

Training Program on the Control of Cash Smuggling and Couriers in West Africa

Opening Remarks by Director General, GIABA, at the Training Program on the Control of Cash Smuggling and Couriers in West Africa, Held at the Lamantin Beach Hotel, Saly, Senegal, on 05 September 2007:

Protocols

It is my pleasure to welcome you to this training program on the prevention and detection of cash smuggling and couriers in West Africa. I am particularly enthused by the opportunity that this training program provides for GIABA and the United States Office of Technical Assistance (OTA) and the Department of the Treasury to address one of the critical issues within the mandate of GIABA to prevent money laundering and the financing of terrorism in this region.

2. One of the main thrusts of the objectives of GIABA within the framework of its strategic Action Plan for 2007-2009, is to undertake typologies of money laundering threats in order to determine priorities for action to promote and enhance the capacity of our Member States to comply with AML/CFT acceptable standards and practice, as well as deepening our overall regional integration program in ECOWAS. To this end, a typology of cash transactions and cash couriers was undertaken this year by GIABA to determine the risks and vulnerabilities associated with the prevalence of cash transactions in this region.

3. The objectives of the exercise were to: (1) determine the role of cash in settling transactions, especially the types of cash transactions which lend themselves to money laundering and terrorist financing; (2) determine the operational modalities and the risks and vulnerabilities which cash transactions engender; (3) appraise the legal, regulatory, compliance and enforcement regimes on cash transactions in Member States; and (4) make recommendations for enhancing the effectiveness of AML/CFT laws and regulations in particular, and improving macroeconomic management, in general.

Summary of Findings

4. A review of the national dimension of the payments system in the ECOWAS region revealed, among other things, the absence of any specific laws regulating it in most of the Member Countries. However, provisions in the enabling laws guiding the operations of commercial and central banks cover issues relating to the payments system. Although the payment instruments include currency notes and coins, paper-based modes such as checks and electronic payment instruments, such as ATMS and debit cards, cash transactions dominate the payment system in all the regional economies. Similarly, cash transactions remain dominant in intra-ECOWAS transactions. Payments for intra-regional transactions are usually made either in local currencies or in foreign currencies, especially the US dollar. In this context, economic operators, particularly those in the informal sector, have for long engaged in the free exchange of regional currencies in the parallel markets, for the purpose of making cash payments for intra-regional transactions.

5. It is also pertinent to note that the currency component of money supply has been yielding ground to the deposits (checking account or demand deposits) component, as should be expected, under the impetus of the modernizing monetary and banking system. However, this development has not significantly promoted the use of non-cash instruments in transactions or funds transfer. All the available information from desk research, survey questionnaire responses, and anecdotal evidence presented at the typologies workshop, confirmed the strong preference for cash in the settlement of financial transactions and obligations in all the countries of the region. The cash used in transactions encompasses not only national currencies issued by the region's various monetary authorities, but also convertible foreign currencies, especially the US dollar, the pound sterling and the Euro.

Mitigating Factors

6. The major factors underpinning the dominance of cash transactions in West Africa include:

- the high level of illiteracy;
- currency's legal tender status as a medium of exchange, as well as its ubiquitous nature, convenience, speed and certainty in settling financial obligations;
- inadequacy of the available banking services, especially in the rural areas;
- and the large size and continued growth of the cash-oriented informal sector in all the regional economies.

7. Against this backdrop, the preference for cash over non-cash instruments in payment and settlement obligations, arising from both national and intra-regional transactions, makes the region highly vulnerable to money laundering, more so as most transnational organized crimes are cash-based. This is largely because of the anonymity and ubiquity provided by cash which makes it the preferred medium for the receipt and deployment of criminal proceeds. The case studies are illustrative as they are instructive to the challenges of managing cash-based economies, especially if we are to enforce effective AML/CFT regimes in the region. Part of the requirements is to strengthen the capacity and skills of law enforcement officials, and this is the main thrust of this program.

8. This training program is a follow up to our typologies exercise on cash transactions. The specific objectives include to:

- Develop an understanding of GIABA's role with respect to regional implementation of AML/CTF best practices;
- Develop an understanding of AML/CTF laws and control measures in place in GIABA countries;
- Identify cultural and trade challenges impacting cross-border law enforcement operations in the region;
- Assess the effectiveness of cross border cash smuggling laws in the Region –What is working? What is not?
- Develop an understanding of trends and methods used in the smuggling of cash and negotiable instruments;
- Develop model cash declaration forms;
- Facilitate the regional sharing of information and intelligence on illegal cash smuggling;
- Develop participants' knowledge of interdiction and investigation of cash smuggling;
- Identify red flags of activity and behavior associated with cash smuggling.

9. In this regard, I sincerely thank the US Office of Technical Assistance and the Departments of the Treasury and Homeland Security for collaborating and sponsoring this workshop. May I remind you that this workshop is taking place at a time when we are at the final stage of compiling the typologies report, and hopefully some ideas may be derived from this gathering that would enrich the final report.

10. I would like to note that cooperation between GIABA and the Office of Technical Assistance has been very productive in recent times, leading to the stationing of an OTA Financial Expert in Dakar to support GIABA in carrying out its mandate within the framework of its Strategic Action Plan – 2007-09. Briefly stated, this Plan consists of six major strategic objectives, namely:

1. Support Member States to enact legislation criminalizing money laundering and terrorist financing;
2. Support for the establishment and maintenance of Financial Intelligence Units, in accordance with Recommendation 25 of the Financial Action Task Force;
3. Undertake self and mutual evaluation of our Member States to ascertain the level of compliance with acceptable international standards and practices and to ensure the efficacy of measures adopted by States;
4. Undertake typologies studies to determine potential risks and vulnerabilities, including trends, methods and mechanisms for money laundering;
5. Promote strategic partnerships, especially with the civil society and other stakeholders; and
6. Promote regional and international cooperation.

11. So far, all the 15 Member States, except one have enacted anti-money laundering legislation. A draft harmonized Counter Financing of Terrorism framework law was adopted during the GIABA Plenary Meeting in June

2007. The West African Economic and Monetary Union (UEMOA) Commission has since adopted that legal framework and issued a directive to all its Members to domesticate. Nigeria and Senegal have functional FIUs, while Niger and Sierra Leone have established FIUs but still have some logistics problems. Other Member States have reached advanced stages in the establishment of their FIUs. The first mutual evaluation report on Sierra Leone was discussed and adopted during our last Plenary in June. The report will soon be published on our website. We have also undertaken the assessment of Cape Verde and Senegal, while the on-site visit to Nigeria is scheduled for this month. As an FSRB, GIABA is actively working with other partners within the global alliance to combat drug trafficking, money laundering and terrorist financing.

12. Technical assistance is necessary for our Member States to rapidly build capacity to face the challenges ahead of us. We will continue to inspire the confidence of our development partners to combat organized crime, promote rule of law, democracy and sustainable regional development and integration.

13. On this note, Ladies and Gentlemen, I urge you to make this program very interactive by sharing your experiences. I do hope you would enjoy the time spent here.

14. Finally, I wish to thank the US Government once more for supporting this program.

Thank you for kind attention!