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EAST AND SOUTHERN AFRICA ANTI-MONEY LAUNDERING GROUP (ESAAMLG) REPORT

1.0. Introduction

The East and Southern Africa Anti-Money Laundering Group (ESAAMLG) is a FATF Regional Style Blog (FSRB) comprised of 21 member countries from eastern and southern Africa. ESAAMLG was constituted to monitor member countries implementation of international standards on Anti-Money Laundering (AML) and Terrorism Financing (TF) and Proliferation Financing (PF). The international standards are set by the Financial Task Force (FATF) and member countries are required to ensure that they implement these standards in different sectors to prevent and reduce money laundering and terrorism financing.

ESAAMLG assesses member countries through a peer-to-peer assessment process where countries are assessed on technical compliance and effectiveness according to FATF Methodology 2013. Malawi is one of the ESAAMLG members since 2010. Since joining the membership of ESAAMLG, Malawi has been mutually assessed twice in 2013 and 2018. Currently Malawi is under Follow Up Reporting (FUR) to address the deficiencies identified in the 2018 Mutual Evaluation.

The NGO Regulatory Authority was introduced into this process in 2018 during the country's National Risk Assessment and Mutual Evaluation Assessment respectively. After the mutual evaluation assessment, the Authority was included in the national task force which is a grouping of all MDAs with the responsibility of ensuring that Malawi complies with the FAFT requirements.

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2.0. Areas of concern for the Authority

Under the FATF Methodology of 2013 and its update of October 2021, the NGO Regulatory Authority is responsible for ensuring technical compliance to Recommendation 8 (R8) and Immediate Outcome 10 (IO 10) on effectiveness. Below are the requirements:

2.1. Recommendation 8

1. Risk based approach through identification of the risks in the NPOs on TF;
2. Sustained outreach towards Terrorism Financing issues;
3. Targeted risk-based supervision or monitoring of the NPOs;
4. Monitor NPOs compliance to Recommendation 8 and provide dissuasive sanctions;
5. Have effective information gathering and investigations; and
6. Have effective capacity to respond to international requests for information about NPO concerned.

2.2. Immediate Outcome 10

1. Terrorists, terrorist organisations and terrorist financiers are prevented from raising, moving and using funds, and from abusing the NPO sector;
2. Find out to what extent, without disrupting or discouraging legitimate NPO activities, has the country applied focused and proportionate measures to such NPOs which the country has identified as being vulnerable to terrorist financing abuse, in line with the risk-based approach.

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3.0. Deficiencies identified during the Mutual Evaluation in 2018

The 2018 Mutual Evaluation Reports (MER) approved by the Council of Ministry in September, 2019 and published on the FIA website show that Malawi was rated Non-Compliant (NC) to the requirements of Recommendation 8 of the FATF Methodology.

Below are the reasons stated for non-compliance:

1. Malawi has not undertaken a comprehensive review of the NPO sector to appropriately understand TF risks and have not taken steps to promote targeted risk-based supervision or monitoring of NPOs;
2. The NPO sector has not been engaged to raise awareness about potential vulnerabilities to TF abuse and risks;
3. Malawi is not applying risk-based measures for supervision and monitoring the NPOs which may be at risk of being abused for terrorist financing purposes; and
4. Lack of capacity of the regulator on AML/TF issue.

4.0. 45th ESAAMLG conference

The ESAAMLG holds meetings for member countries twice every year to consider a number of issues from them. The 45th conference which held in Arusha, Tanzania from 23rd March to 31st March, 2023 and discussed the following:

1. Technical Assistance and Training (TA & T) of the ESAAMLG member countries;
2. Deliberate and approve Mutual Evaluation Report of Angola;
3. Deliberate and approve FUR for Mozambique; Uganda
4. Deliberate and approve ESAAMLG budget for the next 3 years from 2024-2027;

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5. Updates on risk, trends and typologies within the region.

During this conference, Malawi was represented by 29 delegates from different MDA's of which the Authority was part of the delegation.

4.1. Importance of ESAAMLG meetings to NGORA

The ESAAMLG meeting are important to the Authority as follows:

1. It is a platform for networking and information sharing among different member countries. For example, during the 45th conference, NGORA held side meetings with Eswatini; Ethiopia, Uganda and Lesotho. During the meetings, the following was discussed:
 - a. Uganda will share with the Authority their NGO sector risk assessment report. Uganda has successfully completed the exercise and their report was discussed during the conference;
 - b. Eswatini and Lesotho requested the Authority to share the NGO Law and tools used to monitor NGOs. The documents were shared through email to their head of delegation and NGO Regulator representative; and
 - c. Ethiopia indicated their interest to visit the Authority to learn how NGOs are regulated in Malawi.
2. It is a platform to access donor funding opportunities. During the conference, NGORA presented the technical assistance and training needs for the Authority to comply with R8 and IO 10. The United Kingdom Treasury Department showed interest to provide assistance to the Authority; and

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3. It is a learning process to better understand international requirements on AML/TF. Currently, in the ESAAMLG region only 2 countries have complied with R8 and IO 10, namely Mauritius and Ethiopia while other countries have achieved partial compliance with the requirements.

4.2. Some of the issues discussed during the conference

There were a number of issues which were discussed but the following are of relevance to the Authority:

1. Trending risks in the region. The presence of ASWJ in northern Mozambique who are using religious leaders to raise, move and use funds of which Malawi is at threat;
2. FATF standards changes on best practices to combat the abuse of NGOs to AML/TF;
3. Uganda FUR which included R8 and how they have addressed the requirements;
4. Mozambique FUR which included R8, however, it was discussed and approved that Mozambique has not met the requirements of R8, therefore Mozambique is non-compliant to the requirements.

4.3. Take home Action from the conference

- 4.3.1. To pay close attention to risks emanating from Mozambique terrorism activities by ensuring NGOs are not used for that purpose;

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- 4.3.2. Conduct a Risk Assessment Exercise. The assessment is being conducted by FIA through NGORA, and a questionnaire has been circulated to all NGOS. The outcome of the assessment will be reported to the September meeting in Botswana;
- 4.3.3. Finance Crimes regulations have been amended and NGORA has a role of combating Terrorism Finance in the sector; and
- 4.3.4. The United Kingdom office of Treasury registered interest to support Malawi on risk assessment with special focus on the NGO sector.

5.0. Conclusion

It is important for the Authority to continue participating at the ESAAMLG meeting to keep upraised with the emerging issues within the region and also learn how other countries are complying with the required recommendations. The Authority is also required to have a budget to address requirements of R8 and IO 10 every year.

