



MINISTRY OF FINANCE AND PUBLIC ENTERPRISES

**NATIONAL ASSEMBLY RESPONSE TO QUESTIONS BY HON TD
MORURUA (UDF), MEMBER OF PARLIAMENT, ON THE REASONS
WHY NAMIBIA HAS BEEN GREYLISTED BY THE FINANCIAL
ACTION TASK FORCE (FATF)**

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Minister of Finance and Public Enterprises

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Honourable Speaker,
Honourable Members,

I rise to respond to questions, raised by Hon. TD Morurua regarding the reasons why Namibia had been grey-listed by the Financial Action Task Force (FATF).

Thank you for raising these questions.

Honourable Speaker, let me respond to the specific questions by Hon. Morurua one by one:

Introductory Question.

What the Parliament has done wrong or omitted to do, that Namibia has now been greylisted after Parliament has very hastily passed (13) Amendment Bills as per my advice to avoid greylisting of Namibia by the Financial Action Task Force?

Background

Namibia, being a Member of the United Nations has ratified various international conventions such as the Vienna and Palermo Conventions. These commitments, amongst others, call for Namibia to contribute towards the advancement of international Anti-Money Laundering and Combatting the Financing of Terrorism and Proliferation framework (AML/CFT/CPF). The Financial Action Task Force is the body established to advance and regulate international efforts to combat Money Laundering, Terrorism and Proliferation Financing activities. The FATF fulfils this mandate through its FATF-Style Regional Bodies such as the Eastern and Southern African Anti-Money Laundering Group (ESAAMLG). Namibia is a founding member of the ESAAMLG and like all other member countries needs to effectively comply with international standards on preventing

and combatting Money Laundering, Terrorism and Proliferation Financing activities.

Namibia, like all other member countries, is subjected to a Mutual Evaluation. The Mutual Evaluation is a peer review mechanism aimed at assessing the level with which a country's control frameworks are contributing towards the shared objective of tackling Money Laundering, Terrorist Financing and the Financing of Proliferation activities. Such Mutual Evaluation is carried out by the FATF itself or ESAAMLG. The FATF Recommendations or Standards are the basis on which all countries should meet the shared objective of tackling Money Laundering, Terrorist Financing and the Financing of Proliferation activities.

In answering your question, Honourable Member ...

As I informed this August House previously, Namibia underwent her second Mutual Evaluation during the period 2021 to 2022 to assess Namibia's compliance with the said FATF Recommendations or Standards. The evaluation was conducted by the ESAAMLG. The Mutual Evaluation is premised on assessing a country's *Technical Compliance* and practical *Effectiveness*. The two can be explained as follows:

A. *Technical Compliance* is an assessment to gauge the level with which a country's laws and policies comply with the FATF Recommendations.

B. On *Effectiveness*, an assessment is made of a country's practical implementation of controls to combat and prevent Money Laundering, Terrorism and Proliferation Financing activities by using the FATF Recommendations as a standard.

Post such a Mutual Evaluation, a country report is issued which comprises findings and recommendations. The report found that Namibia required major improvements in her *Technical Compliance* and practical *Effectiveness*. Because of this finding, Namibia was accorded a twelve-month observation period from November 2022 to October 2023 within which to address the said findings. In addressing the said findings, Honourable Members, Namibia responded as follows:

- A. A National Focal Committee (NFC) consisting of all national AML/CFT/CPF stakeholders was established to coordinate the implementation of Mutual Evaluation recommendations as per Cabinet DECISION NO: 22nd /13.12.22/003; and
- B. The NFC equally prepared 4 new draft bills and proposed amendments to 9 existing laws which were eventually passed in parliament.

Procedurally, Namibia reported progress to the FATF on measures taken to address the Mutual Evaluation findings at the end of the 12-month observation period. The reporting on *Technical Compliance* to ESAAMLG commenced in September 2023 and is ongoing while reporting on Effectiveness was done in November 2023 and January 2024. *In answering your question Honourable Member*, the promulgation of the said laws resulted in satisfactory findings thus far as no adverse findings arose pertaining to such laws. It is in the practical implementation of controls (or *Effectiveness* matters) that our country has room to improve.

Greylisting ...

Emanating from its Mutual Evaluation, Namibia received 72 *recommendations or action items* which it had to address during the 12-month observation period.

Out of the 72 action items, Namibia was able to complete 59 to the satisfaction of the FATF, remaining with only 13 action items in such a period. The said 13 action items are all *Effectiveness* matters, deemed significant to warrant the placement of Namibia on the list of jurisdictions under enhanced monitoring by the FATF (or so-called greylisting). While this is not the outcome we would have wanted, I must mention that remaining with only 13 action items at this stage in the process is a milestone not commonly attained globally. At the FATF meeting held from 19-23 February 2024, Namibia was widely commended by the FATF and its member countries for the exemplary progress made in the 12-month observation period.

We can all be proud of the progress made thus far and remain calm as the 13 remaining actions are but a drop in the ocean, compared to the 72 action items that were started with. I assure this August House that the NFC remains committed to addressing these deficiencies in an effort to get Namibia removed from the greylist at the earliest opportunity.

Question 1.

I would also want you to inform this August house of the detailed content of these 13 recommended actions that we could not manage to address.

Honourable Members,

I refer Hon. Morurua to the submission I made to Cabinet on 12 February 2024 presenting the 13 remaining action items received from the FATF International Cooperation Review Group, with its respective deadlines.

Namibia is required amongst other things to implement its FATF action plan by:

(1) Strengthening its AML/CFT risk-based supervision through enhancing the human and resource capacities, conducting offsite and onsite inspections informed by supervisory risk assessment tools and applying effective, proportionate and dissuasive sanctions for breaches of AML/CFT obligations;

(2) Enhancing preventive measures through inspections and outreach to ensure that Fis¹ and DNFBPs² apply enhanced due diligence measures as well as TFS obligations related to TF and PF without delay;

(3) Increasing the filing of beneficial ownership information of legal persons and arrangements, and applying remedial actions and/or effective, proportionate and dissuasive sanctions against breaches of compliance with Beneficial Ownership obligations;

(4) Providing the Financial Intelligence Centre (FIU) with adequate human and financial resources, as well as training, to improve operational and strategic analysis;

(5) Improving the cooperation between the FIU and law enforcement agencies (LEAs) to enhance the use and integration of financial intelligence in investigations;

(6) Enhancing the operational capabilities of authorities involved in ML and TF investigations and prosecutions by providing them with adequate resources and targeted training;

(7) Demonstrating the LEAs' capabilities to effectively investigate and prosecute Money laundering and Terrorist financing (ML/TF) cases; and

(8) Approving the amended National Counter Terrorism Strategy (NCTS).

¹ Financial Institutions

² Designated Non-Financial Businesses and Professions

Question 2.

I would like you to also please appraise this August house as to what the agreed timeframe is, into which the remaining 13 deficiencies have to be addressed as per the requirement of FATF.

Honourable Members,

The FATF gave Namibia a period of 24 months, with deadlines ranging from January 2025 – May 2026.

As a country, we hope to address them sooner and it is our belief that we can meet this challenge. As a result, we have put in place adequate measures to report regularly on the progress made in this regard. Namibia will also periodically report to the FAFT on the progress made.

Question 3.

How does the greylisting affect the cross-border transactions trade for daily food supplies, automobile parts, pharmaceutical drugs, electricity supplies and electronic connectivity via so-called “unrecognized” services between Namibia and South Africa after the greylisting of Namibia?

Honourable Members,

Greylisting within this context means a country is amongst those regarded as not having the most effective measures to combat financial crimes. The most tangible potential impact of Greylisting is therefore expected increase in due diligence around transactions associated with a greylisted country.

Grey Listing will not affect the type of transactions mentioned. The transactions mentioned are what are called transactions related to basic humanitarian needs. Not even countries under sanctions of the UN Security Council are denied to perform transactions of this nature.

I pause to mention that a greylisting by the FATF does not have the effect of sanctions imposed by the UN Security Council, however a “blacklisting” by the FATF has such an effect.

In addition, drawing on the experience of previously and currently grey-listed neighbouring countries, it has not substantially impacted their trading relationships with other countries. However, some local banks might face higher compliance costs due to the application of “enhanced” customer due diligence measures and “enhanced” ongoing monitoring in any business relationship. Moreover, the confidence and stability of the Namibian financial system and improved growth in the Namibian economy continue to promote trade with all our trading partners and investors.

Question 4.

How is the greylisting of Namibia going to affect the oil and gas developments which were so hopeful for this financial year for Namibia as a country?

Honourable Members,

It is important to note that countries that have been placed on the FATF list for enhanced monitoring are not subject to any official sanctions by the FATF.

Question 5.

What impact is the greylisting of Namibia going to have on the envisaged Africa Hydrogen Summit which is planned to take place in Namibia?

Honourable Members,

We need to keep in mind that research has shown that it is difficult to measure the impact of greylisting as it is not necessarily the specific event of greylisting that causes a negative impact, but rather the confidence of investors in a country's financial system. The confidence shown by investors in support of green energy initiatives in Namibia, one of the leading countries championing Green Hydrogen, is expected to continue. In this regard, the envisaged Africa Green Hydrogen Summit will continue.

Question 6.

In conclusion, I would like you to appraise this August house, when after the said deficiencies have been addressed the greylisting of Namibia shall be lifted.

Honourable Members,

As mentioned earlier, the 13-point action plan is timebound. As a country, we are working hard to exit the list of jurisdictions under enhanced monitoring at the earliest opportunity.

In conclusion,

Under the seal of the Prime Minister in the form of a letter of commitment, the Government of Namibia expressed her commitment to the FATF President to address the remaining 13 action items. The FATF President has acknowledged this letter and officially responded thereto on 7 March 2024

Namibia continues to accord the highest level of political commitment to addressing the FATF ICRG Action Plan, in the best interest of the country to combat organized crime and to remove proceeds of crime from our financial system.

We can assure the August House and the Namibian people that the Government is actively working with the FATF to address its identified strategic deficiencies. I would like to thank all the agencies who worked tirelessly to ensure that Namibia made significant progress during the Post Observation Period. I implore all stakeholders to continue to collaborate and keep the momentum to ensure Namibia address these remaining actions in the shortest possible period and indeed exits the so-called "Grey List".

I thank you