

Annex B. Project Summary

INTERNATIONAL MONETARY FUND

LEGAL DEPARTMENT (LEG)

Project Summary: Strengthening AML/CFT Systems of MENA countries

COUNTRY: Multi-Countries – Middle East and North Africa (MENA)

Module (as provided in RBM catalogue): Effectiveness; Legal Drafting; National Risk Assessment; National Strategy; and Risk-Based Supervision

Department: LEG

Division: FIG

Project Duration: One year

Project Start date: July 2025

Estimated Budget: \$215,000 (inclusive of 7 percent Trust Fund management fee)

Project Description

The project will assist a selection of MENA countries in enhancing their AML/CFT systems ahead of the next round of mutual evaluations (ME), starting in early 2026. The selection will include medium and low-income MENA countries, with a focus on demand from FCS.¹ Priority will be given to countries engaging with the Fund in relation to Fund-supported programs, to leverage the synergy between CD and Use of Fund Resources (UFR). The identification and design of modules to be delivered to beneficiary countries will take into considerations priorities for financial integrity identified under the Fund's surveillance.

Other factors will also affect the selection of beneficiary countries, including the political support for reforms, resource availability, and the alignment with other CD providers to avoid overlap. Assistance can be provided once a CD request is received from interested countries.

The project is designed to provide flexibility and to allow greater agility to rapidly respond to country needs through short and tailored engagements. The aim of the project is to lead meaningful, measurable, and sustainable results, building upon staff's experience from similar regional projects over the past decade. It will focus on providing short term focused CD in areas that include enhancing effectiveness, legal drafting, implementing risk-based supervision, conducting ML/TF/PF risk assessments, and developing comprehensive national strategies. This targeted approach should allow the project team to address the most pressing needs and challenges within financial integrity in the region. The project will also take into consideration the

¹ <https://www.imf.org/en/Topics/fragile-and-conflict-affected-states>.

timelines of beneficiary countries in the mutual evaluation (ME) round, as well as their resources and capacity to absorb CD among other priorities ahead of the ME onsite visit.

The delivery of CD under this project will be undertaken by staff, experts and the relevant regional advisor and will be delivered either by in-person or virtual missions, depending on the individual country's circumstance and the subject matter of the CD.

Project Rationale

The project responds to the persistently high demand for CD from MENA countries to support the enhancement of various aspects of their AML/CFT systems. These countries include Djibouti, Syria, Jordan, the West Bank and Gaza and Libya.

Under MENAFATF's third round of mutual evaluations, several MENA countries obtained relatively poor ratings for effectiveness under the new FATF Methodology, that is more focused on the understanding and management of ML/TF risks.

Moreover, several MENA countries were not assessed in the previous MENAFATF ME round due to political instability and security considerations, which diluted the role of peer pressure and hindered the momentum for systematic improvements in their AML/CFT systems. The challenges discussed above led to pressures on correspondent banking relationships for many MENA countries at some point in time, which were later managed through increased spending on compliance efforts and by relying on more expensive or less efficient alternatives to maintain banking access (e.g., using intermediary banks or alternative financial arrangements). More generally, strategic deficiencies in AML/CFT systems may produce unfavorable effects on the cost of conducting financial transactions, foreign investment, and economic stability.

CD that will be provided under this project will support the efforts of MENA countries to continue developing their AML/CFT systems and address critical gaps arising from failure to comply with the amended FATF Standards or their ability to demonstrate effective AML/CFT systems.

It is expected that traction for this project would be high as countries requesting CD will be keen to improve the results of their assessments to the extent possible. This project would provide a good platform to respond to such needs for MENA countries in preparing for their MEs, especially given the varying needs of these countries which is usually faced by limited resources that would not enable bilateral CD projects for all requesting countries.

This project will also represent another aspect of IMF's contribution to supporting FSRBs in improving the effectiveness of their ME programs. It will be conducted in coordination with other CD providers that are active in the region, and in collaboration with the MENAFATF.

Project Objectives	
Description	Probable Risks/Challenges for implementation and Mitigation
Strengthen the legal and institutional framework for AML/CFT	Risks: Limited capacity, resources, and/or delays from the members' side.
Strengthen the effective implementation of AML/CFT Measures	Mitigation: Mitigation measures will include obtaining high level commitment to implement reforms, in coordination with IMF country teams.
Project Outcome(s)	
Description	Anticipated Completion Date
Policy, legal, institutional, and operational measures ensure the AML/CFT system achieves desired effectiveness outcomes as set out in the FATF standards.	June 2026
The AML/CFT Legal framework is in line with the FATF standards.	June 2026
AML/CFT Structures and Tools (Supervision): Supervisors focus AML/CFT supervisory resources on the areas of greatest risk.	June 2026
AML/CFT National Risk Assessment (NRA): The country properly identifies, assesses and understands its ML/FT risks, PF risk and other risks required by the FATF Recommendations.	June 2026
AML/CFT National Strategy: The country prioritizes AML/CFT policy actions and undertakes measures to implement strategy.	June 2026