

Mohamed S Fofana: Tackling money laundering in Sierra Leone

Statement by Mr Mohamed S Fofana, Deputy Governor of the Bank of Sierra Leone, at the official opening of the UNODC/GIABA/BSL training workshop on AML/CFT Strategy Development, Freetown, 10-13 July 2006.

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Distinguished Administrative Secretary of GIABA,
Fellow Stakeholders,
The Board and Management of the Bank of Sierra Leone,
Participants,
Distinguished Ladies & Gentlemen

Let me on behalf of the Governor, Management and staff of the Bank of Sierra Leone welcome you all, especially those of you coming to Sierra Leone for the first time for this very important training workshop. May I also take this opportunity to congratulate you, Mr. Administrative Secretary of GIABA, on your recent appointment. I believe that your appointment is to underscore the fact that African problems require African solution. I also want to particularly welcome the facilitators from the UNODC and GIABA and proffer our gratitude to them for facilitating this workshop and for heeding to our call for help in the establishment of a Financial Intelligence Unit (FIU).

In the past, emphasis has been placed on the drugs trade as the principal source of cash that is laundered. We now know that other activities such as terrorism, tax evasion, arms trafficking, smuggling, human trafficking and advance fee fraud (aka 419) are veritable fountains of cash for money laundering. In the West Africa sub-region, the principal sources of money laundering are from the illegal exploitation of natural resources especially in mining, and to a large extent the proceeds from corruption.

Concern over Money Laundering is growing because of its perverse effects on the socio-economic environment and its close links with organized crime. Armed with the immense financial resources at their disposal, money launderers can compromise persons and institutions to acquire economic, social and political power.

The ten-year rebel war that officially ended in 2002 sadly illustrates the threat and problem that Money Laundering poses to emerging economies like Sierra Leone's. The AFRC and RUF using a network of criminal gun running organizations to finance their activities completely destabilized our nation politically, socially and economically. Diamonds obtained by forced labour from the nation's diamond fields (blood diamonds) played a significant role in fuelling the rebel war. Although the war ended in 2002, the environment wherein criminals can launder their ill-gotten fortunes still prevails today because Sierra Leone is characterized by the following socio-economic features:-

- A large and porous border that gives ample opportunities to criminals who can sneak in and out undetected.
- A large informal sector which is extremely difficult, if not impossible to regulate.
- The preponderance of cash in the payment system due to low level of development and outreach of the financial system.
- Corruption.
- The presence of valuable minerals (gold and diamonds), which are easy to smuggle.
- Limited capacity of trained personnel, logistics and finance to combat Money Laundering, among others.

The Anti-Money Laundering Act was passed in June 2005 and this appoints the Governor as the Anti-Money Laundering Authority. This Act was passed mainly as a preventive measure against Money Laundering and to provide for a sound financial system. To discharge the responsibilities of the Authority, the Bank of Sierra Leone must establish a FIU to analyse and process reports relating to suspicious transactions from Financial Institutions. A committee of stakeholders in the

implementation of the Act was established and is chaired by the Governor of the Central Bank. This committee comprises, the Ministry of Finance, Attorney General and Minister of Justice, Ministry of Foreign Affairs and International Co-operation, Ministry of Mineral Resources, the Ombudsman, National Revenue Authority (NRA), Inspector General of Police (IGP), Criminal Intelligence and Security Unit (CISU), National Drug and Control Agency (NDCA), Anti-Corruption Commission, and The Association of Commercial Banks. Since the establishment of this committee several positive measures have been taken in the implementation of the Act: currency declaration forms for passengers travelling to and from Sierra Leone will now be administered by the National Revenue Authority (NRA). Financial Institutions are also implementing Customer Due Diligence and Know Your Customer principles.

Technical assistance was sought from the UNODC by the Bank of Sierra Leone for the establishment of the FIU. A UNODC consultant, Mr. Simon Goddard, was here in Freetown recently to conduct a "needs assessment" and it is in line with this assessment that the UNODC/GIABA and the Bank of Sierra Leone are now hosting this workshop.

We sincerely hope that at the end of this workshop, participants would benefit from the experience of the facilitators and will be able to put together a National Strategy on Money Laundering Prevention, and will also provide the basis for the effective operations of a FIU.

Monitoring cash transactions is a mammoth task because Sierra Leone primarily is a cash based economy where a significant number of transactions far exceed the statutory cash reporting requirements of the Central Bank.

The sale of diamonds is especially conducted in cash, mainly U.S. dollars. Policing of the porous borders and the long coastline for smugglers is another big challenge particularly with the inadequacy of manpower and other logistics. I believe however, that as a country, we will be up to the task and that is why the Bank of Sierra Leone is doing all within its powers to attract the necessary assistance from our development partners.

Ladies and Gentlemen, it is my singular honour to declare this workshop open. In doing so, let me once again use this opportunity to thank all our development partners, particularly the UNODC and GIABA. I wish all the participants fruitful deliberations and hope that at the end of this four-day training seminar, we will be more and better equipped in tackling this ugly problem – money laundering. I thank you all and wish our facilitators a pleasant stay in Freetown and a safe return journey.