illicit activities. The exposure is lower for Sovereign Operations (With its main borrowers being RMCs, and the Bank's funds mostly deposited in the RMC Central Bank Treasury Accounts.[22,23]

3.1.3 *AML/anti-IFFs requirements as part and parcel of broader due diligence obligations* : The ML/IFFs risks, vulnerabilities and threats faced by RMCs continues to increase, and borrowing member countries and institutions often lack the transparency and accountability needed to prevent and detect ML/TF/IFFs or corruption activities. Taking the foregoing into consideration, and in view of the

[21]See item 7, appendix 6 for definition

[22]Sometimes these accounts especially in countries in transition without a TSA are deposited in commercial banks

[23]When it comes to sovereign operations, the Bank's 2020 Guidelines and Screening Processes on AML/CFT/CIFF specifically focuses on due diligence for "Vendors, Suppliers, Contractors, Consultants and Principal Project Officers in Sovereign Operations".

[24]The Bank's commitment to prevent ML in its operations was first mentioned in the 2004 Guidelines for Preventing & Combating Corruption & Fraud in Bank Group Operations, while the 2007 AML/CFT strategy aimed to tighten the Bank Group's fiduciary safeguards, its internal procedures and policies, and its audit function "to ensure that its own lending is used for its intended purposes and is not subjected to financial abuse, corruption or money laundering".

exposure of the Bank to ML and IFFs particularly through its non-sovereign operations (NSOs), the Bank considers AML/anti-IFFs requirements as part and parcel of its broader due diligence obligations. The Bank must therefore, continue to take measures to guard against the risk of having its funds used for purposes other than those intended, in spite of its supranational status.[24] The continued enhancement and effective implementation of internal integrity and compliance measures of the Bank against fraud, bribery, corruption, money laundering, terrorist financing, tax avoidance and evasion, sanctions violations and other forms of unethical practices will not only protect Bank resources from misuse and abuse, but protects its integrity and reputation. Bank staff, including its management, all employees, and consultants, are therefore, required to adhere to the highest standards[25] in the fight against ML and IFFs, to protect the Bank Group, its reputation and resources, from being misused for ML and IFFs.

3.1.4 Knowledge Management, essential for Bank's anti-IFFs advisor and convener roles : The Bank's responsibility to support AML and anti-IFFs efforts in RMCs, as well as its support to national, regional, and global initiatives to combat ML and IFFs, goes beyond its role as financier to encompass its roles as advisor, partner, and convener. The Bank is cognizant of the fact that enhancing governance frameworks in several areas of RMCs development, including combatting of corruption, and stemming of IFF, is a key-driver towards achieving progress in their development objectives. Moreover, lessons learned from the Bank's governance work and BDEV evaluations on program-based operations suggest that knowledge work to inform Bank's governance operations, including IFFs, should be scaled-up. Consequently, the Bank will continue to strengthen its AML and anti-IFFs knowledge management work to enhance the development impact of its AML and anti-IFFs operations and policy dialogue.[26] In this regard, the Bank will explore a range of knowledge products, including country diagnostics and thematic policy reports, amongst others, to better inform the Bank's AML and anti-IFFs related operations, policy dialogue and advisory services to RMCs.

3.2 Strategic Alignment

3.2.1 The Bank Group Policy on the Prevention of Illicit Financial Flows (2017) sets out the policy framework, including the general guiding principles for the Bank's Anti-Money Laundering (AML) and anti-illicit financial flows (anti-IFFs) work, and the minimum control and safeguard standards that must be complied with by the Bank Group and its entire staff. The Bank Group Strategy for Economic Governance in Africa (SEGA), 2021 – 2025, was approved in February 2021 and embodies efforts to tackle IFFs including (i) eliminating tax loopholes and facilitating tax controls, (ii) establishing public registries of verified beneficial owner of legal entities and assets, and (iii) building state capacity to address trade mispricing and mis-invoicing. Others envisaged actions are; enhanced international collaboration and adoption

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[25] See the Bank Group Policy on the Prevention of IFFs (2017), the Bank Group Due Diligence Guidelines and Screening Procedures on Anti-Money Laundering, Counter Financing of Terrorism and Counter Illicit Financial Flows (2020), Integrity Due Diligence Policy for Non-Sovereign Operations (2014) and Integrity Due Diligence Guidelines for Non-Sovereign Operations (2016), amongst others, for the standards.

[26] Governance, including illicit financial flows is one of the areas of special emphasis for knowledge work under the Bank Group Strategy for Knowledge Management, 2022 to 2031.

of international standards, such as on AML/CFT, the inclusive framework on Base Erosion and Profit Shifting (BEPS), the Standard on Exchange of Information on Request (EOIR) and the Standard for Automatic Exchange of Financial Account Information in Tax Matters (AEOI), which are critical to stem tax evasion and avoidance. Against this background management has made the decision to prepare an action plan for combatting ML and IFFs in Africa (2024-26). Rather than presenting an overall strategy (which is already encompassed in the SEGA), the Action Plan proposes specific actions required to deliver on the Bank's commitments on combatting ML and IFFs as enunciated in the Anti-IFFs Policy and SEGA. It includes a three-year cluster of activities, with timelines, estimated budgets, institutional arrangements and responsibilities for implementation of the activities and actions, for the Bank's AML and anti-IFFs support to RMCs and capacity building for anti-IFFs knowledge management, as well as for the Bank's internal due diligence and controls to prevent and combat ML and IFFs, and in-house human capacity development for internal ML and IFFs safeguards. The priority areas of emphasis of the High-5, within the proposed TYS framework provides the strategic platform for the anti-IFFs strategy and they are for all Bank Group's interventions in combatting IFFs under the action plan.

3.3 Strategic Goal and Objectives

3.3.1 *Vision and Core Objectives*: The vision of the Bank Group with regard to the prevention and combatting of ML/IFFs, as set out in SEGA and the anti-IFFs Policy, is to have an African continent with the requisite capacity to effectively combat illicit financial flows by 2030. The core objective of the Bank's AML/anti-IFFs work is to significantly contribute to the continent's response to the threat of ML/IFFs and the continents efforts to substantially reduce IFFs by 2030. To attain the above core objective, the Bank's AML and anti-IFFs work is structured around: (i) strengthening national and regional institutions and systems for combating ML and IFFs; and (ii) establishing a robust compliance program (including on AML/CFT, Integrity Due Diligence, Anti-Bribery and Corruption (ABC), and anti-fraud, sanctions violations, tax evasion and tax avoidance programs) for the Bank and its operations.

3.4 Guiding Principles

3.4.1 The four main guiding principles for the AML and anti-IFFs action plan are (i) selectivity and value addition, (ii) alignment with the Bank's overall approach to governance as articulated in SEGA, (iii) conformity with the Bank's operational risk mitigation objectives and (iv) complementarity with partners.

3.4.2 *Selectivity and Value addition* : A major finding arising from the external evaluation of the anti-IFFs strategy reflects the need for greater strategic selectivity of Bank interventions and more focused policy dialogue. The AML/anti-IFFs action plan, therefore, prioritizes areas in which the Bank is well positioned to make a substantial contribution to the body of knowledge that should inform coherent responses to the threats and risks of money laundering and IFFs in the continent and to the fight against ML and IFFs in Africa. It focuses the Bank's interventions in areas where it can add value and complement the ongoing efforts of the National

AML/CFT agencies, FSRBs, and other partners in the region, through its lending operations and other forms of technical assistance. Central to value addition is the generation of knowledge on ML/TF and IFFs risks pertinent to African economies, on types, risks, methods and trends of ML/TF and IFFs and on strategies to mitigate the risks and combat these activities, with a view to enriching the quality of the Bank's contribution to policy dialogue and the impact made by the support extended.

3.4.3 *Conformity with the Bank's governance agenda and the prioritization principles of* SEGA will be key for all Bank Group's AML and anti-IFFs interventions under the action plan. The AML/anti-IFFs action plan is set within, and complements, the broader SEGA vision and objectives for "an Africa governed by transparent and accountable governments and strong institutions capable of driving inclusive and sustainable growth and sustaining resilient economies". Although the visions and core objectives of the SEGA and the anti-IFFs policy for AML and anti-IFFs are continent-wide, their implementation through the AML and anti-IFFs action plan takes into consideration the nuances of ML and IFFs threats and vulnerabilities amongst the Bank's fifty-four (54) RMCs.

3.4.4 Conformity with the Bank's Operational Risk Mitigation Objectives will also be key for the Bank Group's internal ML and IFFs safeguards interventions. The internal ML and IFFs safeguard actions and measures in the proposed AML and anti-IFFs action plan will be set within, and complement, the broader vision of the Bank Group Integrity Due Diligence Policy for Non-Sovereign Operations (2016), as well as, the broader objectives of the Bank for AML/CFT measures, Integrity Due Diligence, Anti-Bribery and Corruption (ABC), and anti-fraud, sanctions violations and anti-tax evasion and avoidance programs and controls (i.e., "the Compliance Program).

3.4.5 *Complementarity with Partners*: The needs of RMCs, their institutions and other non-state actors for AML/CFT and anti-IFFs support is enormous, and the tasks of ensuring that RMCs have the requisite capacity to effectively combat and respond to the threat of ML and IFFs in the continent, is complex and overwhelming. The Bank cannot, therefore, in isolation, achieve the AML and anti-IFFs visions and objectives of the anti-IFFs policy and SEGA or even the aspirations expressed in the proposed action plan. Consequently, the Bank will continue to work with partners that have established track records of engagement in AML and anti-IFFs work to maximize the impact of its AML and anti-IFFs work and resource allocation. It will also identify new partners with potential to contribute.

4. ACTION PLAN FOR COMBATING ML AND IFFs

4.1 The Activities Clusters and Related Actions

4.1.1 The Bank aims to operationalize and implement the core objective of its AML/anti-IFFs work, enunciated in paragraph 3.3.1 above, through five clusters of interventions, taking into consideration the roles of the Bank as advisor, financier, partner and convener (Table 1).

Table 1: Cluster of Interventions of the Action Plan	
Activities Cluster 1	Enhancing Tax Systems and Tax Administration Anti-IFFs Framework
Activities Cluster 2	Strengthening Framework for Curbing ML and IFFs in the Natural Resources Sector
Activities Cluster 3	Enhancing Framework for Curbing ML and IFFs in the Financial Sector and DNFBPs
Activities Cluster 4	Enhancing Capacity for ML and IFFs Knowledge Management and Mainstreaming
Activities Cluster 5	Strengthening Bank Internal framework for due diligence and controls to prevent and combat ML and IFFs [27]

4.1.2 This action plan for combatting ML and IFFs sets out planned activities for implementing the above five clusters of interventions over a three-year period (2024 – 2026), with timelines, estimated budgets, institutional arrangements and responsibilities for implementation. The key organizational units within the Bank that will be responsible for implementation as well as the resource requirements for implementation are also highlighted in the action plan. The action plan also includes a results measurement framework (appendix 2), which sets output and outcome targets to be achieved for each of the relevant prioritized areas of intervention and activities during the period 2024 – 2026.

4.1.3 *The Theory of Change* : A Theory of Change, which shows the link between the clusters of intervention and related activities, and how they all contribute to achieving the core objective of significantly contributing to the continent's response to the threat of ML/IFFs is presented in appendix 1 to this action plan. The Theory of Change identifies and outlines the actions (activities) that the Bank needs to take to meet the challenge of enhancing its AML and anti-IFFs support to its RMCs and to enhance its internal compliance program and IFFs safeguards, taking into consideration the governance priorities of the Bank as enunciated in SEGA, as well as available and potential resources and expertise (inputs) within the Bank. The Theory of Change provides a consolidated overview of the changes that the action plan is expected to facilitate, from inputs to outcomes (see appendix 1). It provides the guiding framework on how the Bank hopes to achieve the desired changes and targets of the results measurement framework, in the short and medium terms, which will ultimately contribute to the attainment of the core objectives of combatting IFFs in African and the Bank's vision of having an African continent with the requisite capacity to effectively combat IFFs by 2030. Together with the result measurement framework, the Theory of Change identifies and outlines the actions (activities) that the Bank needs to take to meet the challenge of enhancing its anti-IFFs support to its RMCs and to enhance its internal framework for IFFs safeguard, taking into consideration the governance priorities of the Bank as enunciated in SEGA, as well as available and potential resources and expertise (inputs) within the Bank.

[27] AML/CFT, Integrity Due Diligence, Tax Evasion, Anti-Bribery and Corruption (ABC), and anti-fraud, and sanctions violations.

4.2 Activities Cluster 1: Enhancing Tax Systems and Tax Administration Anti-IFFs Framework

4.2.1 Enhanced domestic resource mobilization (DRM) in Africa is necessary and critical for state-building and government accountability. There are significant financing gaps in Africa's infrastructure financing needs as well as in other priority areas like education, health and security. Closing the continent's financing gap requires strengthening existing domestic resource mobilization means and developing innovative ways to mobilize more domestic finance. External aid can bridge the fiscal gap for a while but ultimately cannot substitute for well-established mechanisms for generating domestic revenue. With well-functioning taxation systems, African countries can substantially reduce their reliance on external finance.

4.2.2 Since 2017 when the Bank Group's anti-IFFs strategy was adopted, many African countries have made progress in the area of tax systems and tax administration reforms. The African membership to the Global Forum/Africa Initiative has almost doubled since the Yaoundé declaration was signed in 2017[28], with 34 signatories (including ten committed to start AEOI by a specific date).[29] As at December 2022, twenty-seven (27) African countries have also become members of the BEPS inclusive framework, giving them access to capacity building support to implement the BEPS 15 action Package. Four African countries (Nigeria, Senegal, Zambia and South Africa) are presently represented in the BEPS Steering Group. Six African countries (Botswana, Zambia, Tanzania, Egypt, Nigeria and Ghana) were reported as now having a central or public beneficial ownership registry in place, with another 15 countries committed to strengthen beneficial ownership transparency.[30] At a continental level, the AU Commission's Extraordinary Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration spearhead the anti-IFF agenda in subsequent years, and in 2022, its sub-committee on Tax and IFFs met for the first time, when two continental strategies were considered: (i) The AU strategy on Tax; and (ii) The AU strategy on fighting IFFs.[31]

4.2.3 The above, notwithstanding, IFFs remain a major challenge to mobilizing domestic resources for development in Africa. Tax evasion and tax avoidance are commonplace among corporates and wealthy elites in Africa, but the most harmful of these is tax evasion and avoidance by Multinational Corporations (MNCs) given the scale of tax evasion and avoidance and the consequent tax loss involved in view of the size of resources under their control. The MNCs facilitate their tax evasion and avoidance activities through the use of transfer pricing, trade mis-invoicing

[28] https://www.oecd.org/tax/transparency/what-we-do/technical-assistance/Yaounde-Declaration-with-Signatories.pdf
[29] https://www.oecd.org/tax/transparency/AEOI-commitments.pdf
[30] https://www.openownership.org/en/map/
[31] The draft AU strategy on fighting IFF (provisionally) includes the following objectives:

- Mitigating the economic and fiscal effects of IFFs in line with the continent's development goals.
- Increase domestic revenue mobilization through targeted strategies aimed at mitigating illegal and illicit forms of IFFs.
- To coordinate efforts with domestic and international partners in order to curb IFFs.
- Strengthen the internal resource capacity of the AUC to curb IFFs.
- To provide a framework for the AU to provide institutional and political leadership in efforts aimed at curbing IFFs.
- To encourage the application of recommendations formulated by AU/UNECA High-Level Panel (HLP).
- To reaffirm the Common African Position on Asset Recovery as one of the key pillars of this strategy.

and mispricing.[32] The challenge posed by IFFs, especially through tax evasion and avoidance is huge but most tax authorities in Africa lack sufficient resources and staff to tackle it. In particular, they lack the resources to gather information on tax evasion. There is also a lack of legislation and guidelines on transfer pricing or effective transfer pricing units to address the problem of transfer pricing. Additionally, essential capacity in detecting and investigating possible under- and over-invoicing of imports and exports is lacking.

4.2.4 Reforms in the areas of beneficial ownership and the exchange of tax information are paramount to facilitate the fight against tax evasion and avoidance. African tax agencies, company and Trust registries and other relevant entities should be capacitated to be able to collect information on the identity of the ultimate beneficial owner and controller of each company. This information also needs to be updated regularly and made publicly available. The Bank should therefore support RMCs, especially the natural resource rich countries, to establish public registries of verified beneficial ownership information on all legal entities, and to put in place relevant legislations and measures to ensure tax transparency. The Bank would assist African countries in building institutional capacity of tax authorities to strengthen the system of information collection, accessibility and transparency locally to allow full reciprocal information exchange by African countries. Also, assistance should be provided to build human capacity and information technology to analyze information received.

4.2.5 Table 2 outlines the actions the Bank will take to support RMCs and regional institutions to strengthen tax systems and tax administration frameworks to combat ML and IFFs during the period 2024 – 2026.

[32] See, for instance, Sebele-Mpofu et al., An exposition of transfer pricing motives, strategies and their implementation in tax avoidance by MNEs in developing countries Cogent Business & Management (2021), 8: 1944007https://doi.org/10.1080/23311975.2021.1944007

Table 2: Actions for Strengthening Tax System and Tax Administration Framework	
Target Regional Member Countries	**All RMCs, with emphasis on States in fragile situations**
Actions	Timeline
1.1 Provide technical and/or financial support to, at least, 3 RMCs for the development, revision and/or implementation of national Tax Policies, Tax Laws and Regulations	2024 - 2026
1.2 Provide technical and/or financial support, at least, 2 RMCs to undertake customs service reforms – necessary to curtail trade mispricing	2025 - 2026
1.3 Provide technical and/or financial assistance to, at least, 3 RMCs, either directly or through a regional institution, to build capacity of tax authorities to tackle tax evasion, and reduce opportunities for tax avoidance	2024 - 2026
1.4 Provide technical and/or financial support to, at least, 1 RMC for the establishment and/or strengthening of dedicated unit(s) on Automatic Exchange of Financial Account Information in Tax Matters (AEOI) and Base Erosion and Profit Shifting (BEPS) protocols.	2026
1.5 Provide technical and/or financial support to, at least, 1 RMCs to establish and/or strengthen Transfer Pricing Units that are well equipped in accordance with global best practices	2025
1.6 Provide technical and/or financial support to, at least, 1 RMC to establish and /or undertake reforms of public/central registries of verified beneficial ownership information, and provision, and regular update, of information on beneficial ownership	2026
1.7 Provide technical and/or financial assistance to, at least, 2 RMCs to build institutional capacity to strengthen their system of information collection to allow full reciprocal information exchange by African countries	2025 - 2026
1.8 Undertake a study, in collaboration with ATAF, or similar organizations, to identify the motive, strategies and extent of transfer pricing and other tax abuses by MNCs in the continent and best practice to address them.	2025

4.3 Activities Cluster 2: Strengthening Framework for Curbing IFFs in the Natural Resources Sector

4.3.1 Natural resources underlie Africa's economies, for instance, natural capital accounts for between 30% and 50% of national wealth.[33] However, despite these substantial natural endowments, many of the Bank's RMCs have been unable to harness fully the potential in their natural resources for domestic resource mobilization for sustainable development and economic transformation. Illicit trade in natural resources and the attendant financial flows is one of the main reasons often cited. The AfDB's estimates on the economic impact of illicit natural resources trade put the losses to at least US$120 billion per annum, or 5% of Africa's GDP, and the loss in tax revenue at about US$3.6 billion[34]. Other organizations report different and even larger figures.[35] Studies also suggest that extractive industries are particularly prone to IFFs[36], and that fuel exporters were responsible for nearly half of the illicit financial flows from Africa between 1970 and 2008[37].

4.3.2 In oil and gas exporting African countries, tax abuse by MNCs, through transfer mispricing, falsified invoicing, and round tripping, are the most significant sources of IFFs. Complex corporate ownership structures, anonymous companies and sheltering money in tax havens are utilized to structure and hide illicit proceeds. Illicit actors also take advantage of weak controls along the value chain in the natural resource sector, poor import-export controls, asymmetries in tariff structures within regional trade blocs, inadequate oversight mechanisms, trade mis invoicing and a lack of information sharing between countries to facilitate the movement of illicit goods and profits. In addition, issues with contracts management and weak, or sometimes non-existing, traceability framework are key drivers of IFFs through illicit trade. Corruption is also a major factor in mineral producing and exporting countries and this has also been identified as a key source of IFFs in these countries, especially in North Africa.[38] IFFs from both tax abuse and corruption reduce revenues as well as the fiscal and other benefits from the mineral sector and considerably weaken African countries' ability to fund development plans for the structural transformation of their economies.

4.3.3 In line with the Bank's objective of supporting good governance of Africa's natural resources sector to foster inclusive and sustainable development and its sub-pillar for addressing illicit natural resources outflows and trade[39], the Bank will work with partners to support policy, knowledge, and capacity to curb the illicit natural resources trade, and close loopholes that enable illicit natural resource outflows. In particular, the Bank will support RMCs to develop or enhance anti-corruption and financial transparency measures and reforms in the natural resource sector, including relevant legislations and regulations, fair and transparent procurement, contracting and licensing processes, beneficial ownership standards, corporate board governance, and management of risks of politically exposed persons. The Bank's IFFs-related interventions will contribute to the continent's fight against

[34] See draft NARMIS
[35] The UNDP estimates that Africa loses an estimated USD 195 billion annually of its natural capital through illicit financial flows, illegal mining, illegal logging, the illegal trade in wildlife, unregulated fishing and environmental degradation and loss.
[36] United Nations Conference on Trade and Development (UNCTAD). (2016). Trade Misinvoicing in Primary Commodities in Developing Countries: The Cases of Chile, Cote d'Ivoire, Nigeria, South Africa, and Zambia. New York and Geneva: United Nations.
[37] Le Billion, P. (2011). Extractive sectors and illicit financial flows: What role for revenue governance initiatives? Bergen: Chr. Michelsen Institute (U4 Issue 2011:13) 41 p
[38] Kar, D and Freitas S., 2012. Illicit Financial Flows from Developing Countries, 2002 – 2010. December 2012 Report from Global Financial Integrity
[39] See draft NARMIS

corruption in the natural resource sector, in particular, the oil and mining sectors and improving transparency with a view to reducing illicit financial flows in the sector.

4.3.4 Table 3 outlines the actions the Bank will take to support RMCs and regional institutions to strengthen the frameworks for curbing ML and IFFs in the Natural

Table 3: Actions for Strengthening Frameworks for Curbing IFFs in the Natural Resources Sector	
Target Regional Member Countries	All RMCs, with emphasis on States in fragile situations
Actions	Timeline
2.1 Provide technical and/or financial support for the development, revision and/or implementation of anti-IFFs Laws and Regulations framework in the natural resource sector in, at least, 1 RMC	2025
2.2 Provide technical and/or financial support to, at least, 2 RMCs, either directly or through a regional institution, (in particular fragile states) to undertake IFFs risk assessments in the natural resource sectors	2005 - 2006
2.3 Provide technical and/or financial support to, at least, 3 RMCs to strengthen oversight institutions in the natural resources sector	2024 - 2026
2.4 Provide technical and/or financial support to, at least, 3 RMCs, either directly or through a regional institution, to strengthen databases for M&E of mineral exploration data to serve as basis of validation of feasibility study reports submitted by companies[40]	2024 - 2026
2.5 Provide technical and/or financial support, to at least, 3 Fragile and Transition States, to strengthen institutional and human capacity to combat IFFs in the natural resources sectors.	2024 - 2026
2.6 Provide technical and/or financial assistance to, at least, 3 RMCs to implement the EITI standards and/or FiTI- fisheries transparency	2024 - 2026
2.7 Organise, at least 3 external (regional or national) conferences, workshop, policy dialogues and events on IFFs in the natural resource sector	2024 - 2026
2.8 Organize, at least, 2 internal webinars for IFFs-related natural resource knowledge sharing	2024 and 2026

[40] This has implications on exploration expenditure which is deductible when companies start production

4.4 Activities Cluster 3: Enhancing Framework for Curbing ML and IFFs in the Financial Sector and DNFBPs

4.4.1 ML and IFFs use channels ranging in sophistication from cross border cash/ BNIs couriers/smuggling and abuse of remittances/ (MVTS) to trade finance and shell companies. This clearly implies that at some point, IFFs exploit the financial system, with banking secrecy being one of the major drivers. A key transparency issue that relates to the above which calls for urgent attention is transparency of legal persons and legal arrangements (of beneficial ownership). The operation of shell companies and allowing the identity of owners to remain secret enable those who wish to hide illicit wealth or launder money to do so without hindrance. To combat the problems of banking secrecy, shell companies and beneficial ownership, RMCs will need to establish public registries of beneficial ownership. Addressing the twin-issues of financial secrecy jurisdictions and tax havens is vital in ensuring that there is nowhere to send, hide or launder illicitly acquired money. The Mutual Evaluations conducted by FSRBs, IMF and World Bank in the RMCs, as well as the Bank's financial sector diagnostic studies, reveal that there are some serious AML/ CFT gaps in most countries, including weak preventive and supervisory measures. There is therefore, a need to work with RMCs to enhance the legal, institutional, operational frameworks and supervisory regimes to ensure they are in compliance with international standards/best practice.

4.4.2 As noted in paragraph 1.3 above, cryptocurrency is one of the emerging technologies with considerable benefits but which also come with the risk of facilitating ML and IFFs. Bitcoin is by far the largest cryptocurrency used in ML and other illicit flows, especially when they are traded through decentralized exchanges (DEXs), which typically do not have a central authority on which to apply KYC and AML regulations. DEXs operations, therefore, remain a challenge for government regulators, particularly with regard to their use in facilitating transactions between more anonymous "un-hosted" wallets. While cryptocurrencies traded through DEXs increase risks and vulnerability to ML and IFFs, the use of centralized exchanges (CEX) and regulated blockchain technology can have significant benefits to the economies of RMCs and could ameliorate the risk of ML and IFFs. It is the role of government therefore, to identify how to best use and regulate blockchain technology to advance the national interest, and to encourage the use of centralized exchanges for trading of Bitcoins. Broader enforcement of Know Your Customer (KYC) and Anti-Money Laundering (AML) regulations would help to enhance the ability of law enforcement to identify illicit Bitcoin activity.

4.4.3 It should be noted however, that although the used of CEX can reduce the risk of ML and IFFs, both DEX and CEX are used for ML and IFFs despite there being some form of regulation on some CEXs. The biggest problem across the globe is lack of regulation and supervision. Countries, especially RMCs, have been slow in developing laws and regulations in this area. In the ESAAMLG region, for instance, only Mauritius and Botswana have developed regulations in line with Rec 15 of the FATF, but effectiveness is still lacking. All this is due to lack of understanding of virtual assets (VAs) and virtual asset service providers (VASPs) by RMCs and as a result, no monitoring, no risk assessment, no application of a risk-based approach. This is not limited to Bitcoin although it is most common. RMCs therefore, need assistance and support in these areas. It is important therefore, that the relevant authorities in

RMCs should continue to strengthen preventive and supervisory regimes to address the risks posed by new technologies such as cryptocurrencies and other digital payment systems and that the Bank should support RMCs in this regard.

4.4.4 It is important that African countries that desire to be global financial centers should ensure that these centers are not used to facilitate the receipt of laundered funds or IFFs. Addressing the issue of banking secrecy, in addition to promoting transparency of the financial system through the regular reporting of detailed deposit data and addressing obscurity surrounding beneficial ownership, are major tools for curtailing ML and IFFs in the financial sector. Efforts to put political pressure on jurisdictions that enable a high level of financial opacity or that have laws enabling banking secrecy and the registration of shell companies should be sustained, and supported by the Bank. The Bank considers the addressing of obscurity surrounding beneficial ownership, and automatic exchange of information as major tools for curtailing ML and IFFs and would support reforms in the financial sector in RMCs that will facilitate the verification of beneficial ownership information and the ascertainment by banks of the true beneficial owners of any account or client relationship they open in their financial institutions. In this regard, the Bank should support development of legal and regulatory reforms geared towards effective identification, regulation and risk-based supervision of VAs/VASPs and other reporting entities in order to fully comply with the international standards.

4.4.5 Table 4 outlines the actions the Bank will take to support to RMCs and regional institutions to strengthen the frameworks for curbing ML and IFFs in the Financial Sector and DNFBPs during the period, 2024 – 2026.

Table 4: Actions for Strengthening Framework for Curbing ML and IFFs in the Financial Sector and DNFBPs	
Target Regional Member Countries	All RMCs, with emphasis on States in fragile situations
Actions	**Timeline**
3.1 Support, at least, 3 RMCs, either directly or through a regional institution, to undertake ML/FT/IFFs risk assessments exercises (new or update) and/or development or update of National Action Plans on ML and IFFs	2024 - 2026
3.2 Support, at least, 2 RMCs to develop, revise and/or implement national AML/CFT/PF policies, strategies and action plans.	2025 - 2026
3.3 Support Financial Sector IFFs-related capacity building in, at least 2 Fragile and Transition States	2024 - 2026
3.4 Support capacity building for oversight institutions and law enforcement agencies, including FIUs, Economic and Financial Crime Agencies, parliament, investigators, judges, supervisors, regulators, etc., in, at least 4 RMCs.	2024 - 2026
3.5 Support strengthening of legal and regulatory frameworks and anti-money laundering initiatives in the financial sector and DNFBPs in, at least, 3 RMCs	2024 - 2026
3.6 Support, at least, 2 RMCs to develop legislation that would allow regulation and supervision of VAs and VASPs and other new technologies in line with FATF Standards and strengthening their capacity to apply the FATF's standards for cryptocurrency.	2025 - 2026
7 Financial and/or technical support to be channelled through, at least, 3 FSRBs and other regional organizations in support of AML/CFT/IFFs capacity (institutional and human) building activities, national risk assessments, conferences, workshops, etc., in RMCs	2024 - 2026
8. Support 2 RMCs in strengthening the beneficial ownership laws and implementing BO public registers for legal persons and legal arrangements.	2024 - 2026

4.5 Activities Cluster 4: Enhancing Capacity for ML and IFFs Knowledge Management and Mainstreaming

4.5.1 Since the publication of the HLP report on IFFs, the landscape of IFFs in the continent has continued to gain in clarity, awareness, and depth. This notwithstanding, there is still a dearth of knowledge on the scope, origin, key drivers, and enablers of IFFs in Africa and a lack of reliable and objective evidence, which, to a large extent, can hinder policy interventions and undermine possibilities to tackle the problem. Gaining knowledge on the size, origin, key drivers, and enablers of IFFs in Africa is important in providing evidence for a targeted and effective policy response by RMCs to the challenges and risks of ML and IFFs. It is, therefore, important that the Bank, through its AML and Anti-IFFs Knowledge Management work, continues to serve as a knowledge broker and a resource for thought leadership in the area of ML and IFFs. This is particularly important in view of the fact that curbing ML and IFFs is key to improving governance and stemming the leakage of resources critical to funding Africa's investment needs. The Bank must continue to heighten its ML and IFFs knowledge work in the continent to improve understanding of the magnitude, key drivers, enablers, and nature of these flows, as well as, to design appropriate measures to tackle them. The Bank must also support RMCs to improve their understanding of the issues and to enhance their capacity to measure IFFs over time and monitor the impact of policies put in place to reduce these flows.

4.5.2 In line with the guiding principles of the Bank Group Capacity Development Strategy (CDS 2021-2025) and the Bank Group Knowledge Management Strategy (2022-2031), the Bank's ML and IFFs Knowledge Management work would be demand-driven. ML and IFFs Knowledge work would, therefore, be undertaken when required by RMCs or regional authorities to help them develop and implement policies and strategies regarding ML and IFFs related issues, or by the Bank to design its strategies and policies and gain overall knowledge on ML and IFFs developments in the RMCs. In some instances, however, the Bank's ML and IFFs Knowledge Management work could be supply-led as a means of advancing the knowledge frontier on emerging global ML and IFFs issues or issues facing RMCs. Bank's ML and IFFs Knowledge work will also aim at supporting increasingly, the mainstreaming of AML and anti-IFFs into Bank's country and regional strategies as well as Bank operations.

4.5.3 The Bank's anti-IFFs work will prioritize areas in which the Bank is well positioned to make a substantial contribution to the body of knowledge that should inform coherent responses to the threats and risks of, and the fight against, ML and IFFs in the continent. The AML and anti-IFFs action plan will, therefore, focus the Bank's ML/IFFs knowledge work and interventions in areas where it can add value and complement the ongoing efforts of other strategic partners in the region. Resources and efforts will be devoted to mobilizing, analysing and making information on ML and IFFs in Africa accessible to internal and external stakeholders, including governments, civil society. In this regard, strategic partnerships for knowledge generation and management on ML/IFFs, as well as, internal and external communication on AML/anti-IFFs, will be prioritized. Staff would be encouraged to engage more in ML and IFFs knowledge work and in line with the Knowledge Management Strategy, efforts would be made to provide better funding for knowledge work, including through resources from trust funds.

4.5.4 IFFs-related policy dialogues will provide opportunities for RMCs to share, with the Bank, their challenges and progress in achieving their AML and anti-IFFs policy and institutional reforms, as well as their institution building objectives, with expectations for constructive guidance and solutions from the Bank. The expectations from the Bank will include the capacity to lead research-driven and evidence-based policy dialogue with the aim of contributing to the design and implementation of better and more inclusive evidence-based policies and institutional reforms around ML and

IFFs-related issues. This will certainly make demand on Bank staff skills and ability for identifying opportunities and entry points for AML and anti-IFFs policy dialogue, as well as ability to consistently and meaningfully engage in policy dialogue and monitoring progress. It will also require the Bank to mobilize additional resources (financial and human) to support AML and anti-IFFs policy implementation in RMCs. In this regard, the Bank will continue to build its internal capacity for evidence-based ML and IFFs-related research to effectively drive policy dialogue on AML and anti-IFFs issues in RMCs and to support RMCs and regional bodies in developing necessary policies, strategies and safeguards, as well as strengthening strategic partnerships with key partners in combating ML and IFFs. . Through the Virtual Capacity Development Academy (VCDA) platform, the Bank will organize global Community of Practices (G-CoP) policy dialogues, capable of providing a real-time interactive collaborative environment (e-marketplace) for training, technical assistance, and policy dialogue that encourage capacity utilization and knowledge exchange among African countries, institutions, and experts, and their peers globally.[41]

4.5.5 To encourage, and to ensure further and deliberate mainstreaming of IFFs issues into Bank operations and strategies, the Bank will scale up capacity building for Task Managers to identify the opportunities for addressing ML and IFFs issues and would invest in the design of appropriate solutions that can be rolled out. The enhancement of the capacity of staff to undertake ML and IFFs knowledge work, to identify and mitigate ML and IFFs risks within the Bank and in operations supported by the Bank, as well as the capacity of staff to mainstream and implement AML and anti-IFFs in Bank's operations will be prioritized. Measures and activities relating to capacity building of staff for ML and IFFs knowledge management and mainstreaming will be enhanced and better structured. The Bank will also develop a IFFs Portal, a website that will be dedicated to the generation and dissemination of ML/IFFs knowledge, and provide up-to-date data and statistics to RMCs, policymakers, researchers, and other stakeholders.

4.5.6 Table 5 outlines the actions the Bank will take to enhance capacity for ML and IFFs knowledge management and mainstreaming during the period, 2024 – 2026.

[41] The VCDA platform is administered by African Development Institute and provides an avenue for interaction with influential policymakers and practitioners on key global emerging themes with significant impact on the continent, through keynotes and a facilitated dialogue. It also allows for hybrid events as well as participation and interaction with experts and practitioners across the globe.

Table 5: Actions for Enhancing Capacity for ML and IFFs Knowledge Management and Mainstreaming	
Target Bank's Organizational Units	
Actions	Timeline
4.1 Prepare Guidelines for mainstreaming anti-IFFs actions into Bank operations, CSP, RISP, etc.	2024
4.2 Mainstream IFF issues into, at least, 25% of Bank Group Operations, CSPs, RISPs and ESWs	2024 - 2026
4.3 Training of, at least, 50 Bank staff on the process of mainstreaming anti-IFFs actions into Bank operations, CSP, RISP, etc.	2024 - 2026
4.4 Undertake, at least, 3 IFFs-related research, analysis, reviews, policy briefs and policy advisory and case studies on illicit trade at the institutional level (with, at least, 1 each in the natural resource and financial sectors)[42]	2024 - 2026
4.5 Provide technical and financial assistance to, at least, 3 RMCs and regional organizations to undertake ML and IFFs-related research, analysis, reviews, policy briefs and policy advisory and case studies on illicit trade.	2024 - 2026
4.6 Develop, maintain and continuous update of a IFFs Portal, a website to provide up-to-date database of information on ML and IFFs in the continent	2024 - 2026
4.7 Undertake, at least, 2 training workshops for parliamentarians, investigators, judges, supervisors, regulators, CSOs and think tanks/research organisations on IFFs	2025 - 2026
4.8 Organize at least, 2 global Community of Practices (G-CoP) policy dialogues on Enhancing Capacity for ML and IFFs from Africa	2024-2026

[42] The research or analysis on the financial sector could be on the impact of crypto/Fintechs with the objective of coming up with more focused mitigating measures

4.6 Activities Cluster 5: Strengthening Bank Internal Framework for Due Diligence and Controls to Prevent and Combat ML and IFFs

4.6.1 The primary money laundering and terrorist financing, as well as integrity, bribery and corruption, fraud, sanctions violations and IFFs risks, confronting the Bank, as a lending and disbursing financial institution, is the use of its funds to commit or conceal criminal (including ML) or terrorist activities. The Bank has pursued a comprehensive and systemic approach to strengthening its ML/IFFs identification and verification procedures and tools, building on existing policies and guidelines. The Bank has also made considerable progress in enhancing its in-house capacity for combating ML and IFFs (see details in the implementation progress and the external evaluation reports of the IFFs Strategic Framework, 2017 – 2021). However, the Bank continues to face varying and evolving ML and IFFs risks, vulnerabilities and threats, requiring the Bank to strengthen its monitoring of the risks assessment on counterparties to ensure that the necessary mitigating measures are effectively implemented... Also, the impact of new technologies on financial system and the increasing sophistication of the techniques and methods being used by perpetrators of ML and IFFs, continue to highlight the need for the Bank to keep on upgrading and enforcing its internal safeguard systems, and to upgrade its in-house capacity, to mitigate the risk of exposure to ML and IFFs. Thus the full implementation of the Bank Master Screening Tool (BMST) to ensure that Bank Staff have access to the necessary tools to proactively conduct due diligence and assess the necessary risks for mitigating measures.

4.6.2 To ensure effective monitoring and review of the AML-CFT-CIFF processes, an automation of the due diligence processes will be a priority. Increased automation of the Bank's due diligence processes would ensure enterprise-wide data consistency on risks assessment of counterparties, improve accountability and transparency, and accurate data recording for effective monitoring of AML-CFT-CIFF risks in Bank operations. It will also improve the quality and quick turnaround of due diligence assessments for effective decision making.

4.6.3 Table 6 outlines the actions the Bank will take to further enhance its internal framework for due diligence and controls to prevent and combat ML and IFFs during the period, 2024 – 2026.

Table 6: Actions for Enhancing Internal Framework for Due Diligence and Controls to Prevent and Combat ML and IFFs	
Target Bank's Organizational Units	
Actions	Timeline
5.1 Review existing Integrity Due Diligence Policy and Implementation guidelines to enhance processes related to Tax Due Diligence assessments	2024 - 2026
5.2 Adopt and implement the Bank Group Integrity Risk Assessment Framework for monitoring AML-CFT risks in Bank Group Activities	2024 - 2026
5.3 Monitor the implementation of AML-CFT opinions to enhance mitigation of risks identified during due diligence assessments.	2024 - 2026
5.4 Automate due diligence processes for effective implementation and monitoring of integrity risks	2025 - 2026
5.5 Enhance regular screening of Bank clients and counterparties against internationally recognized sanctions and debarment lists, and adverse media through the full implementation of the Bank Master Screening Tools	2024 - 2026
5.6 Mainstream due diligence measures in Bank operational areas and activities of the Bank including corporate procurement, sovereign operations, resource mobilisation, recruitment of staff and consultants, Africa Investment Forum, etc.	2024 - 2026
5.7 Sensitise Bank Staff, especially in operations departments to complete the two specialised IDD and AML trainings available on the Bank's LMS	2024 - 2026
4.8 Organize at least, 2 global Community of Practices (G-CoP) policy dialogues on Enhancing Capacity for ML and IFFs from Africa	2024-2026

5. CROSS-CUTTING

5.1 Recovery of Stolen Assets

5.1.1 While the Bank's AML/anti-IFFs work is aimed at preventing and combating ML and IFFs in the continent, it is also important to note that one of the core aims of the fight against ML and IFFs whether in tax administration, natural resources sector, financial sector and other sectors, is to deprive criminals and offenders of their illicitly earned assets. Asset confiscation/recovery, therefore, cuts across, and is key in tackling ML/TF/IFFs in all the key sectors examined in section 4. However, most RMCs have problems with asset confiscation/recovery, due, amongst others, to weaknesses in their legal and institutional frameworks as well as inadequate capacity for assets recovery and interim management. The need for RMCs to develop effective systems to trace, seize and confiscate stolen funds and assets, as well as to manage seized assets, cannot therefore, be overemphasized.

5.1.2 Cognizant of the above, the Heads of State and Government of the African Union unanimously adopted the Common African Position on Asset Recovery (CAPAR), proposed by the government of the Federal Republic of Nigeria, at their 33rd Assembly in Addis Ababa in February 2020. CAPAR is the bedrock for the continent's legal instrument and technical framework for negotiating the return of stolen assets and illicit capital flights, taken illegally out of the shores of Africa and hosted in foreign jurisdictions. As a policy instrument, CAPAR outlines Africa's priorities for asset recovery and groups them into four pillars: (i) the detection and identification of illicitly removed assets; (ii) the recovery and return of illicitly removed assets; (iii) the management of recovered assets; and (iv) cooperation and partnerships to harmonize the process of identification and recovery. Under CAPAR countries must establish a recovered asset management agency or designate "of an existing entity for management of returned assets with clear administrative powers and responsibilities for transparency and accountability".

5.1.3 Although the Bank does not get directly involved in the investigation, tracing, law enforcement, prosecution, confiscation, and repatriation of stolen assets, its engagement with RMCs in addressing the problem of ML/TF/IFFs calls for support to RMCs to develop effective systems and capacity to trace, seize and confiscate stolen funds and assets. It also calls for support to, and collaboration with, national and international institutions that work to recover stolen assets, including providing legal and technical assistance to RMCs which could include financial assistance to defray the legal cost of asset recovery process, advisory in filing a request for mutual legal assistance; and strengthening of regional networks on asset recovery. The Bank will therefore, in the implementation of AML/anti-IFFs action plan, support RMCs to strengthen national asset recovery functions, or to establish same, where they do not already exist. In this regards, the Bank will: (i) support the implementation of priority activities under the Common African Position on Asset Recovery, including strengthening RMCs' legal, regulatory and institutional frameworks on asset freezing, tracing, confiscation/recovery and the management of frozen assets; (ii) build capacity for asset recovery including training for Magistrates and Judges and Anti-corruption Authorities, amongst others; and (iii) leverage its network of regional contact points, including FSRBs, the World Bank, ARINSA, ARINEA, ARINWA, INTERPOL, SARPCCO, EAPCCO, and WAPCCO, to support and encourage RMCs' effort at domestic and international cooperation on asset recovery.

5.2 Strategic Partnership and Coordination for Implementation of the Action Plan

5.2.1 The Bank is cognizant of the fact that strategic partnership, coordination and harmonization with other development partners is a major enabler for the implementation of the proposed action plan, and that it will ensure a more effective engagement and support for governments' AML and anti-IFFs reform agendas and the global efforts at combatting ML and IFFs. The Bank also recognizes the role of regional organizations and civil society organizations (CSOs) in the global efforts at combatting ML and IFFs. Consequently, the Bank will continue to pursue and scale up collaboration with existing strategic partners at national, regional and global levels, with a view to developing synergistic relationships, and ensuring complementarities, with organizations that align with the Bank's AML and anti-IFFs objectives and reform priorities. The Bank will therefore collaborate and work with its strategic partners including the African regional anti-money laundering groups or FSRBs and other regional and global bodies like the African Union Commission, CoDA, African Tax Administration Forum (ATAF), World Bank, OECD, FATF, ARINs, SADC, EAC, ECOWAS, the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum), Global Financial Integrity, United Nations Office on Drugs and Crime (UNODC), IMF, Open Government Partnership (OGP), African Beneficial Ownership Transparency Network (AfBOTN) and other bilateral donors in implementing the activities mapped out in the action plan. The Bank will leverage on its strategic partnership to channel its AML/ anti-IFFs support to RMCs and institutions; and will provide targeted support to the regional bodies with a view to enhancing their capacities to meet the technical assistance needs of RMCs and institutions.

5.2.2 Moreover, the AML and Anti-IFFs action plan creates an opportunity not only to strengthen existing partnership and coordination, but also to forge new strategic partnership with international development partners, research institutions within and outside the continent, and non-governmental organizations on critical and emerging ML and IFFs issues. The Bank will therefore, forge and pursue new strategic partnership and collaboration to support countries' strong proactive commitment to influence emerging global frameworks for AML and anti-IFFs standards, international tax transparency, beneficial ownership, and to encourage automatic exchange of tax information among African countries and globally. In particular, efforts would be made to build a relationship with MENAFATF, which though has membership from North African countries, is not based on the continent. Going forward, and to ensure that the North African region is carried along in the Bank's AML and anti-IFFs work, there is a need to work out a modality to interact with, and support, the respective African countries, that are members of MENAFATF, not only individually but also as a group. [43]

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[43] For clarification, please see the implementation progress report of the bank group strategic framework and action plan on the prevention of illicit financial flows in Africa (2017 – 2021), and the proposal for extension of the bank group strategic framework and action plan on the prevention of illicit financial flows in Africa (2017 – 2021)

5.2.3 In line with the CSO engagement approach enunciated in the Framework for Enhanced Engagement with Civil Society Organizations[44] and in SEGA, the Bank's engagement with CSOs, in its AML and anti-IFFs work, will entail forging partnerships with qualified and experienced CSOs working in AML and anti-IFFs-related issues. This will be done with a view to ensuring effective role for non-state actors in demanding accountability from mandated anti-IFFs institutions and other state actors, including political actors. Moreover, the Bank is cognizance of the fact that the availability of relevant information and the exchange of such information with a wider but relevant audience, including the CSOs is an important tool in the fight against ML and IFFs. The Bank would therefore, continue to support the CSOs demands for greater transparency by supporting the efforts of the relevant agencies in making information on beneficial ownership and annual accounts available to a wider audience other than the authorities (by placing them on public record) with a view to making abuses quickly visible and promoting greater transparency with benefits to the democratic institutions and society.

5.3 Policy Dialogue and Stakeholder Engagement

5.3.1 Policy dialogue provides an important platform to engage with RMCs to understand their ML and IFFs challenges. It provides an opportunity to support RMC's to identify, formulate, promote and implement effective AML and anti-IFFs policies and reforms that will contribute to the realization of the vision of an African continent with the requisite capacity to effectively combat IFFs by 2030. In implementing the AML and anti-IFFs action plan therefore, the Bank will actively promote broad-based consultations and participation of key stakeholders in RMCs. This could take several forms including, convening stakeholders, sharing knowledge, and providing advice to help RMCs make informed AML/anti-IFFs-related policy decisions.

5.3.2 The Bank's anti-IFFs related policy dialogue will facilitate open discussion with the public and private sectors and civil society on critical AML/anti-IFFs policy issues and will contribute to strengthening domestic ownership of policies, reforms and operations. In this regard, the Bank will scale up joint anti-IFFs-related policy dialogue and operational engagements and harmonizing of operations through the use of joint PBOs with the World Bank, IMF and other bilateral donors. The Bank's engagement with other development partners (DPs) and CSOs will also seek to enhance constructive dialogue, collaboration and cooperation to build mutual understanding and increase support for Bank-backed anti-IFFs operations. In implementing the action plan, the Bank will therefore, seek to strengthen policy dialogue with other DPs, and enhance the role and contributions of CSOs to policy dialogue, on AML and anti-IFFs issues and to the development of national AML and anti-IFFs policies, strategies, and legal and regulatory frameworks. Their roles and contributions in the formulation, implementation, or review of Bank-supported AML and anti-IFFs programs will also be encouraged.

5.3.3 The Bank's anti-IFFs related policy dialogue aims to contribute to the design and implementation of better and more inclusive evidence-based anti-IFFs reforms.

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[44] The Bank's engagement in fostering social accountability through civil society organizations is defined by its "Framework for Enhanced Engagement with Civil Society Organizations," adopted in 2012.

However, to ensure ownership and sustainability of the reforms and actions to be supported by the Bank, in its RMCs, in the course of implementing the action plan, the Bank's anti-IFFs related policy dialogue will aim at actively promoting broad-based consultations and participation of key stakeholders and at supporting RMC's efforts to achieve the objectives laid down in their AML/anti-IFFs strategies. Consequently, efforts would be made to start policy dialogue early in the process, of identification and preparation of AML/anti-IFFs operations with a view to enhancing effectiveness in the design of such operations and contributing to improving quality at entry and development effectiveness.

6. IMPLEMENTATION AND FINANCING OF THE ACTION PLAN

6.1 Programs and Instruments

6.1.1 To achieve the goals of the action plan for combating ML and IFFs, the Bank will, at the operational level, use program-based operations (PBOs) and institutional support projects (ISPs) to support RMCs in advancing policy, regulatory and institutional reforms, as well as institutional and capacity building, with a view to enhancing AML and anti-IFFs frameworks particularly in the areas of tax systems and tax administration, natural resources sector and financial sector in RMCs. Result-Based Financing and technical assistance, financed through the African Development Fund (ADF) and Transition States Facility (TSF), and other bilateral funds managed by the Bank will complement PBOs and ISPs in providing capacity-building support to RMCs and regional institutions.

6.1.2 For the achievement of the goals of the Bank's internal framework for due diligence and controls to prevent and combat ML and IFFs and its in-house human capacity for internal ML and IFFs safeguards and automation of the due diligence processes, both human and technical resources will be required to implement the activities enunciated in the action plan. Training, workshops and conferences will be used to enhance staff capacity and disseminate information on AML-CFT and IFFs risks.

6.1.3 The Bank will also use policy dialogue (global, continental, regional and national) as an instrument to achieve the goals of the action plan for combating ML and IFFs. The generation and dissemination of knowledge and analytical products (Bank's AML and anti-IFFs knowledge management work) will serve as the basis for policy dialogue and capacity building for AML and anti-IFFs work in RMCs. Research, policy advisory, policy briefs, fact sheets, presentations at FSRB meetings and conference presentations, public media - including television interviews, documentaries and podcasts, research and publications will provide a knowledge base to support policy making in RMCs and within the Bank. At the program level, policy dialogue will be conducted in collaboration with the Bank's Regional Offices and DPs.

6.1.4 The operational activities under the action plan will be financed using the Bank's core financing instruments, primarily ADB/ADF allocations and trust funds. The non-operational work, in particular the organization of events and production of analytical work, review of policies and processes, the automation of processes, training and capacity building will require administrative budget for staffing and consultancies. The departments responsible for their implementation will submit their requests as part of the annual programming and budgeting cycles.

6.2 Institutional Arrangements for Implementation

6.2.1 *AML and anti-IFFs Role of Relevant Bank Organizational Units*: The action plan for combating ML and IFFs reflects the "One Bank" approach to addressing development issues. It provides a consolidated overview of how organizational units within the Bank will work together to address anti-money laundering and anti-IFFs issues. While ECGF and PIAC will remain the principal departments for the coordination of AML and anti-IFFs work in the Bank, the implementation and monitoring of the action plan will be a Bank-wide responsibility. However, the following organizational units will be particularly responsible for specific activities clusters of the action plan:

6.2.2 *Activities Cluster 1* : Enhancing Tax Systems and Tax Administration Anti IFFs Framework: ECGF will be the principal department responsible for implementing and monitoring the implementation of the activities under cluster 1 of the AML and anti-IFFs action plan. The main instruments that will be used in implementing the activities under this cluster will include PBOs, ISPs, result-based financing, technical assistance, economic and sector works, policy briefs, etc. ECCE will play a key role in mainstreaming AML/CFT/IFFs issues in CSPs and RISPs.

6.2.3 *Activities Cluster 2*: Strengthening Framework for Curbing ML and IFFs in the Natural Resources sector: ECNR, in collaboration with ECGF, will lead activities under cluster 2 of the AML and anti-IFFs action plan. The main instruments that will be used in implementing the activities under this cluster will include economic and sector works, policy briefs, PBOs, ISPs, result-based financing, technical assistance, etc.

6.2.4 *Activities Cluster 3*: Enhancing Framework for Curbing ML and IFFs in the Financial Sector and DNFBPs: ECGF, in collaboration with PIFD, will lead activities under cluster 3 of the AML and anti-IFFs action plan. The main instruments that will be used in implementing the activities under this cluster will include analytical works, policy briefs, PBOs, ISPs, result-based financing, technical assistance, etc.

6.2.5 *Activities Cluster 4:* Enhancing Capacity for ML and IFFs Knowledge Management and Mainstreaming: ECGF will collaborate with ECMR ECST and ECAD in leading activities under cluster 4 of the AML and anti-IFFs action plan. The main instruments that will be used in implementing the activities under this cluster will include policy research and analytical works, policy briefs, country and regional strategy papers, technical and financial assistance, conferences and training workshops, etc.

6.2.6 *Activities Cluster 5*: Strengthening Bank internal framework for due diligence and controls to prevent and combat ML and IFFs: Operational departments as the main originating departments in due diligence processes have the sole responsibility to initiate the due diligence processes within their operations and transfer any high risks areas to PIAC for further reviews and assessment. PIAC in its oversight and second line of defense role will coordinate, provide technical and capacity building support in the mainstreaming of AML-CFT due diligence processes in Bank Group Operations. It will further create a structured monitoring framework for all AML-CFT due diligence processes and produce regular reports to Management and Board as part of its reporting processes. In this process PIAC will work with FITR, ECGF, PGCL, SNFI, PTVP, FIRM, FIST, PISD and PINS to ensure effective implementation of this objective.

6.3 Monitoring Arrangements and Updating of the Action Plan

6.3.1 *Monitoring Arrangements*: The Bank's anti-money laundering and anti-illicit financing operations will be results-oriented with the ultimate focus being on enhancement of outcomes. The result measurement framework (RMF) presented in appendixes 2, will serve as a monitoring dashboards. Compliance will be determined against performance indicators in the results measurement framework of the action plan. The results measurement framework of the action plan articulates key priorities and define the necessary actions to deliver on objectives. The result measurement framework includes expected outcomes and the output/activities to support them. In addition, AML and anti-IFFs operations that would be supported by the Bank either using the instrument of ISPs or PBOs, or other lending instruments, would have result measurement frameworks which will include indicators to measure expected outcomes and the output/activities. ECGF, in collaboration with PIAC, will track the RF data and prepare annual update on implementation progress in the form of a dashboard report. This report will be shared with Management.

6.3.2 *Implementation Progress Report of the Action Plan*: In addition to the annual update on implementation progress indicated above, there will be an implementation progress report on the implementation of the three-year action plan at the end of its implementation. The process of preparing the implementation progress report will start six (6) months before its expiry. The report will show progress made in implementing the action plan. The result of the implementation progress report would inform the development of a new action plan for the next period. Both the Implementation Progress Report and the new draft Action Plan should be completed "by the end" of the expiry date of the existing Action Plan. Responsibility to preparing the implementation progress report and developing a new action plan, will fall on ECGF, PIAC, ECNR, PIFD, FITR, ECMR, ECST and SNSP.

6.4 Risks to the Implementation of the Action Plan and Mitigation Measures

6.4.1 Uncertain events and phenomena could affect implementation of this action plan. Table 7 below presents an assessment of the risks to the implementation of the Bank Group AML and anti-IFFs interventions under the action plan for combating ML and IFFs in Africa and identifies the mechanism and measures the Bank will use to mitigate them.

Table 7: Risks to the Implementation of the Action Plan and Mitigation Measures

Risk	Mitigating measures
The skills and expertise required to deliver effectively on commitments may not exist at the Bank	Implementation of the action plan will be structured to be commensurate with the build-up of the required skills and resources. Training schedules will be aligned with other relevant training activities in the Bank. Also, the Bank will use the opportunity of the ongoing strategic staffing exercise to address the staffing needs for its AML and anti-IFFs activities.
Inadequate resources to support the full implementation of the activities under the action plan.	Allocation of dedicated budget resources to the Bank's AML and anti-IFFs activities will help mitigate this risk. Moreover, the Bank's AML and anti-IFFs technical, financial and advisory assistance to RMCs' institutions, regional intergovernmental organizations, CSO, and other external stakeholders could also benefit from resources of trust funds and special funds managed by the Bank as well as admin budget for implementation and monitoring.
Political will and inadequate commitment in some RMCs to undertake the required policy and regulatory reforms required to address ML and IFFs issues.	The Bank will engage in policy dialogue, using for instance budget support operations, institutional support projects, awareness building, targeted technical assistance, directly and collaboratively with FSRBs. In addition, the Bank's support to oversight institutions at country level, including the parliaments, NGOs and CSOs, and at regional level, would foster accountability and commitment in this area.
The paucity of information, and reluctance of some sources to make information available to enrich the envisaged ML and IFFs Portal and client database.	Establishing, maintaining and updating the database requires a dedicated staff each within the ECGF, PIAC and ECST, with real time access to multiple sources of information, for instance from RMCs and their relevant institutions, FSRBs, corporate and deeds registries, etc. These staff will dedicate the first year of the implementation period of the action plan to identifying the most important sources of information, engaging with stakeholders and negotiating with partner organizations that are in a better position to intermediate requests for information, as well as, conducting advocacy work with RMCs.

7. Consultation Process for the Preparation of the Action Plan

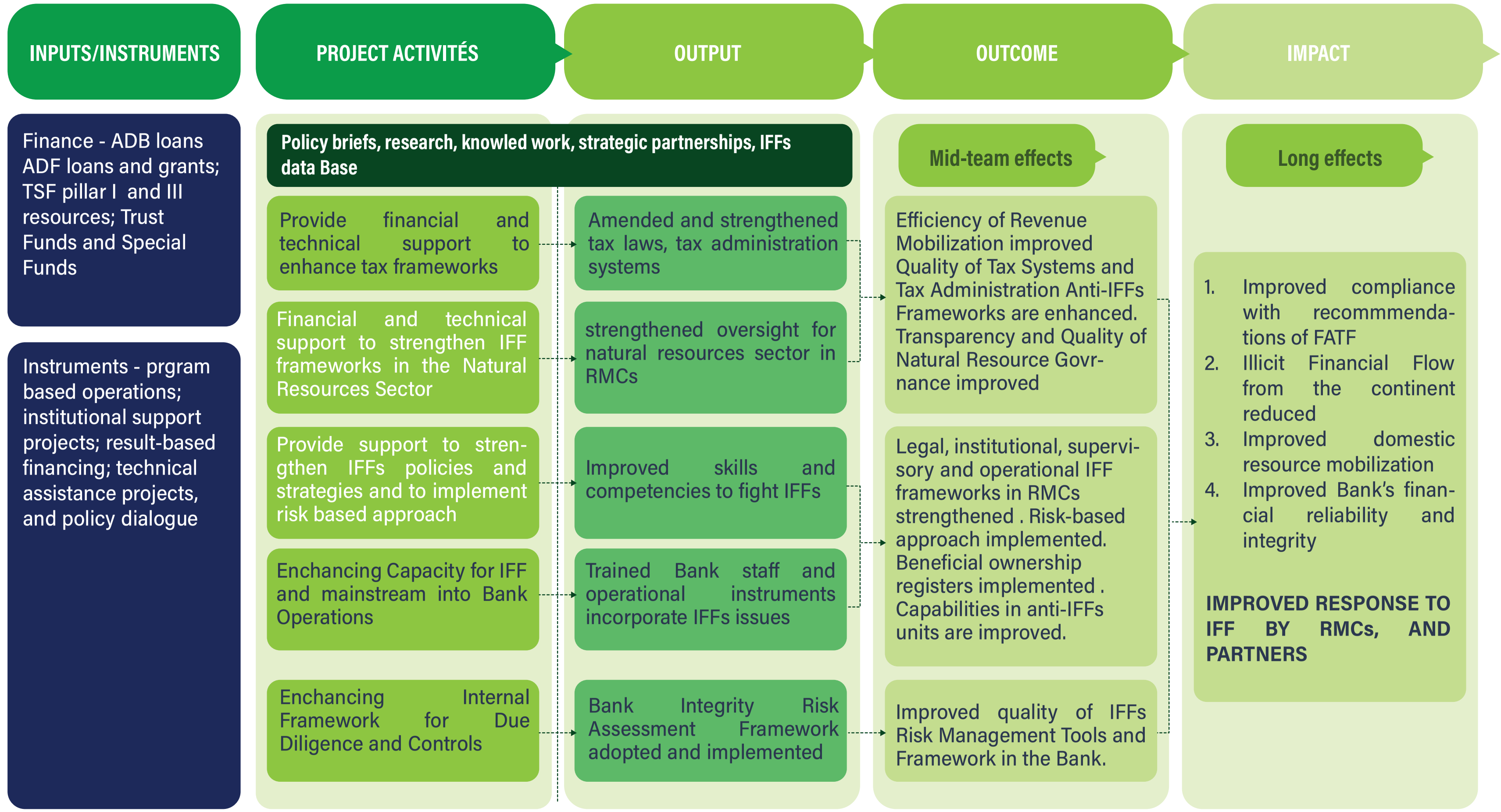
7.1 The consultation processes for the preparation of the action plan for combating ML and IFFs in Africa were undertaken at two levels: internal consultation within the Bank, and external and web consultation at the country and regional levels.

7.2 Internal Consultation: The Bank-wide Anti-IFFs Taskforce which was established in 2013 and mandated to elaborate and oversee the implementation of the Strategic Framework and Action Plan was reconstituted in 2021 to prepare the implementation progress report of the Anti-IFFs Strategic Framework (2017 – 2021). The Taskforce was further reconstituted in 2023 to prepare this Action Plan for Combating ML and IFFs in Africa. This action plan was therefore, prepared in collaboration with the Bank-wide Anti-IFFs Taskforce and subjected to Peer Review processes, inter-departmental review, and clearance by the Vice President, ECVP before embarking on external consultations.

7.3 ***External consultations:*** The process of preparation of the Action Plan will also involve consultation with the various FATF-styled regional bodies in Africa - including the East and Southern Africa Anti-Money Laundering Group (ESAAMLG), the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA), the Middle East & North Africa Financial Action Task Force (MENAFATF) and Groupe d'Action contre le Blanchiment d'Argent en Afrique Centrale (GABAC). Other regional bodies that would be consulted include the AU, CoDA and ATAF. The consultations will enable the action plan to benefit from the enormous repository of knowledge and data to which each regional body is privy, and the front-line role they play in ensuring that AML and anti-IFFs policies, strategies and measures are evenly rolled-out across their respective sub-regions.

7.4 In addition to the consultation with the above regional bodies, a review/validation workshop will be held after the draft action plan had been reviewed and cleared by the Bank's Senior Management. Participants at the review/validation workshop would be drawn from the FATF-Styled regional bodies in Africa, the National FIUs, the National Economic and Financial Crimes Agencies, and the Counter Terrorism Executive Directorate of the UN Security Council, the AU, CoDA ATAF, World Bank, IMF, amongst others. Consistent with the Bank's commitment to take the discourse on ML, FT and IFFs outside the elite corridors and in line with the Bank's policy on transparency and public disclosure, the Bank's website will also be used to disseminate the action plan for public review and comments.

APPENDIX 1: THEORY OF CHANGE OF THE AML AND ANTI-IFFs ACTION PLAN



Assumptions:
1. Political will and government ownership to implement reforms is in place.
2. Govemment willingness to commit country resource allocations to IFFs-related operations.
3. Bank has acces to sufficient funds to finance IFFs-related operations.
4. Bank ability to mobilize funds to invest in enablers
5. Adequately capacitated and resourced Bank organizational units

	Results Chain and Indicator Description (African average, unless otherwise stated)	Unit of Measurement	Baseline	Target at Completion (2026)	Source/Means of Verification	Responsibility for Data Collection
1.	**Cluster 1: Tax Systems and Tax Administration Anti-IFFs Framework**					
	Outcome Indicators					
1a	Tax-to-GDP Ratio (African Average)	Percentage	16.0% (2020)	16.5%	Revenue Statistics in Africa Report	ECGF
1.1	Regional member countries (RMCs) supported that adopt or revise specific tax-related laws, regulations, strategies and policy measures on preventing illicit financial flows.	Number	NA	3	AfDB/ Project Implementation Progress Report (IPR)	ECGF
1.2	RMCs supported to comply with Automatic Exchange of Financial Account Information in Tax Matters (AEOI) standard	Number	NA	3	AfDB/ Project Implementation Progress Report (IPR)/Global Forum	ECGF
1.3	RMCs with transfer pricing units and/or legislation	Number	35 (2023)	38	ATAF	ECGF
2.	**Cluster 2: Framework for Curbing IFFs in the Natural Resources Sector**					
	Outcome Indicator					
2a	Transparency and Quality of Natural Resource Governance (African Average)	Index: Mining Oil and Gas	56.75 (2021) 58.29 (2021)	58.00 60.00	Natural Resourc Governance Index Reports	ECNR and ECGF
2b	RMCs rated satisfactory or above in resources governance	Number: Mining Oil and Gas	3 (2021) 2 (2021)	5 4	Natural Resource Governance Index Reports	ECNR and ECGF
	Output Indicators					
2.1	Countries supported to adopt or revised specific mining and minerals legislations, policies or strategies	Number	NA	2	AfDB Implementation Progress Report (IPR)	ECNR and ECGF
2.2	Countries supported to accede to and maintain EITI compliance status, including the Transparency Standard	Number	NA	3	AfDB/ Implementation Progress Report (IPR)/EITI	ECNR and ECGF
2.3	Countries supported to strengthen oversight institutions for natural resources sector	Number	NA	3	AfDB/ Implementation Progress Report (IPR)	ECNR and ECGF
3.	**Cluster 3: Framework for Curbing IFFs in the Financial Sector**					
	Outcome Indicators					

45 The most recent data available from the years 2017 to 2022 was used

3a	Quality of Financial Sector Anti-IFFs (AML/CFT) Framework (SSA Average)	Risk Index	7.05 (2022)	6.70	Basel AML Index	PIFD and ECGF
3b	Financial Transparency and Standards (SSA Average)	Risk Index	6.08 (2022)	5.50	Basel AML Index	PIFD and ECGF
Output Indicators						
3.1	Financial Sector-related material policies, strategies, regulations, or pieces of legislation supported in RMCs.	Number	NA	3	AfDB/ Implementation Progress Report (IPR)	PIFD and ECGF
3.2	RMC's FIUs, anti-corruption and economic financial crimes, and other IFFs related agencies supported with improved systems and structures, including IT.	Number	NA	4	AfDB/ Implementation Progress Report (IPR)	PIFD and ECGF
3.3	AML/CFT National Risk Assessments undertaken with the support or collaboration of the Bank	Number	NA	3	FSRBs/ AfDB/ Implementation Progress Report (IPR)	PIFD and ECGF

4.	**Cluster 4: Enhancing Capacity for IFFs Knowledge Management and Mainstreaming**					
Outcome Indicator						
4a	The level of usage of available ML and IFFs knowledge for policy dialogue with RMCs	Percentage of staff members, who rate the level of usage of available ML and IFFs knowledge for policy dialogue with RMCs as high or very high	NA	30%	AfDB Staff survey undertaken during annual update and IPR	ECMR and ECGF
4b	The level of mainstreaming of ML and IFFs in Bank's operations.	Percentage of policy documents where mainstreaming of ML and IFFs has been undertaken	NA	50%	AfDB survey to relevant staff (ECGF and Economists) undertaken during annual update and IPR	ECMR and ECGF
Output Indicators						
4.1	Studies, analysis, reports, and other knowledge work relating to IFFs, including country or multi-country based and sector specific such as in the areas of Natural Resources, Fragility, Capacity Assessment, etc., produced Fragility, Capacity Assessment, etc., produced	Number	NA	2	AfDB	ECMR and ECGF

4.2	Bank publications (research, analysis, reviews, policy briefs and policy advisory and case studies) on ML, FT and other IFFs	Number	NA	3	AfDB	ECMR and ECGF
4.3	Assistance to RMCs and regional organizations to undertake IFFs-related research, studies, conferences, workshops, etc.	Number	NA	3	AfDB Implementation Progress Report (IPR)	E C M R and ECGF
4.4	Training workshops on IFFs organized for parliamentarians, investigators, judges, supervisors, regulators, CSOs and think tanks/ research organisations	Number	NA	6	AfDB/Training reports	E C A D and ECGF

5	**Cluster 5: Internal Framework for Due Diligence and Controls to Prevent and Combat ML and IFFs**					
	Outcome Indicator					
5a	AML-CFT policies and processes well outlined and mainstreamed into Bank Group Operations.	Percentage of CSPs and operations with IFFs mainstreamed	NA	50%	PIAC Annual Report	PIAC
	Output Indicators					
5.1	Bank Group Integrity Risk Assessment Framework for monitoring AML-CFT risks in Bank Group Activities adopted and implemented	Yes/No	No	Yes	PIAC Annual Reports	PIAC
5.2	Due diligence processes automated for effective implementation and monitoring of integrity risks	Yes/No	No	Yes	PIAC Annual Reports	PIAC
5.3	Due diligence measures mainstreamed in Bank operational areas and activities of the Bank including corporate procurement, sovereign operations, resource mobilisation, recruitment of staff and consultants, Africa Investment Forum, etc.	Yes/No	No	Yes	PIAC Annual Reports	PIAC

GLOSSARY

1. Automatic Exchange of Tax Information is the sharing of tax information between countries in which individuals and corporations hold accounts. This exchange of information should be automatic and not require a request from tax or law enforcement officials in one jurisdiction to those in the jurisdiction where the account is held. Also referred to as "routine exchange," automatic exchange of tax information is one of the five recommendations of the Financial Transparency Coalition (FTC).

2. Base Erosion and Profit Shifting, according to OECD (2013),[46] refers to "tax planning strategies that exploit gaps and mismatches in tax rules to make profits 'disappear' for tax purposes or to shift profits to locations where there is little or no real activity but the taxes are low resulting in little or no overall corporate tax being paid." Profits are artificially shifted to subsidiaries which, in many cases, exist on paper only, mostly with few employees, while the bulk of the activities of the company occur in another country. The base erosion and profit shifting project coordinated by the OECD, which also involves the G20 countries, seeks to reform international tax standards that have become open to exploitation by multinational firms.

3. Beneficial owner: Beneficial owner refers to the natural person(s) who ultimately[47] owns or controls a customer[48] and/or the natural person on whose behalf a transaction is being conducted. It also includes those natural persons who exercise ultimate effective control over a legal person or arrangement. Only a natural person can be an ultimate beneficial owner, and more than one natural person can be the ultimate beneficial owner of a given legal person or arrangement. [49]

4. Commercial Component of IFFs arises from business-related activities, and have several purposes, including hiding wealth, evading or aggressively avoiding tax, and dodging customs duties and domestic levies. Some of these activities, especially those linked to taxation, are described from a more technical perspective as "base erosion and profit shifting". The commercial aspects of IFFs can manifest in form of abusive transfer pricing, trade mispricing, mis-invoicing of services and intangibles and using unequal contracts, all for purposes of tax evasion, aggressive tax avoidance and illegal export of foreign exchange.

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[46] OECD (2013), Addressing Base Erosion and Profit Shifting, OECD Publishing, http://dx.doi.org/10.1787/9789264192744-en.

[47] Reference to "ultimately owns or controls" and "ultimate effective control" refer to situations in which ownership/control is exercised through a chain of ownership or by means of control other than direct control.

[48] This definition should also apply to beneficial owner of a beneficiary under a life or other investment linked insurance policy.

[49] The ultimate beneficial owner is always one or more natural persons. As set out in R.10, in the context of CDD it may not be possible to verify the identity of such persons through reasonable measures, and, to the extent that there is doubt about whether a person with a controlling ownership interest in a legal person is the ultimate beneficial owner, or where no natural person exerts control through ownership interests, the identity should be determined of the natural persons (if any) exercising control of the legal person or arrangement through other means. Where no natural person is identified in that role, the natural person who holds the position of senior managing official should be identified and recorded as holding this position. This provision of R.10 does not amend or supersede the definition of who the beneficial owner is, but only sets out how CDD should be conducted in situations where the beneficial owner cannot be identified.

5. Correspondent banking: Correspondent banking is the provision of banking services by one bank (the "correspondent bank") to another bank (the "respondent bank"). Large international banks typically act as correspondents for thousands of other banks around the world. Respondent banks may be provided with a wide range of services, including cash management (e.g. interest-bearing accounts in a variety of currencies), international wire transfers, cheque clearing, payable-through accounts and foreign exchange services.

6. Corruption is the abuse of entrusted power as defined in various anti-corruption instruments. IFFs from corruption, including money acquired through bribery and abuse of office by public sector and private sector officials. Corruption facilitates all other aspects of IFFs. It makes a cross-cutting contribution to IFFs with or without the corrupt officials exporting the illegally acquired proceeds of corrupt.

7. Designated non-financial businesses and professions: Designated non-financial businesses and professions means: (a) Casinos[50] (b) Real estate agents. (c) Dealers in precious metals. (d) Dealers in precious stones. (e) Lawyers, notaries, other independent legal professionals and accountants – this refers to sole practitioners, partners or employed professionals within professional firms. It is not meant to refer to 'internal' professionals that are employees of other types of businesses, nor to professionals working for government agencies, who may already be subject to AML/CFT measures. (f) Trust and Company Service Providers refers to all persons or businesses that are not covered elsewhere under these Recommendations, and which as a business, provide any of the following services to third parties: (i) acting as a formation agent of legal persons; (ii) acting as (or arranging for another person to act as) a director or secretary of a company, a partner of a partnership, or a similar position in relation to other legal persons; (iii) providing a registered office; business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement; (iv) acting as (or arranging for another person to act as) a trustee of an express trust or performing the equivalent function for another form of legal arrangement; (v) acting as (or arranging for another person to act as) a nominee shareholder for another person.

8. Financing of Illicit Small and Light Arms: For the purpose of this action plan, the financing of illicit small and light arms is defined as the act of providing funds or financial services used, in whole or in part, for the illegal acquisition, possession, export, trans-shipment, brokering, transport, transfer, stockpiling or use of small and light weapons, in contravention of national laws or, where applicable, international obligations.

9. IFFs related Criminal activities are often driven by criminal activities with the purpose of keeping the transactions from the view of law enforcement agencies or revenue authorities. They include trafficking in people and drugs, arms smuggling, racketeering, counterfeiting, contraband, terrorism financing and fraud in the financial sector, such as unauthorized or unsecured loans, money laundering, stock market manipulation and outright forgery.

[50] References to Casinos throughout the FATF Standards include internet- and ship-based casinos

10. Illicit Financial Flows (IFFs): For the purpose of this action plan, we are adopting the definition of the African Union/Economic Commission for Africa Conference of Ministers of Finance, Planning and Economic Development in 2014 and the Report of the High-Level Panel (HLP) on IFFs from Africa. We shall, therefore, define Illicit Financial Flows as: "money illegally earned, transferred or utilized." In its general form, the definition relates to money earned illegally and transferred for use elsewhere. For our purpose, the key considerations are that the flows should have violated some law, or the other, in their origin, movement or use. They may not necessarily have crossed the border. This distinction is important because sometimes IFFs can take place without money necessarily crossing the border, such as when exports are underpriced or when bribes are paid into offshore accounts, and there is no actual cross-border flow of money, but capital has fled, nonetheless. IFFs typically originate from three sources: (i) commercial tax evasion, trade mispricing and abusive transfer pricing; (ii) criminal activities, including the drug trade, human trafficking, illegal arms dealing, and smuggling of contraband; and (iii) corruption including bribery and theft of public funds by corrupt government officials.

11. Illicit Financing: For the purpose of this action plan, illicit financial activities cover a wide range of misconduct, ranging from corruption to embezzlement of public funds, drug, human and natural resource products trafficking, financial crimes, fraud, tax evasion, money laundering, terrorism financing, cybercrime, proliferation financing, and financing of illicit small and light arms, amongst others. Such activities are a serious threat to security, peace and stability of a country.

12. Mis-invoicing of services and intangibles, such as intra-group loans and intellectual property and management fees, is another widespread means to effect IFFs. Such practices are making an increasing contribution to IFFs. This is partly due to the share of services in global trade, and lack of comparative price information.

13. Money Laundering (ML) describes a process through which the origin of funds generated by illegal means is concealed. The process may be accomplished by using one or more financial institutions. It could also be done outside such institutions. When it uses the financial system money laundering is conventionally understood to involve three stages: (1) the introduction of the proceeds of crime (monies or other valuables) into the financial system (placement); (2) transactions to convert or transfer the funds to other locations or financial institutions (layering); and, (3) reintegrating the funds into the legitimate economy as "clean" money and investing it in various assets or business ventures (integration). These stages are not static and overlap broadly. Financial institutions may be misused at any point in the money laundering process. When proceeds of illegal activities are laundered outside financial institutions, they are, mostly, directly used to acquire assets that subsequently generate secondary proceeds.

14. Politically Exposed Persons (PEP) means any individuals who are or have been entrusted (domestically or by a foreign country or by an international organization) with prominent public functions, for example Heads of State or government, senior politicians, senior government, judicial or military officials, senior executives of state-owned corporations, and important political party officials. Many PEPs hold positions that can be abused for the purpose of laundering illicit funds or other predicate offences such as corruption or bribery. Business relationships with family

members or close associates of PEPs involve reputational risks similar to those with PEPs themselves. Specifically,

(i) Foreign PEPs are individuals who are or have been entrusted with prominent public functions by a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state-owned corporations, important political party officials.
(ii) Domestic PEPs are individuals who are or have been entrusted domestically with prominent public functions, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state-owned corporations, important political party officials.
(iii) Persons who are or have been entrusted with a prominent function by an international organization refers to members of senior management, i.e. directors, deputy directors and members of the board or equivalent functions.

The definition of PEPs is not intended to cover middle ranking or more junior individuals in the foregoing categories.

15. Proliferation Financing: According to a FATF report "Combating Proliferation Financing – A Status Report on Policy Development and Consultation" published in February 2010, proliferation financing is defined as the act of providing funds or financial services used, in whole or in part, for the manufacture, acquisition, possession, development, export, trans-shipment, brokering, transport, transfer, stockpiling or use of nuclear, chemical or biological weapons and their means of delivery and related materials (including both technologies and dual use goods used for non-legitimate purposes), in contravention of national laws or, where applicable, international obligations.

16. Shell Bank (company) means a bank (company) without a physical presence or employees in the jurisdiction in which it is incorporated.

17. Stolen Asset Recovery Initiative (StAR) is a partnership between the World Bank and the United Nations Office on Drugs and Crime (UNODC) that supports international efforts to end safe havens for corrupt funds.

18. Tax avoidance is the legal practice of seeking to minimize a tax bill by taking advantage of a loophole or exception to tax regulations or adopting an unintended interpretation of the tax code. Such practices can be prevented through statutory anti-avoidance rules.

19. Tax evasion: Actions by a taxpayer to escape a tax liability by concealing from the revenue authority the income on which the tax liability has arisen. Tax evasion can be a major component of IFFs and entails criminal or civil penalties.

20 Targeted financial sanctions: The term targeted financial sanctions means both asset freezing and prohibitions to prevent funds or other assets from being made available, directly or indirectly, for the benefit of designated persons and entities.

21. Terrorism Financing means the providing or raising of funds or the provision of financial services in the knowledge of their being intended for financing an

organization, preparing and committing any of the crimes envisaged by Applicable legislation as a terrorist act or for supporting an organized group, illegal military formation or criminal organization that has been formed or is being formed for the purpose of committing the said crimes. Terrorist activities almost always require support in the form of funding or services. Mobilizing and/or extending such support amounts to financing terrorism (FT). Terrorism may be funded from proceeds of crime or from other sources.

22. Terrorist: The term terrorist refers to any natural person who: (i) commits, or attempts to commit, terrorist acts by any means, directly or indirectly, unlawfully and willfully; (ii) participates as an accomplice in terrorist acts ; (iii) organizes or directs others to commit terrorist acts ; or (iv) contributes to the commission of terrorist acts by a group of persons acting with a common purpose where the contribution is made intentionally and with the aim of furthering the terrorist act or with the knowledge of the intention of the group to commit a terrorist act.

23. Trade Mispricing (in transaction between unrelated entities) is the act of falsification of, or misrepresenting, the price, quality or quantity of imports or exports in order to hide or accumulate money in other jurisdictions. The motive could, for example, be to evade taxes, avoid custom duties, transfer a kickback or launder money. This, together with other forms of tax evasion, accounts for the vast majority of illicit financial flows from Africa. The mispricing of imports and exports is a source of more outright illicit financial flows as is the under-declaration of quantities of oil, gas, minerals and natural resources.

24. Transfer pricing is the price of transactions occurring between related companies, in particular companies within the same multinational group. Governments set rules to determine how transfer pricing should be undertaken for tax purposes based on the arm's-length principle. The arm's-length principle is an international standard that compares the transfer prices charged between related entities with the price in similar transactions carried out between independent entities at arm's length. However, the effective implementation of the arm's length principle depends on the availability of comparable data on goods and services. Abusive transfer pricing occurs when a multinational corporation takes advantage of its multiple structures to shift profit across different jurisdictions. Much of the debate on tax motivated IFFs revolves around formulation and enforcement of transfer pricing regulations, their shortcomings and the way in which they are abused for tax evasion and tax avoidance purposes particularly in the arm's length principle.

25. ***Virtual Asset :*** A virtual asset is a digital representation of value that can be digitally traded, or transferred, and can be used for payment or investment purposes. Virtual assets do not include digital representations of fiat currencies, securities and other financial assets that are already covered elsewhere in the FATF Recommendations.

26. ***Virtual Asset Service Providers :*** Virtual asset service provider means any natural or legal person who is not covered elsewhere under the FATF Recommendations,

and as a business conducts one or more of the following activities or operations for or on behalf of another natural or legal person: (i) exchange between virtual assets and fiat currencies; (ii) exchange between one or more forms of virtual assets; (iii) transfer[51] of virtual assets; (iv) safekeeping and/or administration of virtual assets or instruments enabling control over virtual assets; and (v) participation in and provision of financial services related to an issuer's offer and/or sale of a virtual asset.

[51] In this context of virtual assets, transfer means to conduct a transaction on behalf of another natural or legal person that moves a virtual asset from one virtual asset address or account to another.

AFRICAN DEVELOPMENT BANK GROUP