

Anti-Money Laundering/Combating the Financing of Terrorism

Thematic Fund for Capacity Development



AML/CFT
Anti-Money Laundering/Combating the Financing of Terrorism Thematic Fund

KEY FACTS:

The AML/CFT Thematic Fund is a pre-eminent global initiative for capacity development, assisting countries to strengthen the effectiveness of their anti-money laundering, and combating the financing of terrorism (AML/CFT) frameworks and bolstering the integrity of the financial sector and broader economy. It recently helped **Jordan** and **Uganda** exit the grey list of the Financial Action Task Force, assisted **Haiti** in upgrading its Financial Intelligence Unit, and funded two important publications on counter terrorism financing and beneficial ownership helping policymakers implement effective AML/CFT measures.

The AML/CFT Thematic Fund (TF), established in 2009, is in its third phase of operations (2020-2026).

DEVELOPMENT PARTNERS:

 In partnership with Canada CANADA	 MINISTÈRE DE L'ÉCONOMIE, DES FINANCES ET DE LA SOUVERAINETÉ INDUSTRIELLE ET NUMÉRIQUE FRANCE	 Federal Ministry of Finance GERMANY
 JAPAN GOV THE GOVERNMENT OF JAPAN JAPAN	 Ministry of Strategy and Finance KOREA	 LE GOUVERNEMENT DU GRAND-DUCHÉ DE LUXEMBOURG LUXEMBOURG
 Ministry of Foreign Affairs THE NETHERLANDS	 مصرف قطر المركزي Qatar Central Bank State of Qatar QATAR	 Saudi Central Bank SAUDI ARABIA
 Schweizerische Eidgenossenschaft Confédération suisse Confederazione Svizzera Confederaziun svizra Swiss Confederation Federal Department of Economic Affairs, Education and Research EARE State Secretariat for Economic Affairs SECO SWITZERLAND	 UK International Development Partnership Progress Prosperity UNITED KINGDOM	

Phase III of the Thematic Fund—AML TF III—commenced operations in May 2020, building on the success of Phase I and II. Eleven partners made contributions of **US\$30.7 million** to finance a comprehensive suite of targeted AML/CFT capacity development (CD) activities. In the fourth year of operations, it covered **40 CD projects**, reaching **57 countries**: 22 single-country projects; two regional projects covering seven countries (two Pacific island countries and five Middle East and North Africa countries); ten thematic projects benefiting 28 countries, two analytical and development (A&D) projects, and CD delivery through five regional advisors (RAs).

The AML TF III's workplan is in line with the strategic goals approved by the steering committee in December 2020 and its criteria for engagement, while reflecting an increased scope in CD delivery.

To deliver impactful and flexible CD, Phase III employs a combination of country-specific modular long-term approach previously established under Phase II, coupled with thematic short-term engagements.

This approach facilitates the design and delivery of country projects within the IMF's competencies, with clear objectives, outputs, and indicators, against which progress can be measured.

MODULAR
Medium-term, tailor-made engagements for comprehensive reforms

- Tailor-made solution
- For Medium-term engagements (2-3 years)
- For recipients with multiple needs
- Programmatic approach with many outcomes
- More resource-intensive

THEMATIC
Short-term targeted engagements based on themes

- Engagement in one area only
- Shorter engagements (6M-1Y)
- For recipients with specific need
- Smaller teams and more flexible delivery
- Less resource-intensive

RESEARCH AND DEVELOPMENT
Medium-term design of CD tools

- Highlight AML/CFT challenges and good practices by IMF members
- Research to further design and finetune the available CD toolkit



AML/CFT THEMATIC AREAS



National Risk Assessment



National Strategy



Legal Drafting



Risk-based Supervision



FIU Capacity Building



AML and Corruption



AML and Tax



Beneficial Ownership



CBDC Financial Integrity



Combating the Financing of Terrorism



AML/CFT Program Conditionality Support



ICRG Support (Greylisting Prevention)



International Financial Flows Analysis



Risk and Context



Virtual Assets and Service Providers

To continue innovating and providing CD in emerging areas, the Thematic Fund has also a limited Analytics and Development component. A&D projects contribute to AML/CFT publications and inform future CD delivery through the development of CD tools. With expertise in AML/CFT Financial Action Task Force standards and the mutual evaluation, Fund staff have a wealth of experience that can inform the A&D projects. Two books on beneficial ownership and counter terrorism financing have been published, and upcoming publications are underway to discuss confiscation and asset recovery issues.

Demand for AML/CFT CD remain high beyond Fund capacity to deliver, and selection of projects relies on a robust set of criteria. The selection criteria seek to meet AML TF III priorities, achieve regional balance, but also consider activities of other technical assistance partners, and the Legal Department's AML/CFT engagements outside of the AML TF III. Staff also leveraged synergies between the IMF's surveillance and program work and CD work. Regional advisors also played a critical role in developing and implementing projects throughout the Phase, capitalizing on their regional knowledge and local insight of the recipient countries.

CD provided under Phase III has had tangible and meaningful results. Enhancing the effectiveness of the AML/CFT framework in these countries is often critical for protecting the integrity of the financial sector and broader economy. Some recent concrete results achieved during AML TF III include the following:

- Passage of a new AML/CFT law in **Bosnia and Herzegovina** and amendments to AML/CFT laws in **Tajikistan**.
- Comprehensive National ML/FT risk assessments conducted in **Bhutan** and **Jordan**.
- Risk-based approach tools to AML/CFT supervision implemented in **Guatemala**.
- Enacted Law organizing the Financial Intelligence Unit in **Haiti**.
- Improvements to AML/CFT frameworks leading to the removal from the FATF's International Cooperation Review Group's (ICRG) grey list of countries such as **Jordan** and **Uganda**.
- Launching thematic projects on emerging issues that benefited a large set of countries.
- The publication of two flagship research books on [Countering the Financing of Terrorism: Good Practices to Enhance Effectiveness](#) and on [Unmasking Control: A Guide to Beneficial Ownership Transparency](#) (TBO), demonstrating the flexibility of the TF in responding to emerging areas. Both books highlighted significant deficiencies in these important areas of AML/CFT reforms, led to launching new CD tools in the form of thematic projects, and benefited the AML/CFT community at large.
- Adoption and implementation of regulations requiring the publication of beneficial ownership information of companies awarded procurement contracts as part of the project on preventing the misuse of COVID-19 emergency-related spending and to [safeguard the misuse of IMF emergency financing](#).

The project teams regularly coordinate their activities with other CD providers. These consultations take place both remotely as well as in-person and seek to avoid duplication of effort and harness complementarity of CD efforts. Regional advisors also contribute to these efforts, particularly through their interactions at FATF-Style Regional Bodies (FSRBs) plenary meetings and working group meetings. Coordination with donor partners, other CD providers, and international/regional organizations on a frequent basis continues to be a key element of CD delivery under the AML TF III. This coordination ensures the best use of AML TF III resources and maximizes the effectiveness of its projects.

An external independent evaluation of the phase is underway and will conclude in 2025. These consultations take place both remotely as well as in-person and seek to avoid duplication of effort and harness complementarity of CD efforts. Regional advisors also contribute to these efforts, particularly through their interactions at FATF-Style Regional Bodies (FSRBs) plenary meetings and working group meetings. Coordination with donor partners, other CD providers, and international/regional organizations on a frequent basis continues to be a key element of CD delivery under the AML TF III. This coordination ensures the best use of AML TF III resources and maximizes the effectiveness of its projects.

The AML/CFT CD program continue evolving in line with Fund's policies. Current efforts are underway to fully align the AML/CFT Cd program with the recently reviewed Fund's CD strategy - towards a more flexible, integrated, and tailored model. The [2023 Review of the AML/CFT strategy](#) endorsed by the Board was also an opportunity to take stock of AML/CFT CD program and agree on a way forward. Feedback from stakeholders (i.e., country authorities, mission chiefs, civil society) discussed in the [background papers](#) highlighted the strengths of the program.

Increased transparency and accountability are key developments over phase III. The development and implementation of the IMF's new CD management information system, the Capacity Development Management and Administration Program (CDMAP), allows for stronger monitoring and budgeting processes, improving efficiencies as the financial impacts of the evolving delivery channels are assessed. The unique relationship between the IMF and its members also allows for monitoring of reforms on a continual basis to ensure their sustainability and the need for adjustments.

After COVID-19 pandemic interruption of onsite activities, the ever-present vulnerabilities of low capacity in fragile and conflict-affected states continued to pose challenges to staff in carrying out CD work under Phase III. In particular, the impact of COVID- 19 saw less traction from countries with low capacity coupled with a drop-off in mission travel and triggered a pivot towards virtual CD work delivery. The IMF has moved to delivering CD in a virtual format in the presence of travel restrictions and staff have been afforded the necessary tools and training to adapt to this mode of delivery. Virtual and hybrid delivery will be a feature of CD going forward, but it will not replace in-person field delivery.

