

---

## **Anti-Money Laundering and Countering the Financing of Terrorism Policy 2023**

---

Document: EB 2023/140/R.12/Rev.2

Agenda: 3(c)(iii)(b)

Date: 11 December 2023

Distribution: Public

Original: English

**FOR: APPROVAL**

**Useful references:** IFAD Anti-Money Laundering and Countering the Financing of Terrorism Policy ([EB 2019/128/R.41/Rev.1](#)).

---

**Technical questions:**

**Advit Nath**

Director and Controller  
Financial Controller's Division  
e-mail: a.nath@ifad.org

---

## Contents

<b>Executive summary</b>	<b>ii</b>
<b>I. Introduction</b>	<b>3</b>
<b>II. Policy context</b>	<b>3</b>
A. International efforts and global initiatives to combat ML and TF, applicable sanctions and related ML, TF risks	3
B. Money laundering	4
C. Terrorist financing	4
<b>III. Objective</b>	<b>4</b>
<b>IV. Scope</b>	<b>5</b>
<b>V. General principles</b>	<b>5</b>
<b>VI. Governance and responsibilities</b>	<b>6</b>
<b>VII. Monitoring and implementation</b>	<b>7</b>
<b>VIII. Training and compliance culture</b>	<b>8</b>
<b>IX. Reporting, approval and updates</b>	<b>8</b>

## **Executive summary**

1. In recent years, there has been heightened global attention to money laundering (ML), terrorist financing (TF), adherence to sanctions and related ML and TF risks, due to their potential to compromise financial and other systems and impede economic growth and development.
2. The International Fund for Agricultural Development (IFAD) acknowledges its responsibility to ensure that its financial resources are used solely for their intended purposes. Emphasizing its commitment to uphold the highest standards of integrity and accountability, IFAD formulated a policy in 2019 to combat ML and TF ("the Policy") based on the best practices of various development finance institutions. This policy aims to protect IFAD from financial losses, legal liabilities, reputational and related risks and is being updated to align with developments and leading practices in comparable development organizations, including international financial institutions/multilateral development banks/development finance institutions/the United Nations and organizations of the United Nations system.
3. The Policy subjects all fund flows into and out of IFAD to regular due diligence screening to monitor and manage risks and take action as required. Several measures, including regular screening through a software solution connected to industry standard databases, risk assessments, due diligence procedures, training and periodic reviews, are incorporated to ensure the Policy's effectiveness, implementation and alignment with IFAD's core objectives.

# **Anti-Money Laundering and Countering the Financing of Terrorism Policy 2023**

## **I. Introduction**

1. Over the past several years, the international community has become increasingly concerned about the growing problem of money laundering (ML) and terrorist financing (TF), adherence to applicable sanctions and related ML and TF risk areas.
2. This concern arises from the fear that such activities could jeopardize the integrity of national financial systems and hamper economic development. Combating ML and TF and ensuring adherence to applicable sanctions on ML and TF and related ML and TF risk areas is a problem of global concern, requiring concerted and cooperative action on the part of a broad range of institutions.
3. Under the Agreement Establishing the International Fund for Agricultural Development (AEI), IFAD has a responsibility to "make arrangements to ensure that the proceeds of any financing are used only for the purposes for which the financing was provided".
4. The Fund recognizes that combating ML and preventing TF are core components of its development mandate and responsibility. The Fund is committed to promoting and adhering to the highest standards of probity and accountability in the use of its financing and will not tolerate the diversion of the resources entrusted to it by Member States, non-Member States and other sources, through ML and TF.
5. The IFAD Anti-Money Laundering and Countering the Financing of Terrorism Policy ("Policy") was developed and is kept aligned with leading practices of various development finance institutions (DFIs) and seeks to ensure that such integrity risks are identified, assessed and adequately mitigated by taking the nature, scale and complexity of the Fund's activities into account. A benchmarking exercise was conducted in a prior year confirming alignment of IFAD's Policy with those of other comparable development organizations.
6. The intent of this Policy is to prevent the Fund's exposure to serious reputational risk, financial loss or legal liability that could give rise to challenges from Member States, international contributors, donors, and other key stakeholders. IFAD will endeavour to ensure that its funds and the funds it administers are not used to finance any illegal acts connected with ML and TF.
7. While this Policy does not apply to IFAD staff members ("staff") and other persons hired under a non-staff contract ("non-staff") in the performance of their official duties and in their private conduct, IFAD does conduct its screening to include staff and non-staff, in line with the Human Resources Policy and Code of Conduct. Appropriate policies and procedures, including the provisions contained in the IFAD Human Resources Policy and Code of Conduct and its Policy on Preventing Fraud and Corruption in its Activities and Operations, regulate the conduct and behaviour of staff and non-staff and adherence to the highest ethical standards.
8. This updated Policy will take effect on the date of its approval. Following approval of the updated Policy, internal due diligence procedures will be updated.

## **II. Policy Context**

### **A. International efforts and global initiatives to combat ML and TF, applicable sanctions and related ML, TF risks**

9. United Nations Security Council Resolutions have reaffirmed the United Nations call to all states to sign, ratify and implement the relevant international conventions criminalizing terrorism and TF. United Nations General Assembly Resolution 60/288

(2006) also encourages the Member States to implement Financial Action Task Force (FATF) international standards.

10. The FATF is the main international body responsible for developing and setting international standards for anti-money laundering (AML) activities and countering the financing of terrorism (CFT).
11. The FATF issues recommendations that set an international standard for combatting money laundering and the financing of terrorism and proliferation that countries should implement through measures tailored to their particular circumstances. The FATF routinely assesses countries for the effectiveness of the implementation of the recommendations. The FATF recommendations and effectiveness standards – adjusted as necessary for use by an international financial institution (IFI) rather than a country – will be relied upon by IFAD, if applicable, in updating its procedures.

## **B. Money laundering**

12. Under its most general definition, ML is concealment of the origins of money obtained illegally, typically by passing it through a complex sequence of financial or commercial transactions. ML usually involves three stages: (i) introducing the proceeds of crime into the financial system (placement); (ii) transactions to convert or transfer the funds to other locations or financial institutions (layering); and (iii) reintroducing the funds into the legitimate economy as "clean" money and investing it in various assets or business ventures (reintegration) appearing to have been legally obtained. ML activities can occur in any country but may have a more significant impact on developing countries with relatively small or fragile financial systems or weak economies that are particularly susceptible to disruption from illicit activities. ML activities damage the reputation of financial-sector institutions, may require mitigating measures by IFIs and may scare away foreign investors. This reduces a country's access to both foreign investments and foreign markets. The FATF recommends that ML be criminalized by every country on the basis of article 3(1)(b) and (c) of the Vienna Convention<sup>1</sup> and article 6(1) of the Palermo Convention.<sup>2</sup>

## **C. Terrorist financing**

13. TF involves the solicitation, collection or provision of funds to support terrorist acts, individual terrorists or terrorist organizations. The funds may come from both legal and illicit sources. Preventing terrorism also involves major challenges. Disconnecting terrorist groups from their sources of financing is one of them. Since 1999, with the adoption of the International Convention for the Suppression of the Financing of Terrorism, there has been a broader-based consensus around the need to interfere with activities related to TF.

## **III. Objective**

14. The Fund is committed to promoting and adhering to the highest standards of probity and accountability in the use of its financing and will not tolerate the diversion of its resources and the resources entrusted to it by Member States, non-Member States and other sources, through ML, TF, non-adherence to applicable sanctions, and related ML and TF risk areas. The intent of this Policy is to reduce the risk of the Fund's exposure to serious reputational damage, financial loss or legal liability that could result in a loss of credibility with Member States, international contributors, donors and other key stakeholders. The objective of the proposed policy is to affirm the Fund's continued commitment to combating ML, TF, and related ML and TF risk areas, and strengthening the safeguards and measures

---

<sup>1</sup> United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, 1988.

<sup>2</sup> United Nations Convention Against Transnational Organized Crime, 2000.

in place to ensure the Fund's continued achievement of its objectives, including the adherence to sanctions applicable to IFAD on ML and TF.

#### **IV. Scope**

15. This Policy applies to all IFAD-financed and/or IFAD-managed operations and activities and to the following individuals and entities:
  - (i) Individuals and entities holding a commercial contract with the Fund and any of their agents or personnel ("vendors");
  - (ii) Public entities receiving IFAD financing or financing managed by the Fund (e.g., "government recipients") and private entities receiving IFAD financing or financing managed by the Fund ("non-government recipients"), collectively referred to as "recipients"<sup>3</sup>; and
  - (iii) Individuals and entities, other than those referred to above, that receive or apply to receive, provide or may provide transfer or take/influence decisions regarding the use of proceeds from IFAD financing or financing managed by IFAD, including, but not limited to, bidders, investment or potential investment counterparts, issuers or potential issuers of financial instruments.

#### **V. General principles**

16. Like comparable development organizations, IFAD commits to having and maintaining appropriate AML, CFT, applicable sanctions, and related ML and TF risk area procedures and controls to prevent its assets from being used for ML and/or TF, non-adherence to applicable sanctions, or related ML and TF risk areas.
17. Under the AEI, the Fund has a responsibility to "make arrangements to ensure that the proceeds of any financing are used only for the purposes for which the financing was provided".
18. The Fund shall endeavour not to make, fund, support or permit any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.
19. The Fund therefore has a responsibility to protect its assets against potential misuse and ensure that its own financing is not used to enable ML or fund TF. In fulfilling this responsibility, the Fund shall commit to ensuring that its funds and the funds that it administers are not used to support ML and TF; to identify, assess and adequately mitigate the risk related to ML, TF, non-adherence to applicable sanctions, and related ML and TF risk areas, considering the nature, scale and complexity of the Fund's activities; and to apply and strengthen existing due diligence processes to prevent and combat these risk areas.
20. As part of the international financing community, IFAD is committed to following, to the extent possible and in accordance with its policies and procedures, Know Your Customer (KYC) best practices on AML and CTF matters and to aligning itself with the FATF recommendations to the greatest extent possible for an IFI and a United Nations specialized agency.
21. This Policy is designed to meet the following integrity principles:
  - (i) Leadership, sponsorship and commitment by the Executive Board, President, Vice-President, Associate Vice-Presidents, Directors and Country Directors to promote, encourage and support implementation of this Policy;

---

<sup>3</sup> The Revised IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations was amended to strengthen the due diligence obligations of borrowers and grant recipients in relation to downstream partners. In particular, through a "self-certification form", borrowers and grant recipients would be required to include clauses in procurement documents and contracts that would establish an obligation for bidders and contractors to disclose information related to relevant criminal convictions, administrative sanctions and/or temporary suspensions in the course of a procurement process and any time thereafter.

- (ii) Safeguard the Fund's assets and protect the interests of its Member States and borrowers;
  - (iii) Encourage a culture that identifies and mitigates ML, TF, the adherence to applicable sanctions and related ML and TF risk areas to support achievement of the Fund's strategic objectives;
  - (iv) Integrate the detection of ML, TF, applicable sanctions and related ML and TF risks into business processes by applying due diligence measures, assessing the risk of ML, TF and implementing procedures to drive effective and accountable decision-making;
  - (v) Implement proper monitoring and internal reporting mechanisms that will assist in the identification of instances of such integrity risk and the tracking of remedial actions;
  - (vi) Existence of appropriate competencies and training to discharge responsibilities and provide support for management of ML, TF, sanctions and related ML and TF risk areas.
22. For international organizations to effectively exercise their functions, member states concede privileges and immunities to them, their premises and their personnel. Thus, the AEI states that "the Fund shall enjoy in the territory of each of its Members such privileges and immunities as are necessary for the exercise of its functions and for the fulfilment of its objective." Consequently, nothing contained in this Policy or in any document relating hereto shall be construed: (i) as a waiver, express or implied, of any of the privileges and immunities granted to IFAD under local and/or customary and conventional international law, nor as conferring any such privileges or immunities of IFAD to any third party; (ii) as the acceptance by IFAD of the applicability of the laws of any country to IFAD; or (iii) as the acceptance by IFAD of the jurisdiction of the courts of any country or of any international or arbitral courts whose jurisdiction IFAD has not recognized.

## **VI. Governance and responsibilities**

23. Specific roles and responsibilities in implementing the policies in a manner consistent with IFAD's Accountability Framework are:
- (i) The Executive Board is responsible for overseeing proper management of the Fund's integrity risks and for approving this Policy.
  - (ii) The Audit Committee assists the Executive Board in supervising the financial administration and internal oversight of the Fund, which includes ensuring continuous effectiveness of the integrity risk management systems established by the President and Management. The Audit Committee reviews and recommends this updated Policy to the Executive Board for its approval.
  - (iii) President and Senior Management: The President has overall responsibility, and Senior Management is accountable for the oversight and monitoring of AML, CFT, and the observance of sanctions applicable to IFAD on ML and TF.
  - (iv) The Enterprise Risk Management Committee is responsible for the general oversight of ERM policy and related risk processes, including strategic risks, and coordinating an integrated approach to risk management.
  - (v) The Operational Risk and Compliance Committee (ORCC) is in charge of the Fund's operational risk and compliance governance, which includes the scope of this Policy.
  - (vi) The Financial Controller's Division (FCD) is the custodian of this Policy, responsible for the development and updating of related procedures and guidance, day-to-day screening for ML, TF, sanctions applicable to IFAD on ML and TF and related ML and TF risks, providing the authoritative views and

advice relating to this Policy in consultation with the Office of the General Counsel, monitoring the application and implementation of this Policy, implementing and updating an industry-standard software solution to assist in implementing this Policy, and reporting on results and findings for information, action and resolution.

- (vii) The Office of Audit and Oversight provides reasonable assurance of the Fund's compliance with this Policy, assessing the effectiveness of internal controls that mitigate the risks of ML and TF and validating the robustness of the system in place.
- (viii) The Ethics Office is responsible for overseeing the ethics and compliance functions related to the Code of Conduct applicable to staff, consultants and other individuals engaged by IFAD under a non-staff contract.
- (ix) The Office of the General Counsel plays an advisory role with respect to legal aspects of ML and TF, applicable sanctions and related ML and TF risk matters.
- (x) Other IFAD front-line departments<sup>4</sup> (e.g. Programme Management Department [PMD], Strategy and Knowledge Department [SKD], Corporate Services Department [CSD], Financial Operations Department [FOD], etc.) have responsibility for compliance with this policy and supporting the enhanced due diligence process to mitigate ML, TF, applicable sanctions and related ML and TF risks.
- (xi) The Treasury Services Division plays a role in ensuring that the disbursement of funds is compliant with IFAD policies and procedures.
- (xii) The Office of Enterprise Risk Management (RMO) fully supports the management of risks across the organization. It implements, monitors and maintains an efficient and effective Enterprise Risk Management Framework (ERMF) supporting IFAD's strategic vision and mandate. It enables better-informed risk-taking by applying consistent risk management best practices across the organization to achieve IFAD's objectives in the long term and deliver on its development commitments. RMO also oversees and monitors the respective risk exposures, enabling clear reporting of IFAD's risk profile to both internal and external stakeholders.
- (xiii) IFAD personnel in the various departments, divisions and offices have a responsibility to comply with this policy and support the enhanced due diligence processes to mitigate ML, TF, sanctions and related ML and TF risks.

## **VII. Monitoring and implementation**

- 24. Application of this Policy will be monitored to provide assurance on how well risks identified in this Policy are being managed, including the identification of any new risks.
- 25. Relevant, key ML, TF, applicable sanctions and related ML and TF risk indicators will be reported in IFAD's Corporate Risk Dashboard.
- 26. At various intervals, various internal procedures and guidance will be reviewed and, if necessary, amended to ensure consistency with this Policy.
- 27. At various intervals, financing agreements will be reviewed and, if necessary, the representations and covenants that the Fund typically includes in its legal documentation will be reformulated and strengthened to focus more specifically on ML, TF, sanctions applicable to IFAD on ML and TF and ML- and TF-related risks to ensure consistency with this Policy. In the case of lending

---

<sup>4</sup> Divisions having specific roles include the PMD regional divisions, Operational Policy and Results Division, the Administrative Services Division, and FMD.



to or through private-sector organizations and enterprises, the language to be used in financing documents will be provided or due diligence requirements will be imposed on these entities. In the case of loans extended to entities responsible for the implementation of projects for onlending, the contractual language to be used for due diligence requirements on these entities will be imposed.

28. The system solution to screen, monitor, track and report on ML, TF, adherence to applicable sanctions and related ML and TF risks will be kept up to date and fit for purpose to implement this Policy.

## **VIII. Training and compliance culture**

29. The most effective way of avoiding integrity failures is to instil a culture of high ethical standards.
30. IFAD will provide ongoing training to relevant IFAD personnel on ML, TF, sanctions applicable to IFAD on ML and TF and related ML and TF risks, with special attention to the business/operational units. The main objective of the training is to improve the understanding, abilities, and analytical capacity of relevant personnel with respect to ML, TF, applicable sanctions and related ML and TF risks and their reputational and other impact on the Fund's operations.
31. These training initiatives also serve to enhance and foster a compliance culture and capabilities to identify the changing nature of ML, TF, applicable sanctions and related ML and TF activities/risks to enable the Fund to react and respond to them in a timely and appropriate manner.

## **IX. Reporting, approval and updates**

32. This Policy will be implemented in IFAD, supported by the Financial Controller's Division (FCD) as custodian of the Policy. The custodian will issue relevant procedures, guidance, monitoring and reporting to fully and effectively implement it. The custodian will regularly report on implementation of the Policy to the ORCC, which may escalate to the ERM, as deemed necessary. The Policy and any updates to it are to be presented to the Audit Committee for review and the Executive Board for approval on an ad hoc basis, as deemed necessary.