

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	REGIONAL/CAN - Andean Group
▪ TC Name:	Strengthening the Integrity of Financial Systems: Improving the Capacity to Prevent Money Laundering and Terrorist Financing III
▪ TC Number:	RG-T3218
▪ Team Leader/Members:	DE MICHELE, ROBERTO (IFD/ICS) Team Leader; DE SIMONE, FRANCESCO (IFD/ICS); VALDERRAMA RIANO, PAMELA (IFD/ICS); MAHFOUZ, GIOVANNA L. (IFD/ICS); JIMENEZ DE ARECHAGA, MARIA DEL PILAR (LEG/SGO); CATANO GUZMAN, MARIANA (IFD/ICS); GUERECA FERNANDEZ, SILVIA FAVIOLA (IFD/ICS)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	03 May 2018
▪ Beneficiary:	Latin America and Caribbean borrowing country members
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	\$ 350,000.00
▪ Local counterpart funding:	\$ 0.00
▪ Disbursement period:	30 months
▪ Types of consultants:	Individuals
▪ Prepared by Unit:	Innovation in Citizen Services Division
▪ Unit of Disbursement Responsibility:	Institutions for Development
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Institutional capacity and rule of law

II. Objective and Justification

- 2.1 The objective of this TC is to support IDB member countries in their efforts to prevent money laundering and terrorist financing, by complying with the FATF Standards. The TC will combine a demand-driven approach, with a careful assessment of countries' AML/CFT needs. In this sense, requests for support from specific countries will be considered along with the results of the Mutual Evaluation Reports (MERs) provided by the FATF, focusing on areas where there is a strategic need to improve the AML/CFT frameworks.
- 2.2 Financial Action Task Force (FATF) Assessment reports conducted in the past years indicate that several IDB borrower members still have weaknesses to implement and enforce Anti-Money Laundering and Terrorist Financing (AML/CFT) standards. The deficiencies detected in the AML/CFT systems has increased the assistance requests from countries to review and update their AML/CFT frameworks. This TC meets the need of the beneficiary countries to strengthens the capacity of the State to prevent and control corruption, by helping establish mechanisms and policies aimed at detecting and curbing the laundering of proceeds of illicit activities. Specifically, the proposal is aligned with pillar I of the AAF which focuses on strengthening financial integrity systems, since the establishment of robust AML controls is a key component of a country's national anti-corruption system .

III. Description of Activities and Outputs

- 3.1 **Component 1: National Risk Assessments (NRA) and National Strategies (NS).** This component is based on a two separate, but closely linked areas, aligned with FATF Recommendations 1 and 2. The first area focuses on conducting NRA to identify, evaluate, and understand the ML/FT risks for the country, and take action based on such analysis, including by supporting the institutional capacity of central authorities to assess risks, coordinate responses, and allocate resources to ensure that risks are mitigated effectively; **Component 2: Capacity Building and Regulatory Reform.** The main purpose of this component is to strengthen the legal and regulatory framework in compliance with the FATF. This component will respond to the following priorities: (i) setting the regulatory framework for countries to shift towards a stronger implementation of the RBA; (ii) updating laws, regulations and other measures, particularly for preventive purposes; (iii) addressing the poor implementation of customer due diligence and record-keeping policies; (iv) enhancing transparency of legal persons and related arrangements by the establishment of beneficial ownership registries; 3.4 **Component 3: IT capacity strengthening:** This Component focuses exclusively in the evaluation and recommendation of information systems and process to support the supervisory capacity of the state in general and particularly of the agencies directly responsible for detecting, preventing and sanctioning ML/FT. The activities under this component will seek the improvement of data analysis and the process of collection and maintenance of extensive statistics, in the terms established by FATF; **Component 4: Knowledge and Dissemination.** This component is related to the production and dissemination of knowledge as an instrument to insert the issue of money laundering (ML) into public policy discussions both within the region and in individual countries. Specific activities include: (i) Workshops to exchange best practices among member countries, (ii) Papers and technical notes summarizing the results of the Bank's assistance on AML/CFT, indicating results and opportunities for improving and leveraging on the Bank's experience in key AML/CFT areas. This component aims at complementing the AML/CFT efforts through the sharing and strengthening of knowledge and cross-country learning in the region.
- 3.2 **Component I: National Risk Assessments (NRA) and National Strategies (NS)..** Improve the capacity to identify money laundering risks and translate findings into policy recommendations
- 3.3 **Component II: Regulatory Reform.** Strengthen the legal and regulatory framework in compliance with the FATF Recommendations
- 3.4 **Component III: IT capacity strengthening .** Enhance the IT capacity of national systems in relation to AML/CFT standards.
- 3.5 **Component IV: Knowledge and Dissemination.** Production and dissemination of knowledge related to best practices in AML and CTF activities

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
National Risk Assessments (NRA) and National Strategies (NS).	\$ 100,000.00	\$ 0.00	\$ 100,000.00
Regulatory Reform	\$ 100,000.00	\$ 0.00	\$ 100,000.00
IT capacity strengthening	\$ 100,000.00	\$ 0.00	\$ 100,000.00
Knowledge and Dissemination	\$ 50,000.00	\$ 0.00	\$ 50,000.00

V. Executing Agency and Execution Structure

- 5.1 This Regional TC will be executed by the Bank (HQ) through IFD/ICS.
- 5.2 The project team is led by IFD/ICS who will supervise the TC components. Specifically, AAF will be responsible for the execution of this TC since it has: (i) a proven track record in providing technical assistance in these areas, supported by extensive technical and operational expertise in the execution of projects of this kind in the region; and (ii) experience in selecting consultants that are experts in these fields which is key for the successful of the activities part of the components proposed.

VI. Project Risks and Issues

- 6.1 The team has identified lack of sustainability of results, as the main risk stemming from the implementation of this TC, particularly the risk that legal and regulatory reforms designed with the support of the program may not be implemented or recommendations on other AML/CFT areas not being followed and applied. To mitigate this risk, the project team will ensure that interventions are targeted to countries that have manifested without a clear statement of project goals and understanding of the enabling or constraining environment in which projects take place. All technical support at country-level will require a letter of request or a non-objection. Additionally, the Project Team will maintain VPC, the regional managers, country coordinators and country economists abreast of developments, in order to ensure that the project is aligned with other Bank and country efforts in related areas.

VII. Environmental and Social Classification

- 7.1 The ESG classification for this operation is "C".