



# **ESWATINI TF NATIONAL RISK ASSESSMENT**

**November 2023**

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## **1. Executive Summary**

### **1.1 Overall National Risk**

The country's overall TF national risk assessment covers four (4) dimensions, namely, internal TF risk assessment, outgoing TF risk assessment, incoming TF risk assessment transit TF risk assessment. The country's internal TF risk level is medium high. The country experienced high levels of internal terrorism attacks in 2021/22 where properties were destroyed, and lives were lost. Eswatini's current outgoing TF risk rates at a medium level. Eswatini does not provide strategic services and goods. Local organizations and NPOs rarely provide financial aid outside the country. The country has put in place border controls. However, the country's porous borders and illegal crossings may be used to smuggle weapons, other goods and money out of the country for TF purposes.

In terms of national TF vulnerability, the country does not have national TF strategy and policy which is informed by the country's National TF Risk assessment. In the period under review, that country had not conducted a national TF risk assessment. The Suppression of Terrorism Act and the MLFTP Act form the country's Legal framework. However, these pieces of legislation have some technical gaps to be addressed by the country to fully comply with TF international standards.

The Counter terrorism and organized crime department under REPS is the designated unit responsible for combating TF in the country. However, the department is not well staffed to adequately deal with suppression of terrorism acts and TF risks.

Royal Eswatini Police Services does have protocols in place to request assistance from foreign jurisdictions. However, none of these protocols have been used to request for assistance on TF investigations. These protocols have only been used when investigating predicate offenses.

Eswatini has a medium low level of effectiveness on quality of customs and border controls for TF. There are no screening devices at the country's borders coupled with shortage of human resources that may conduct searches. There is also the issue of corruption within border officials wherein some individual's cross borders without stamping their passports. There is also the issue of informal cross borders which allow individuals to cross the country without any searches.

### **1.2 Sectorial Risk Rating**

The assessment identified a total of five (5) sectors which can and have been abused for terrorism in the Kingdom of Eswatini. The table below highlights the affected sectors together with their threats, and vulnerabilities scores.

**Table 1: TF Sectorial Risk Assessment**

Sector Name	Threat	Vulnerability	Risk Level
Non-Profit Organizations	0.68 (MH)	0.56 (M)	0.62 (MH)
Banking	0.66 (MH)	0.47 (M)	0.57 (M)
Real Estate	0.64 (MH)	0.49 (M)	0.57 (M)
MVTS	0.74 (MH)	0.50 (M)	0.62 (MH)
Public Transport	0.59 (M)	0.51 (M)	0.55 (M)

## 2. Introduction

Eswatini is committed to combating all forms of terrorism, whether the threat is in the country or elsewhere in the world. A core component of this commitment is to ensure that Eswatini and its institutions are not used to acquire, store or transmit funds or materially used in terrorist activities or to support those who are engaged in those activities.

The country's law criminalizes terrorism financing in section 6 of The Suppression of Terrorism Act of 2008 and section 5(1) of The Money Laundering and Financing of Terrorism (Prevention) Act 2011(as amended). Section 89 of the Money Laundering and Terrorism Financing (Prevention) Act also provides laws for commensurate and dissuasive sanctions for the terrorism financing offence as terrorism financing is further classified as a predicate offence in schedule one (1) of the Act.

Combating terrorism financing requires a high degree of vigilance from a wide range of role players in government and, critically, the private sector, particularly banks, authorised dealers in foreign exchange, providers of a range of financial services (cross-border payments platforms, providers of remittance services, and crypto currency dealers). It requires also the co-operation and oversight of Non-Profit Organisations (NPOs) that provide services in areas affected by terrorism, and whose systems are at risk of being abused to facilitate the transfer of goods or financing in support of terrorist activity.

To ensure greater awareness of the nature of the risks that exist, Eswatini conducted this first Terrorism Financing National Risk Assessment (TF NRA 2023), which offers a comprehensive assessment of TF NRA. The assessment reflects on the threats, vulnerabilities and possible impact of terror financing on Eswatini's safety and stability, as well as those of its neighbours and countries further afield. The TF NRA is meant to assist all stakeholders, including banks and financial institutions, NPOs and businesses defined by the schedule 2 of the MLFPA, 2011 as "accountable institutions", to identify risks and to develop appropriate mechanisms to reduce such risks and improve preventive, monitoring and enforcement mechanisms.

More detailed findings of the TF NRA will be disseminated during awareness-raising engagements with relevant stakeholders in government, financial institutions (including the banks, supervisory bodies and non-financial stakeholders) and NPOs, as it is realised that the

sharing of such will be held to ensure that adequate and appropriate mitigation measures can be implemented by the affected sectors.

## **2.1 Risk Assessment Methodology**

The World Bank tool was used in conducting the TF national risk assessment for the Kingdom of Eswatini. Considerations were also given to NRA approaches followed by other countries in conducting their national assessments as well as guidance and recommendations set out by the Financial Action Task Force and other key international bodies. The World Bank's role and involvement in country assessment was limited to the deployment of the excel template, provision of technical assistance and guidance in the effective use of the excel template.

Data was collected and populated into the various World Bank templates. Findings, interpretations, and judgments of the exercise were solely the work of the country's working groups and do not reflect the views of the World Bank.

### **Participants and Working Groups**

The teams that formed part of the TF NRA process included stakeholders from the government and private sector. The National Technical Committee was the head of the coordinating committee for the NRA; There were also 2 national coordinators from the Eswatini Financial Intelligence Unit and the Central Bank of Eswatini who were chosen to coordinate the project.

The participants were drawn from different sectors that played a crucial role in the fight against terrorist and proliferation financing. The participants were drawn from the Royal Eswatini Polices Services, Anti-Corruption Commission, Central Bank of Eswatini, Eswatini Financial Intelligence Unit, Financial Service Regulatory Authority, Office of Director of Public Prosecutions, Eswatini Bankers Association and Coordinating Assembly for Non-Governmental Organizations. The TF working group was formed and introduced to the World Bank tool in a workshop that was set up at the start of the project. The country's TF NRA draft report was validated by the World Bank.

### **Data and Sources**

Data for the NRA was collected through the following methods:

- Databases for Registrar of Companies, DPP, Law Enforcement Agents, EFIU, CBE, FSRA, EEA, Registrar of Deeds Office.
- Questionnaires administered to the country's LEAs and AML/CFT Supervisors
- Face to face interviews and meetings with representatives from accountable institutions, AML/ CTF Supervisors, and LEAs
- Public information sources including Eswatini 2022 Mutual evaluation report, previous risk assessment and media publications.
- Review of the relevant legislation: MLTFP Act 2011(as amended), Prevention of Organized Crime Act, 2018, Financial Institutions Act 2005, Suppression of Terrorism Act, 2008.

Other pieces of legislation that support the fight against terrorist financing and related activities and relevant to the decriminalization of predicate offenses were also included as sources. These are;

- The Criminal Matters (Mutual Assistance) Act, 2001;
- The Extradition Act, 1968;
- The Suppression of Terrorism Act, 2008;
- The Prevention of Corruption Act, 2006;
- People Trafficking and People Smuggling (Prohibition) (Act of 2009);
- Electronic Records (Evidence) Act 2009;
- The Prevention of Organized Crime Act 2018;
- Witness Protection Act 2018; and
- Sexual Offenses and Domestic Violence Act 2018.

### **3. National Terrorist Financing Threat**

#### **3.1 Terror Threats**

Terrorism remains a present, enduring and dynamic threat to international, continental, regional and domestic stability, peace and security. Eswatini is exposed to foreign TF threats arising from smuggling of cash and weapons and other equipment into the country. The country is also exposed to local terrorism threats from prescribed individuals and groups who are opposed to the country's system of governance and other political reasons. Recently, Eswatini has experienced domestic several violent terrorist acts which were perpetuated by specified terrorist groups and/or persons. The first local terrorism incident occurred in September 2008 at the Lozitha overhead bridge wherein a bomb exploded whilst it was being installed under the bridge by some people connected to the banned organizations. Between 2021 and 2022, terrorists took advantage of the poor service delivery protests, which included other political reasons. These domestic terrorist acts resulted in loss of lives and destruction of properties worth hundreds of millions in Emalangeni.

#### **3.2 International Threats**

Eswatini faces wide range of TF risks, and most of the risks relate to the country's geographic region as it shares borders with countries known to be experiencing terrorist activities. However, the country's cross-border TF threats arising from foreign terrorist organizations or persons in the country is low and constant considering the non-availability of known international terrorist groups and individuals

**Finance & trade context**-Cross Border TF threat arising from financial, or trade hub facilities is rated low with a decreasing trend. Eswatini is not an international or regional finance hub. The country is not a major trans-shipment hub. However, it is a transit country as some goods from the Durban Harbor and Mozambique pass through this country's borders. The country trades through exports with a few countries and most goods are exported to the Republic of South Africa, Nigeria, Kenya, and the UK. The country also imports its goods from RSA, China, India, USA, and Japan.

**Strategic goods and services** - Eswatini does not provide strategic services or financial aid to areas with active terrorism threat. Outgoing cross border TF threat arising from the provision of strategic goods and services has been consistently non-existent. Eswatini's government and business entities do not provide strategic goods. Furthermore, the NPOs do not provide strategic services or financial aid to areas with active terrorism threat.

**Geographical location & Demographics**-Outgoing TF threats is rated low with a decreasing trend. The degree of outgoing remittances to geographical locations that have active terrorist threat is minimal. Eswatini's population does have a close relationship with geographical locations with active terrorist threats which may raise the threat of terrorist financing. However, there is no study or intelligence that suggests that these relationships may provide fertile ground for terrorism financing.

However, the country does have diplomatic relations with various countries/geographic locations including those that have active terrorist threats. Therefore, the country experiences a high number of immigrants from these locations and on the other hand the immigrants do travel to their respective countries. The degree of outgoing remittances to geographical locations that have active terrorist threat is minimal.

**Neighbors**-Incoming TF threats arising from active terrorist threats from neighbouring countries is rated medium and consistent. Mozambique experienced incidents that are connected to ISIS, Al-Shabaab and ASWJ. These acts of terror pose a threat to the kingdom as it may be used as a transit country for terror activities and including financing due to its proximity to these countries. The vulnerabilities connected to porous borders, shortage of material and financial resources to deal with terrorism and TF also pose a threat to the kingdom and to the neighbouring countries.

### **3.3 Domestic Threats**

Eswatini's current TF threats experienced by the country between the year 2021 and 2022 emanated from domestic terrorist acts linked to some locally proscribed organizations and its affiliates which have been seen to become terror groups. The members of these entities were arrested for the terrorist acts

The terrorist actors and organizations that target Eswatini are only listed domestically and they are not associated with Al-Qaida or ISIS, and they are not listed by the UN and other international bodies. Similar security concern exists that individuals and entities proscribed as terrorist in Eswatini can lawfully be registered and operate in foreign countries since the designation done locally is not recognized internationally. There is a need to align the country's designation process to international standards which allows for communication of locally designated entities and individuals. The country's implementation committee responsible for communicating the designation is not yet operational.

The level of domestic TF threats inferred from the level of terrorist’s attacks in the county is rated high with a decreasing trend. In June 2021, terrorists took advantage of the poor service delivery protests, which included other political reasons. These domestic terrorist acts resulted in loss of lives and destruction of properties worth hundreds of millions in Emalangeni.

Terrorists used petrol bombs to burn structures and movable assets. Some terrorists had access to military explosives and guns which were sourced from black markets in our neighbouring countries, and some accessed through robberies. Terrorists used public transport while others strategically sourced private motor vehicles to execute their terrorism acts. Firearms were transported via public transport, taking advantage of shortage of human and material resources to monitor and detect the weapons.

**Sympathizers**-Domestic TF threat arising from persons sympathetic to terrorist organizations, persons or ideology is rated low with a decreasing trend. Currently there are no prosecutions nor convictions connected to sympathizers. There have been incidents of some individuals and other faith-based formations that have been identified through open-source information to be sympathizers. Criminal investigations are still at infancy stages and the shortage of financial and human resource to investigate terrorist financing negatively impacts the turnaround time for the investigations. There has been no Mutual Legal Assistance that has been issued that is connected to TF by sympathizers. There are no intelligence reports connected to TF by sympathizers.

Cross border TF threat arising from persons sympathetic to terrorist organizations, persons or ideology is rated medium with a decreasing trend. There have been incidents of some foreign individuals and entities that have been identified through open-source information to be sympathizers of the terrorist attacks.

**Threat Assessment Results Table**

Category	TF Threat
Internal TF Risk	0.7 (High)
Outgoing TF Risk	0.3 (Low)
Incoming TF Risk	0.5 (Medium)
Transit TF Risk	0.3 (Low)

**3.4 Organized Crime**

The existence of a symbiotic relationship between transnational organized crime and terrorism is a concern, as has terrorist actors and supporters have adopted some of the tactics of organized crime to raise funds through Extortion, self-funding Contributions and donations from supporters, grassroot funding/ crowdsourcing Sympathizer, and armed robberies. The proceeds of these crimes are then utilized to support terror related activities Although terrorist actors or terrorist organization in Eswatini have not yet used any forms of trafficking, kidnappings, funding through abuse of NPOs and control of strategic Natural Resource



Types of assets used by identified terrorist actors or organizations to move funds are mostly cash as compared to Real estates, precious stones, and virtual assets. In the year 2021 it is estimated that an amount of \$4 000 was used for TF purposes, while the year 2022 it is estimated that an amount of \$ 15 000 was utilized by TF purposes. These estimates were based on investigations conducted by REPs which led to the arrest of 11 terrorists

The level of funding needs associated with active terrorist threats in neighboring countries (South Africa and Mozambique) may lead to the country being infiltrated by the terrorists unknowingly. The current terrorist activities in Mozambique are noted and kept under watch, even though there is currently no information that suggests that the country is posing a threat. The terrorists may set up themselves in the country. There is also a likelihood that organized crimes connected to armed robberies, firearms trafficking, drug smuggling, kidnapping for ransom may increase the country's cross border threats

### **3.5 Vulnerabilities**

Despite Eswatini not currently being regarded as a primary target for attack, the country is implicated in the financing of terrorist activity that takes place beyond its borders, which contradicts the country's international obligations and presents a high reputational risk.

Several key vulnerabilities were identified that require additional counter measures to mitigate potential TF risks. These vulnerabilities include:

- Eswatini does not have an official national terrorism alert system, yet the government views the threat level as volatile due to the increasing and active domestic terrorist acts. The upsurge started around June 2021. The 2021/22 upsurge in the acts of terrorism resulted in deaths and destruction of property. A group of men were found to have paid in cash to be transported through informal crossing to South Africa for training in the execution of terrorism activities. This is viewed as the cross-border threat for the country.
- Eswatini does not have national TF strategy and policy which is informed by the country's National TF Risk assessment. In the period under review, the country had not conducted any national TF risk assessment. The Suppression of Terrorism Act and the MLFTP Act form the country's Legal framework. However, these pieces of legislation have some technical gaps to be addressed by the country to fully comply with international standards
- The MLFTP Act does not fully cover the financing of terrorist organizations and individual terrorists. The MLFTP Act does not criminalize contribution to the commission of one or more TF offence(s) or attempted offence(s) by a group of persons acting with common purpose

- Terrorists abuse the banking sector and other financial sectors such as MVTs in an endeavour to further terrorists' activities due to their vulnerability. The domestic terrorists' groups are using these sectors to raise, store, and move and use the funds for operational purposes. The source of funding is derived from both legitimate and illegitimate means. Legitimate means include: NPO's, crowd funding, family funding and legitimate business while illegitimate means include armed robberies and extortion.
- The country's porous borders are making the country vulnerable to TF as cash sourced from foreign jurisdictions is smuggled into the country and used to fund terrorist acts. The country's vulnerability in TF is rated medium-high, due to the porous borders, and lack of resources to deal with TF risks.
- The banking sector and other sectors (MVTs) have not fully developed their TF Risk Management Frameworks. Some of the institutions have not conducted their TF risk assessments. The country's Mobile Money services providers and Commercial Banks have been used by perpetrators to move funds for TF purposes. Banks' e-wallet services pose high TF risk exposures for the country since receivers of funds are sometimes not known by the Banks. However, the persons sending the funds are always known by the commercial Banks.
- The country has not developed a legal framework for protecting NPOs against TF abuse. The designated NPOs Regulator has not started monitoring NPOs compliance with the TF obligations, opening it to TF abuse. There are no sanctions in place for non-compliant NPOs. However, Eswatini's NPOs have limited levels of outward international transactions to high-risk jurisdictions. It was also noted that there are limited levels of inward international transactions from high-risk jurisdictions. This justifies the medium level vulnerability rating for this sector. Since this sector's designated regulator, Ministry of Home Affairs has not started supervising this sector for TF purposes, the number of NPOs per sector is unknown which compromised the NPOs sector risk assessment.
- Money or Value Transfer services does not fully comply with TF reporting requirements. Most sector players have not conducted their TF risk assessments. No entity within this sector has reported suspicious transactions related to TF. The sector is well supervised by the Central Bank of Eswatini. The country has put in place adequate administrative sanctions and criminal sanctions. However, these sanctions have not been enforced by the country's AML/CFT Regulators. There are low levels of TFS implementation. Availability and access to beneficial ownership information in this sector does not exist. Some of the industry players have direct access to reliable identification infrastructure and independent information sources. However, some of

the players have not integrated with the Country's Home Affairs Office for Identity verification of their clients. There is also a lot of identity theft cases within this sector wherein fraudsters use IDs of deceased individuals to open mobile money accounts.

- The threat levels in the real estate sector are medium-high. Information is to the effect that some suspected terrorists have rented the houses and used some of the member's rural properties to plan, hide and execute their terrorist's attacks in the country. Cash has been exchanged under the real estate and hence there is a high risk of terrorists financing in this sector. Sympathizers have used real estate to support terrorists, through provision of accommodation and allowing their physical property to be used for storage of weapons and other terrorist related items during the period under review. The laws which regulate ownership of properties in urban areas and Swazi Nation Land had some deficiencies. The law does not cover the records of landlords and tenants and records of exchange of cash between buyers in both urban areas and rural areas and exposes the sector to heightened TF risk. The high usage of unregistered agents also contributes to the sectors vulnerability.

### 3.6 Risks

**Internal TF Risk**-The country's internal TF risk level is medium-high. The risk level is affected by both threat and vulnerability levels in this case. This is due to the high levels of internal terrorist attacks that took place in 2021/22. The risk level rating is also affected by the medium-high levels of vulnerability. The vulnerability levels ratings are due to the lack of regulations for non-profit organizations, and they have high chances of being used for TF and TF financing purposes in the country.

**Outgoing TF Risk**-Eswatini's current outgoing TF risk rates at a medium level. The outgoing threat is at a low level. Eswatini does not provide strategic services and goods. Local NPOs do not provide financial aid outside the country. The outgoing vulnerability level is medium-high. As much as the country has border controls, illegal routes may be used to smuggle weapons and other goods and money out of the country for TF purposes. The countries porous borders also expose our neighbouring countries to increased TF vulnerability.

**Incoming TF Risk**-Incoming TF risk level in the country is at a medium level. This is because the country has a medium incoming threat level. The country shares borders with South Africa and Mozambique who are known to be experiencing terrorist activities. Intelligence from the country's LEAs reveals that some terrorism training by Swazis has been done in South Africa which is our neighbouring country. The incoming vulnerability to TF level is medium-high. This is because as much as the country has customs controls, the country still has illegal routes that terrorist may have access to, and these routes may still be used to smuggle cash and strategic goods into the country.

**Transit TF Risk**-The transit TF risk rating is medium-low. The country is not an international or regional finance hub. The transit vulnerability TF level is medium high. As much as Eswatini is

not a trade hub, it does however act as a transit country for South Africa (Durban) and Mozambique as goods from these harbours may pass through the country to certain parts of South Africa and into other countries thereafter. The country shares borders with South Africa and Mozambique who are known to be experiencing terrorist activities

#### **4. Conclusion**

Eswatini is committed to combating terrorism in all its forms and manifestations and to cooperate with other countries, regionally and internationally. The country counter terrorism legislation, the MLFTP Act, as well as related pieces of legislation are being amended to reflect the evolving nature of the TF threats domestically, regionally and internationally, as well as to address international obligations relating to the implementation of an effective counter terrorism financing architecture and regime. The assessment of TF risks is an ongoing process, rather than a once-off product and should consider continuous evolutions in threats and vulnerabilities which could arise due to new threat actors, changing modus operandi by existing threat actors, new actors or new vulnerabilities which may be exploited for the purpose of advancing TF.