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## **REPORT ON FINANCIAL CRIME IN NAMIBIA – EVIDENCE, ECONOMIC EFFECTS AND COUNTERING MECHANISMS**

**20 JUNE 2007 - SAFARI HOTEL, WINDHOEK**

### **INTRODUCTION**

The Namibia Economic Society in partnership with the Friedrich-Ebert-Stiftung held a breakfast meeting to *raise awareness on the Financial Intelligence Bill*, discuss its functions and assess the impact of the bill on development and the Namibian economy.

To achieve the objectives of the meetings Mr. Tom Alweendo and Mr. Rainier Ritter of NAMFISA were invited.

### **SUMMARY OF SPEECHES DELIVERED BY MR TOM ALWEENDO, GOVERNOR, BANK OF NAMIBIA AND MR RAINER RITTER, CEO NAMFISA**

#### ***KEYNOTE ADDRESS: TOM ALWEENDO, GOVERNOR, BANK OF NAMIBIA***

The speaker focused on the broader concept of money laundering as a form of financial crime and its impact on the economy, business, development, the rule of law and society.

The definition of money laundering referred to in his speech is herein repeated, although not in the speaker's own words, but quoted from the Financial Intelligence Bill passed by Parliament the week before this meeting, but not having been published in Government Gazette on date hereof.

“an activity which has, or is likely to have, the effect of concealing or disguising the nature, source, location, disposition or movement of the proceeds of unlawful activities or any interest which anyone has in such proceeds”

The speaker elaborated on how the proceeds of crime are placed, layered and integrated into the legitimate financial system, by increasingly sophisticated criminals using

increasingly sophisticated methods which is feared ultimately, if not controlled, to result in the transfer of economic power to the criminal and subsequent disaster for stability and the rule of law with specific emphasis on the adverse impact it could have on society.

He also highlighted the vulnerability of the financial sector and specifically banks, to money laundering, threatening to its reputation and integrity, which the financial sector and consumers is so heavily reliant upon.

Alweendo however stressed the fact that central banks alone will not be able to effectively control financial crime and specifically money laundering, and called upon the private and public sector to collectively engage in a concerted war against financial crime.

An explanation was also given of the content/scope of the Financial Intelligence Centre Act recently passed by Parliament.

He concluded by alluding to the inadequate capacity and resources at national level, especially within law enforcement agencies, and the complexity of money laundering brought about by technology as challenges in the war against financial crime and specifically money laundering.

#### ***NAMFISA PERSPECTIVE: MR. RAINER RITTER, CEO***

The speaker focused his address on the role of ethics in ensuring sound, profitable and sustainable business and shared his conclusion that no such output is possible without it being underpinned by good ethical behavior.

The order which ethics, politics and economics should enjoy in society according to Aristotle, now being skewed due to economics having been disembedded from society (with an imbalanced focus on profit and shareholder value to the detriment of other equally important components of society) now resulting in the order having been changed to that of economics first, then politics and last ethics, was alluded to and the question was specifically raised on how this skewed order can be corrected.

Ritter questioned the sustainability of current behavior and concluded with a recommendation for the focus on shareholder value alone to be expanded so to include all stakeholders' interest e.g. society and the environment as well, i.e. the triple bottom line approach also under scribed by Mervin King in his King Report.

#### ***PANEL DISCUSSION AND CLOSING REMARKS***

The speakers provoked lively debate on the questions of *inter alia* the ability of law enforcement to effectively and efficiently investigate and prosecute financial crime and in particular money laundering, the role of ethics within capitalism and whether Namibia constitutes a safe haven for criminals.

Controversial cases, such as the ODC and Avid ones as well as perceptions around one Pallazollo were raised as examples of poor handling of matters involving financial crime on the local scene.

The speakers addressed issues by alerting the audience to the commitment made by the President to fight commercial crime in the Country and the illustration of the said commitment by the recent establishment of the Anti-Corruption Commission under the auspices of the Anti-Corruption Act, the introduction of the new Financial Intelligence Act and other acts still to come such as the Prevention of Organized Crime, Anti-terrorism and Drug Control Acts, in a concerted effort to combat financial crime and to ensure improved co-operation (internationally) in the fight against financial crime globally, thereby making it more and more difficult for the money launderer and financial criminal to infiltrate the Namibian financial system and affect its integrity and stability.

Fierce debate erupted on the question of what constitutes moral behavior and what not with the conclusion that huge business failures almost without exception displayed bad ethical behavior whereas success stories are equally, without exception underpinned by good ethical behavior and the principles of good corporate governance.

The challenges posed by the training of law enforcement agencies due to the level of sophistication of the criminal mind, technology and the lack of expertise within the public service, was discussed at length and sentiments were expressed that this could be a material obstacle in the war against crime in Namibia.

**Marlene Gous**  
**Moderator**  
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