

FROM PUNITIVE LISTING TO SUPPORTED COMPLIANCE

A Policy Brief for African FATF-Style Regional Bodies (FSRBs)

EXECUTIVE SUMMARY

This brief translates Ibekaku-Nwagwu's analysis into an action agenda for African FATF-style regional bodies (FSRBs), their member states, and engagement with the Financial Action Task Force (FATF). It does *not* argue for weaker anti-money laundering, counter-terrorist financing, and counter-proliferation financing (AML/CFT/PF) controls. It argues for a credible route to effective, risk-proportionate implementation that reduces avoidable harm from greylisting while preserving focus on real financial-crime vulnerabilities.¹ Independent research corroborates both halves of this problem: greylisting carries measurable economic costs (Kida and Paetzold, 2021²; de Koker, Howell and Morris, 2023³), and the standard-setting process that produces it has been criticised for giving affected countries limited voice in the rules applied to them (Jones and Knaack, 2019⁴).

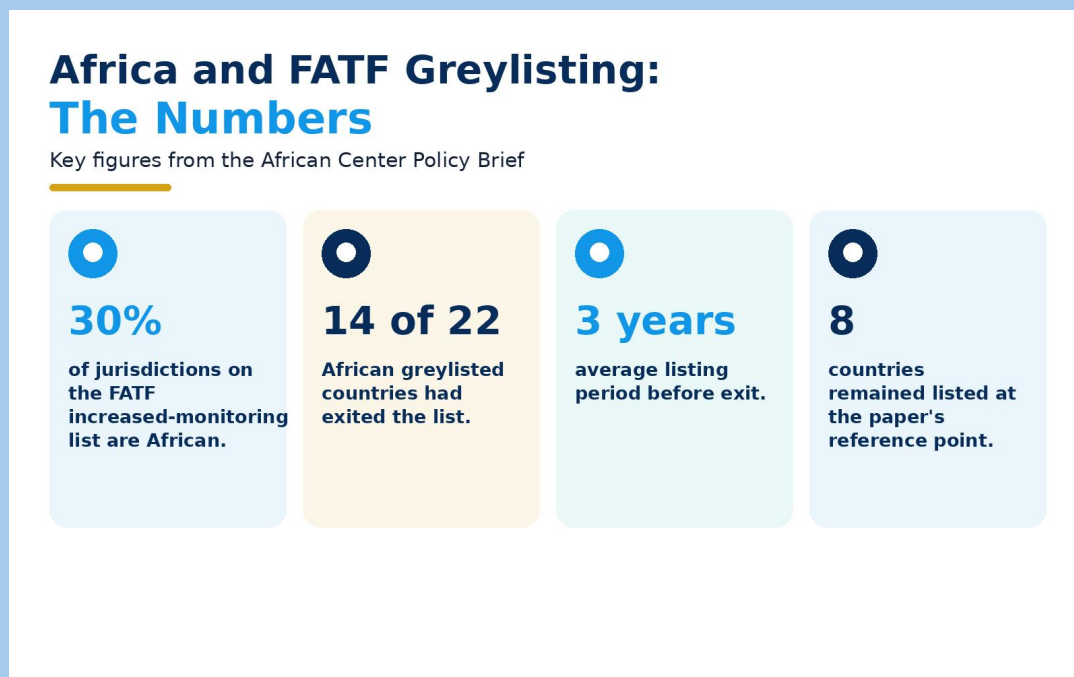


Figure 1. Africa and FATF Greylisting: The Numbers

¹Juliet Ibekaku-Nwagwu (2026) *Is the Financial Action Task Force fit for the Future?* <https://my.rusi.org/rusi-journal/rusi-journal-vol-171-issue-5-2026.html>.

²Kida, M. and Paetzold, S. (2021) *The Impact of Gray-Listing on Capital Flows: An Analysis Using Machine Learning*. IMF Working Paper No. WP/21/153. Washington, DC: International Monetary Fund.

³de Koker, L., Howell, J. and Morris, N. (2023) 'Economic Consequences of Greylisting by the Financial Action Task Force', *Risks*, 11(5), p.81.

⁴Jones, E. and Knaack, P. (2019) 'Global Financial Regulation: Shortcomings and Reform Options', *Global Policy*, 10(2), pp.193–206.

WHY THIS MATTERS NOW

The paper's review of 22 African greylisted countries found that Africa represented nearly 30% of jurisdictions on the FATF increased-monitoring list. Fourteen of the 22 countries had subsequently exited, after an average listing period of three years, while eight remained listed. Recurrent gaps included beneficial-ownership transparency, weak supervision of designated non-financial businesses and professions, targeted financial sanctions, poor financial-intelligence use, investigations and prosecutions, confiscation, and cross-border cash controls.⁵ These appear at global level in the FATF's own stocktake of 59 mutual evaluation reports across its member and FSRB network. As noted by FATF technical compliance with the 40 Recommendations rose from 36% to 76% of countries between 2012 and its 2022 review, yet effectiveness in confiscation, beneficial ownership, and international cooperation remained persistently weak (FATF, 2022⁶).

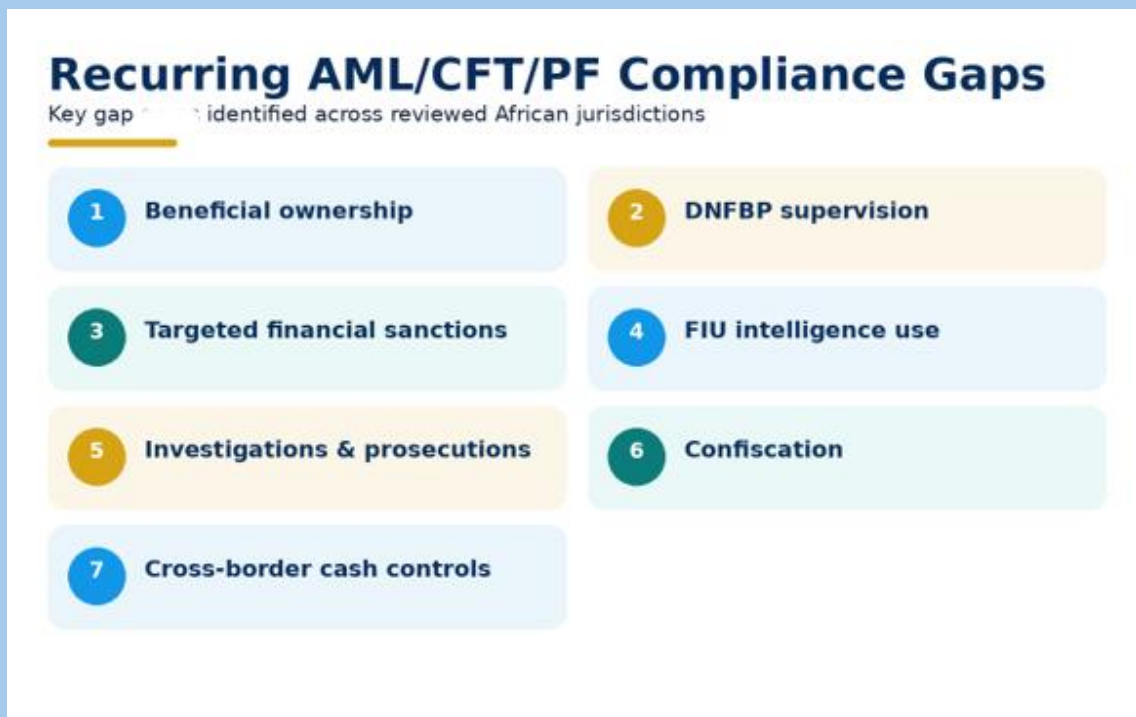


Figure 2. Recurring AML/CFT/PF Compliance Gaps

Greylisting can produce consequences that extend beyond FATF's formal action. For example, correspondent banks and other financial institutions may apply enhanced due diligence or exit categories of clients and transactions altogether. The article observed average reductions in capital inflows and investment categories associated with greylisting, while correctly leaving the causal

⁵Ibekaku-Nwagwu (2026.), *ibid.*

⁶Financial Action Task Force (2022) *Report on the State of Effectiveness and Compliance with the FATF Standards*. Paris: FATF.

contribution of FATF listing versus broader country risk open to further testing.⁷ Independent research puts a figure on this. IMF study found that Greylisting is associated with a decline in total capital inflows averaging 7.6% of GDP, split across foreign direct investment, portfolio, and other flows (Kida and Paetzold, 2021⁸). This lines up with a broader pattern documented since 2015, in which international banks have withdrawn correspondent relationships from jurisdictions perceived as higher-risk, even absent formal sanctions (World Bank, 2015⁹; Durner and Shetret, 2015¹⁰).

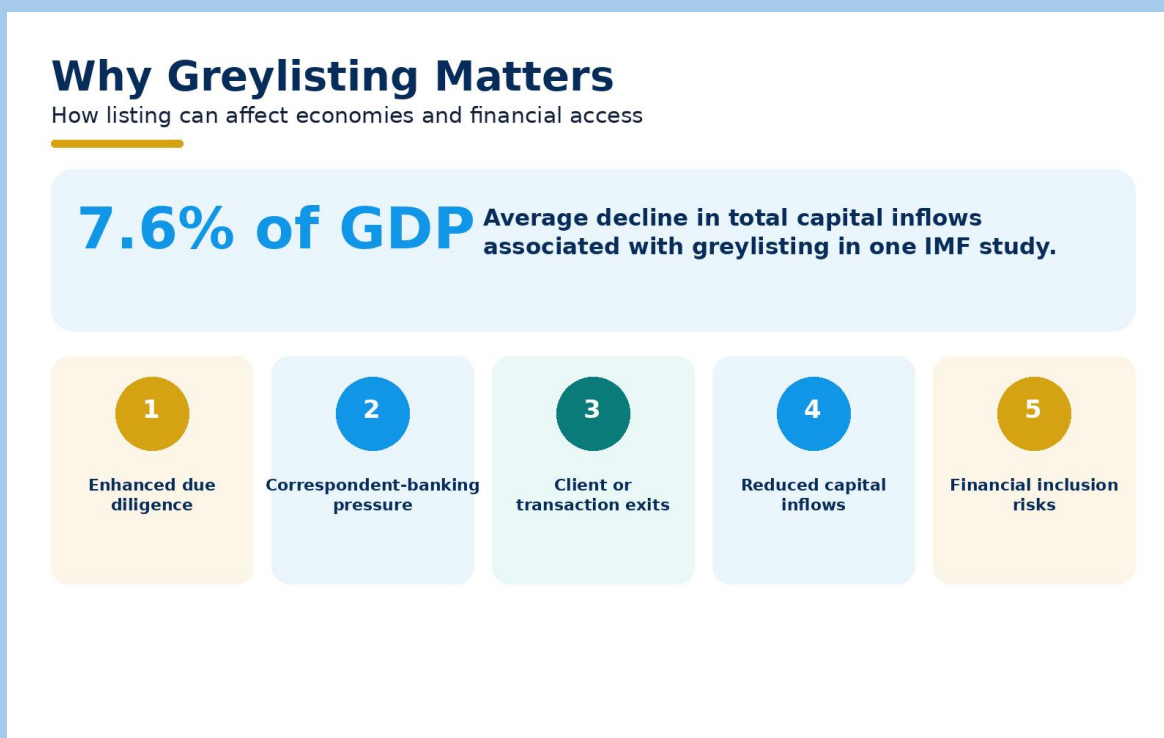


Figure 3. Why Greylisting Matters

The institutional problem is therefore twofold. African jurisdictions need stronger operational AML/CFT/PF outcomes; yet a process perceived as insufficiently representative, weakly tailored to country context, or economically punitive can erode legitimacy and make implementation less durable.¹¹ This mirrors a wider critique of global financial standard-setting. Developing countries are highly integrated into the international financial system and greatly affected by its rules, yet remain largely outside the bodies that write them, which generates standards poorly suited to their institutional capacity (Jones and Knaack, 2019¹²).

⁷Ibekaku-Nwagwu (2026.), *ibid.*

⁸Kida and Paetzold (2021), as cited above (n. 2).

⁹World Bank (2015) *Withdrawal from Correspondent Banking: Where, Why, and What to Do About It*. Washington, DC: World Bank Group.

¹⁰Durner, T. and Shetret, L. (2015) *Understanding Bank De-Risking and its Effects on Financial Inclusion: An Exploratory Study*. Washington, DC: Global Center on Cooperative Security / Oxfam.

¹¹Ibekaku-Nwagwu (2026), *ibid.*

¹²Jones and Knaack (2019), as cited above (n. 4).

POLICY OBJECTIVE

African FSRBs should seek a **compliance compact** with the FATF. A model in which high-quality diagnosis, country-owned remediation plans, pre-evaluation assistance, transparent proportionality decisions, and independent review precede or constrain public listing. Listing should remain available for persistent or wilful failure, but not serve as the default response to capacity constraints, transition costs, or weak data systems.¹³



Figure 4. From Punitive Listing to Supported Compliance

¹³Ibekaku-Nwagwu (2026.), *ibid.*

RECOMMENDED ACTIONS

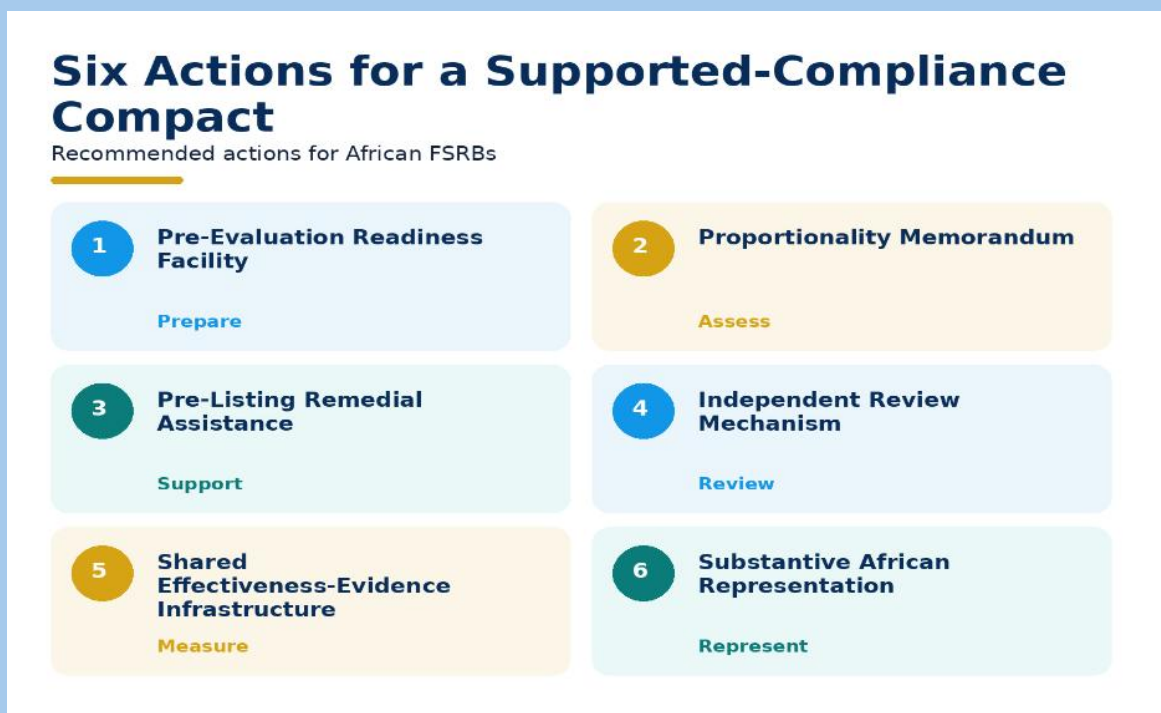


Figure 5. Six Actions for a Supported-Compliance Compact

1. Establish an African Pre-Evaluation Readiness Facility

FSRBs should create a structured 12-month support period for jurisdictions approaching mutual evaluation or facing material effectiveness gaps. A multidisciplinary team, FIU, supervisor, prosecution, asset-recovery, beneficial-ownership, and data specialists, should help each country translate risk findings into an evidence plan, operational reforms, and realistic milestones. This directly implements the paper's proposal for a regional community of experts supporting countries before evaluation.¹⁴

Deliverables: a risk–capacity baseline; a prioritised remediation plan; minimum evidence standards for each relevant Immediate Outcome; and a plan to prevent technical reforms from becoming unfunded legal formalities. These deliverables operationalise the paper's capacity-first approach.

2. Require a Transparent Proportionality Memorandum Before Listing

For every prospective increased-monitoring referral, the relevant FSRB should request and publish a confidential-to-parties proportionality memorandum. It should distinguish: (a) inherent and residual ML/FT/PF risk; (b) implementation capacity; (c) demonstrated wilful non-compliance; (d) likely financial-inclusion and correspondent-banking effects; and (e) why technical assistance and monitored remediation would be insufficient. The paper's comparison with the Basel AML Index illustrates why assessment decisions should not treat risk, capacity, and formal effectiveness ratings as interchangeable.¹⁵ The most recent edition of that index confirms the underlying pattern, scoring Sub-

¹⁴Ibekaku-Nwagwu (2026.), *ibid.*, proposal for a regional community of experts supporting countries before evaluation.

¹⁵Ibekaku-Nwagwu (2026), *ibid.*, comparison with the Basel AML Index.

Saharan African jurisdictions above the global average on money-laundering risk while their formal technical-compliance ratings often improve in parallel, precisely the divergence a proportionality memorandum is designed to surface (Basel Institute on Governance, 2025¹⁶).

3. Negotiate a Pre-Listing Remedial-Assistance Presumption

African FSRBs should collectively seek a FATF protocol in which an agreed action plan, targeted funding, and intensive technical support create a rebuttable presumption against immediate public listing. An exception should require clear evidence of substantial risk, continued unwillingness to act, or failure against agreed milestones. This retains accountability but places the initial burden on diagnosis, dialogue, and capacity support, consistent with the managerial model advanced in the paper.¹⁷ That managerial model of treaty compliance was first developed by Chayes and Chayes (1995)¹⁸, who found across a range of international regulatory regimes that iterative dialogue, capacity support, and institutional engagement secure more durable compliance than the threat of sanctions.

4. Create an Independent Review and Dispute-Resolution Mechanism

Ibekaku's report calls for the setting of a standing review panel separate from the assessment team and ICRG listing decision-makers. It should have balanced regional representation, technical AML/CFT/PF expertise, defined grounds of review, and rapid procedures for contested evidence, proportionality, action-plan feasibility, and claimed unintended financial consequences. The paper specifically recommends a regionally balanced, rotating platform and separates the assessor role from the final determination of non-compliance.¹⁹

5. Build a Shared African Effectiveness-Evidence Infrastructure

¹⁶Basel Institute on Governance (2025) *Basel AML Index 2025: 14th Public Edition*. Basel: Basel Institute on Governance.

¹⁷Ibekaku-Nwagwu (2026), *ibid.*, managerial model of compliance support.

¹⁸Chayes, A. and Chayes, A.H. (1995) *The New Sovereignty: Compliance with International Regulatory Agreements*. Cambridge, MA: Harvard University Press.

¹⁹Ibekaku-Nwagwu (2026), *ibid.*, regionally balanced, rotating review platform.

This targets the outcome areas repeatedly identified in the reviewed mutual evaluation reports and makes country context visible before ratings are finalised.²⁰ The financial-inclusion indicator responds directly to a well-documented side effect of AML/CFT tightening. Exploratory field research across affected jurisdictions found that banks facing rising compliance costs and reputational risk often close the accounts of entire categories of customers rather than manage the risk case by case, which can push vulnerable populations out of the formal financial system altogether (Durner and Shetret, 2015²¹).

²⁰*Ibekaku-Nwagwu (2026.), ibid. ,outcome areas identified across reviewed mutual evaluation reports.*

²¹*Durner and Shetret (2015), as cited above (n. 10).*

6. Make African Representation Substantive, Not Consultative

The aim is not merely more attendance; it is the capacity to shape standards before they become evaluation requirements. The paper links the legitimacy deficit to limited developing-country representation, procedural concerns, and insufficient time between new norms and their implementation. This concern is not specific to AML/CFT: comparable analysis of Basel banking standards has shown that a two-tier structure of decision-making, in which standard-takers sit outside the body that sets the rules, tends to generate standards poorly matched to the institutional capacity and risk profile of the countries that must implement them (Jones and Knaack, 2019).²²

FSRBs should coordinate a common position before FATF plenaries and working groups, demand early access to draft methodological changes, and establish a rotating African technical caucus covering risk, supervision, FIUs, prosecution, asset recovery, and financial inclusion.

A PRACTICAL 18-MONTH ROADMAP



Figure 6. Proposed 18-Month Implementation Roadmap for FSRBs

Months 0–3, Coordinate. FSRBs agree on a common negotiating mandate, nominate focal points, select two pilot jurisdictions, and define a shared outcome-data template.

Months 4–9 ,Test. Launch the readiness facility in pilot jurisdictions; complete baseline risk–capacity assessments; trial proportionality memoranda; and begin quarterly dialogue with FATF and major

²²Ibekaku-Nwagwu (2026.), *ibid.*, legitimacy deficit linked to limited developing-country representation.

correspondent-banking stakeholders. This tests the paper's proposed sequence of diagnosis, capacity assessment, assistance, and dialogue before coercive escalation.²³

Months 10–18 ,Institutionalise. Publish a lessons-learned report; expand the readiness facility; table the independent-review proposal; and seek multi-donor financing for pre-evaluation support. The financing concept follows the paper's suggestion to adapt the Montreal Protocol's capacity-support logic to FATF implementation.²⁴ That precedent is well documented: the Montreal Protocol's Multilateral Fund, established in 1991, has channelled billions of dollars in grants toward technical assistance, institutional strengthening, and national ozone units in developing countries, and is widely credited as a central reason the treaty achieved near-universal compliance through a non-punitive process rather than sanctions (Multilateral Fund Secretariat, 2023²⁵).

MEASURES OF SUCCESS



Figure 7. How Success Should Be Measured

- Fewer jurisdictions moving from identified deficiencies directly to public listing
- Shorter time from identified gap to verified operational remediation
- Improved use of FIU intelligence, investigation, prosecution, confiscation, and beneficial-ownership evidence
- Documented maintenance of correspondent-banking access and lower de-risking pressure during remediation

²³Ibekaku-Nwagwu (2026), *ibid.*, proposed sequence of diagnosis, capacity assessment, assistance, and dialogue.

²⁴Ibekaku-Nwagwu (2026.), *ibid.* Adapting the Montreal Protocol's capacity-support logic to FATF implementation.

²⁵Multilateral Fund Secretariat (2023) *About the Multilateral Fund for the Implementation of the Montreal Protocol*. Montreal: Multilateral Fund Secretariat.

- Earlier African input into FATF rule and methodology changes
- Independent review outcomes that show whether proportionality and country context were materially considered.

DECISION FOR FSRB LEADERS



Figure 8. Decision for FSRB Leaders

Adopt a joint declaration requesting a supported-compliance compact and commit to two immediate actions: establish the pre-evaluation readiness facility and develop the proportionality memorandum template. This is the most credible near-term strategy because it addresses genuine implementation gaps while giving African jurisdictions a structured role in how compliance is defined, supported, and judged. The paper's core proposition is that *voluntary, legitimate compliance is likely to be more durable than compliance elicited chiefly by the threat of market exclusion*.²⁶ The literature surveyed in this brief supports that proposition from several independent directions: the economic cost of coercive listing is measurable (Kida and Paetzold, 2021²⁷), the legitimacy of the process shapes how

²⁶Ibekaku-Nwagwu (2026), *ibid*.

²⁷Kida and Paetzold (2021), as cited above (n. 2).

durable compliance is (Jones and Knaack, 2019²⁸), and the closest comparable precedent for a capacity-support compact, the Montreal Protocol's Multilateral Fund, achieved what sanctions-based regimes rarely do: near-universal, sustained compliance (Multilateral Fund Secretariat, 2023²⁹).

CONCLUSION

Compliance and legitimacy were meant to reinforce one another. When disconnected, both lose effectiveness: listing becomes punitive rather than corrective, and reform becomes an unfunded formality. FSRB leaders should adopt a joint declaration requesting a supported-compliance compact and commit to two immediate actions, establishing the pre-evaluation readiness facility and developing the proportionality memorandum template.

*Voluntary, legitimate compliance is likely to be more durable than compliance elicited chiefly by the threat of market exclusion.*³⁰ Acting now, while the readiness facility and pilot jurisdictions can still be selected within the first quarter, gives African FSRBs the best chance of shaping how compliance is defined, supported, and judged, rather than simply responding to it.

African Center for Governance, Asset Recovery and Sustainable Development | www.africancenterdev.org | info@africancenterdev.org | @Africenterdev

²⁸ Jones and Knaack (2019), as cited above (n. 4).

²⁹ Multilateral Fund Secretariat (2023), as cited above (n. 26).

³⁰ Ibekaku-Nwagwu (026.), *ibid.*

REFERENCES

- Juliet Ibekaku-Nwagwu (2026) Is the Financial Action Task Force fit for the Future? <https://my.rusi.org/rusi-journal/rusi-journal-vol-171-issue-5-2026.html>
- Basel Institute on Governance (2025) *Basel AML Index 2025: 14th Public Edition, Ranking Money Laundering and Terrorist Financing Risks Around the World*. Basel: Basel Institute on Governance.
- Chayes, A. and Chayes, A.H. (1995) *The New Sovereignty: Compliance with International Regulatory Agreements*. Cambridge, MA: Harvard University Press.
- de Koker, L., Howell, J. and Morris, N. (2023) 'Economic Consequences of Greylisting by the Financial Action Task Force', *Risks*, 11(5), p.81. <https://doi.org/10.3390/risks11050081>
- Durner, T. and Shetret, L. (2015) *Understanding Bank De-Risking and its Effects on Financial Inclusion: An Exploratory Study*. Washington, DC: Global Center on Cooperative Security / Oxfam.
- Financial Action Task Force (2022) *Report on the State of Effectiveness and Compliance with the FATF Standards*. Paris: FATF.
- Jones, E. and Knaack, P. (2019) 'Global Financial Regulation: Shortcomings and Reform Options', *Global Policy*, 10(2), pp.193–206. <https://doi.org/10.1111/1758-5899.12656>
- Kida, M. and Paetzold, S. (2021) *The Impact of Gray-Listing on Capital Flows: An Analysis Using Machine Learning*. IMF Working Paper No. WP/21/153. Washington, DC: International Monetary Fund.
- Multilateral Fund Secretariat (2023) *About the Multilateral Fund for the Implementation of the Montreal Protocol*. Montreal: Multilateral Fund Secretariat. Available at: www.multilateralfund.org
- World Bank (2015) *Withdrawal from Correspondent Banking: Where, Why, and What to Do About It*. Washington, DC: World Bank Group.