7-16-2015

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Costa Rica Launches Strategy Against Money Laundering and Terrorism Financing

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Category/Department: Costa Rica
Published: 2015-07-16

Costa Rica’s action plan to combat—and guard against—money laundering and terrorism financing came to life less than a year after its conception. Work on the Estrategia Nacional de Lucha contra la Legitimación de Capitales y el Financiamiento al Terrorismo (National Strategy to Fight Money Laundering and Terrorist Financing) began last September, with 40 Costa Rican institutions participating in the process. External support is coming mainly from the International Monetary Fund (IMF) and also from the Inter-American Development Bank (IDB).

The result: a document containing 30 aims, translated into an equal number of projects—10 of which have been prioritized—ranging from legislation reform to—the centerpiece—an information- and statistics-sharing network.

The strategy fits the three main principles in the Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) system of the Grupo de Acción Financiera de Latinoamérica (GAFILAT): prevention, detection and intelligence, and investigation and criminal justice.

The stage for launching the plan was the opening session of GAFILAT’s 31st plenary session, held July 9-10 in San José, Costa Rica’s capital, with delegates of the 16 member countries plus several observers and international organizations attending.

New evaluation methodology

The gathering—mostly held behind closed doors—also heard the results of the evaluation—the first assessment carried out under a new, more precise methodology—of Costa Rica’s and Cuba’s efforts to battle both crimes.

GAFILAT countries had been, until now, evaluated according to compliance with the group’s 40 recommendations in this field, basically formal steps taken, such as producing legislation and regulations to mend weaknesses pointed out by GAFILAT.

The new methodology assesses compliance plus effectiveness, which means that, added to the traditional focus, countries are now also evaluated on the actual impact of those measures on the problem.

Besides hearing the two evaluation reports—to be publicly released in about a month through the GAFILAT Web site—the meeting’s closing session was the framework for Costa Rican President Luis Guillermo Solís to address the experts as well as sign the decree enacting the strategy and declaring it of public interest.

Executive Summary outlines plan

Local and international media were provided with an Executive Summary of the plan, which stated that the initiative’s "main aim … is that it is included in state policies that strengthen the AML/CTF system … providing innovative legal tools" to battle money laundering and terrorism financing.
The idea is to also "reinforce joint work and interinstitutional coordination allowing progress toward adequate prevention, detection, and repression" of both crimes, according to the summary. "This implies "developing and strengthening interinstitutional coordination and cooperation … to contribute to the development of financial and property intelligence."

A further goal is aimed at "strengthening physical transportation of money … and other negotiable instruments in order to ensure that criminal and terrorist organizations cannot move resources to or from other jurisdictions." Also, "developing and strengthening interinstitutional coordination and cooperation … to contribute to the development of financial and property intelligence," and "to reinforce joint work and interinstitutional coordination, allowing progress toward adequate prevention, detection, and repression" of the crimes.

"New regulations and controls to strengthen supervision of the Financial System and its integrity" are needed as a means to reach the strategy's ambitious goals, according to the outline.

Presenting the strategy, Vice Minister of the Presidency Ana Gabriel Zúñiga told the meeting’s opening session that the plan focuses on "strengthening interinstitutional coordination regarding financial intelligence" to counter money laundering. She added, "We also have the need to cut off that oxygen reaching those terrorist organizations. Terrorism is not only the tangible act of manifest violence affecting human lives … it’s also that countries are accessories by not having the mechanisms to cut off funding for terrorism."

"Inasmuch as no coordinated, interinstitutional strategic measures are implemented in the region, also in strategic alliances with the private sector and civil society, we will be able to do little to eradicate that situation," Zúñiga said. "But if we begin to generate strategic actions to combat terrorism’s financial flow and fight money laundering … we’ll possibly have fewer actions aimed at affecting human dignity … and at destabilizing states."

The latest data issued by the Instituto Costarricense sobre Drogas (ICD) indicates that 249 suspicious financial operations were reported last year to its Unidad de Inteligencia Financiera (UIF), with 96 so far this year.

Also, operations carried out by Costa Rica’s Fuerza Pública (FP) and Policía de Control de Drogas (PCD) resulted last year in close to US$7.4 million confiscated from drug traffickers in US and other currencies, and more than US$1.9 million so far this year.

In statements following the closing session of the GAFILAT meeting, Zúñiga told reporters that the strategy answers, in some of its contents, to GAFILAT’s evaluation process of Costa Rica and that IMF backup in drawing up the initiative allowed identifying weak points to be strengthened.

Regarding IMF support following completion of the strategy, Zúñiga told NotiCen that international support is vital both from a technical point of view and from a funding angle. "The first means having constant technical feedback, either through other countries’ experiences or from organizations with technical expertise that can accompany us," she said. "We’re also evaluating financial backup, since many measures we’re going to have to implement require reforming institutions, human training, and professionalization within Costa Rican institutions."

On the strategy, ICD director Guillermo Araya told NotiCen, in a separate interview, that the plan is one of the most important results of the evaluation process and, had it not been drawn up during the assessment period, it would have meant a recommendation for the country to fulfill.
Araya said that the plan is the first of its kind to be produced in this Central American nation. "It's the first time an entire plan is drawn up from the point of view of a national strategy in the country and on this specific case," said the chief of ICD, the agency that coordinated the work. Having a strategy means having "a defined focal point, coordination of instances, a work plan—an action plan, which is how we make it operational."

**Initiative list 10 priorities**

Araya said the initiative includes 31 projects, 10 of which have been prioritized—from legislation reform to setting up a network for national institutions to share information and statistics—which is included in "the most important project, number 10." These specific projects were discussed within the framework of the GAFILAT meeting with representatives of countries and organizations that "could help us with funding, whether for technical situations or for financial support for [strategy] implementation," he added.

On GAFILAT experts’ evaluation of Costa Rica, without going into much detail since the reports are not yet public, Araya provided a favorable opinion, because "we’re proving not only compliance but also effectiveness. In compliance, we’re above 70%, and regarding effectiveness, there’s a couple of annotations there, which we could correct in a month … but, yes, we’re above average." Araya did not reference the Cuba report.

Also without providing much detail on either evaluation, GAFILAT vice president Alejandro Taboada told reporters, after the meeting’s closing session, that "both countries have shown fundamental progress in the fight against money laundering and terrorism financing. As you will be able to know" when the reports are made public, the two countries "have shown progress in all areas of the struggle," including "legal instruments, and monitoring."

Taboada told NotiCen, "There’s progress, and there are aspects that need improvement, as well. All countries have aspects to improve, because … this is an issue that evolves in time, it isn’t static. I can’t tell you in detail what the observations are."

GAFILAT is the present label of the former GAFISUD (Grupo de Acción Financiera de Sudamérica) founded in December 2000 in the northern coastal Colombian city of Cartagena, with nine South American nations, which, following the events of Sept. 11, 2001, expanded its scope to cover action against terrorism funding.

In its meeting of July 2014, GAFISUD renamed itself GAFILAT, so it could encompass all Latin American nations, with 16 of them having joined so far.

The Latin American organization works within the framework of the global Financial Action Task Force (FATF) created in 1989 by the Group of 7 (G-7) to counter money laundering and its threat to global banking and financial institutions worldwide. The task force’s scope was widened in 2001, to include efforts against terrorism funding.

The initial 16-strong FATF membership rose in the organization’s first year to 28 members, adding three newcomers in 2000 and presently totaling 36—five of which represent the Americas: Argentina, Brazil, Canada, Mexico, and the US.
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