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# Controlling Corruption through Law Enforcement and Prevention in Moldova (CLEP)

## Inception Report

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## Abbreviations

ABA/ROLI	American Bar Association / Rule of Law Initiative
ACA	Anti-Corruption Alliance
ARA	Asset Recovery Agency
CAPC	Centre for Analysis and Prevention of Corruption
CARIN	Camden Assets Recovery Interagency Network
CEC	Central Electoral Commission
CIJ	Centre for Investigative Journalism
CoE/EU JP	Joint Programme between the Council of Europe and the European Union
DNFBP	Designated Non-Financial Businesses and Professions
EC	European Commission
EU	European Union
GPI	General Police Inspectorate
GPO	General Prosecutor's Office
GRECO	Council of Europe's Group of States against Corruption
IPAS	Department of internal oversight and combating corruption /MIA
MIA	Ministry of Internal Affairs
MOLICO	Project against Money Laundering and Terrorist Financing in Moldova
MONEYVAL	Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
MP	Member of Parliament
NAC	National Anti-corruption Centre
NIA	National Integrity Authority
NJI	National Justice Institute
NIAS	National Integrity and Anti-Corruption Strategy
OECD	Organisation for Economic Co-operation and Development
OPFAMLFT	Office for Prevention and Fight against Money Laundering /NAC
PEP	Politically exposed persons
PPA	Public Procurement Agency
SIDA	Swedish International Development Cooperation Agency
SIM	Special Investigative Measures
TI	Transparency International
UN	United Nations
UNDEF	United Nations Democracy Fund
UNDP	United Nations Development Programme
USAID	U.S. Agency for International Development

## EXECUTIVE SUMMARY

The project “Controlling Corruption through Law Enforcement and Prevention (CLEP)” in the Republic of Moldova is a joint project of the Council of Europe (CoE) and the European Union (EU) aimed at strengthening the national frameworks for the fight against corruption and money laundering. The project began on 1 June 2017 and will last for 36 months, with a total budget of 2 225,000Euros, co-financed by the EU and CoE. The project is implemented by the CoE.

The Inception Phase of the project (1 June – 30 September 2017) focused on setting up the future implementation framework, including establishing relations with key stakeholders, securing political support, designing the project workplan and operationalizing the project team.

The project starts in a challenging context, with changes in management of the National Integrity Authority and the National Anti-Corruption Centre on-going, and an expected shift in the institutional positioning of the Financial Intelligence Unit announced in the new Anti-Money Laundering Law. The reforms which took place in 2016 and early 2017 created new agencies, such as the specialized prosecution offices and the assets recovery office, which will need significant support to reach optimal levels of functionality. In addition, parliamentary elections will be held in autumn 2018, which may lead to increased inter-institutional tensions and some fluctuations in strategic priorities of the government in the criminal justice and anti-corruption sectors.

A number of start-up actions were carried out in the form of multilateral workshops and bilateral consultations with beneficiary institutions, aimed at identifying their precise needs, agreeing on the project workplan and calendar for implementation. A total of twelve institutions in addition to civil society contributed to the design of the CLEP project workplan, which includes 21 outputs and 65 activities.

The project team was set up and became operational by mid-July 2017, comprising a project advisor, a local senior project officer, and a project linguistic assistant. In August 2017 the team proceeded with initiating a number of activities, where immediate assistance was requested by beneficiaries, namely: assistance in the preparation of a new AML/CFT strategy; support to the National Integrity Authority (NIA) to implement a new e-declaration system for civil servants; and assessing the results of the current Justice Sector Reform Strategy.

The project steering committee (SC) was successfully set-up and held its first meeting to finalize and adopt the project workplan. The pressing issue of the National AML/CFT Strategy was discussed at length by the SC, given the differing approaches among stakeholders. Further consultation will be carried out in order to determine the optimal approach to meeting the international requirements in this area.

A high-level event was held to officially launch the project, ensure the necessary political endorsement to its future activities and reinforce the overall visibility of the intervention. Significant support was expressed by key officials for capacity-building and reform of law enforcement efforts to fight corruption, as well as the need to tighten anti-money laundering controls.

Overall the CLEP Project has seen an excellent level of engagement from all beneficiary institutions involved in start-up activities, both at the expert and managerial level. At the same time, existing differences in the institutional capacities of anti-corruption bodies do have an impact on the quality of cooperation. The lack of appointed management in NIA is one example, where despite significant efforts by mid-level management, the longer-term planning of cooperation activities becomes problematic.

Pursuant the Communication and Visibility Plan, the project team launched the website: [www.coe.int/clep](http://www.coe.int/clep), which contains all relevant information on the project, activities and deliverables.

## **1 BACKGROUND INFORMATION**

The Project “Controlling Corruption through Law Enforcement and Prevention” started on 1 June 2017. This inception report presents activities and situation of the project’s environment during this phase as a stage of preparations for the initiation of project activity implementation. The inception phase formally ended on 30 September 2017.

### **1.1 Beneficiary area and institution(s)**

Beneficiary: Republic of Moldova

Project Partners are the following key agencies with a role in anti-corruption/anti-money laundering and combating the financing of terrorism in the Republic of Moldova:

- National Anti-Corruption Centre (NAC)
- National Integrity Authority (NIA);
- Ministry of Justice (MoJ);
- General Prosecution Office (GPO);
- Anti-Corruption Prosecutor’s Office (ACPO);
- Designated Non-Financial Businesses and Professions (DNFBP);
- Police Academy (PA);
- Centre for State Informational Resources (CSIR);
- Public Procurement Agency (PPA);
- Customs Service (CS);
- Superior Council of Magistracy<sup>1</sup> (SCM);
- Ministry of Internal Affairs (MIA);
- Internal Protection and Anti-Corruption Services of MIA (IPACS);
- National Bank of Moldova (NBM);
- National Institute of Justice (NIJ);
- Office for Prevention and Fight Against Money Laundering (FIU);
- Parliament;
- Parliamentary Committee for National Security, Defence and Public Order (PCNSDPO);
- Prosecution for Combating Organized Crime and Special Cases (PCOCSC);
- State Tax Inspectorate (STI);
- National Commission for Financial Markets (NCFM);
- Superior Council of Prosecutors (SCP);
- Anti-Corruption Alliance (ACA);
- Centre for Investigative Journalism (CIJ);
- Transparency International (TI - Republic of Moldova);
- Centre for Analysis and Prevention of Corruption (CAPC).

Other beneficiaries are the financial sector and the industry (AML/CFT reporting entities), the civil society and journalists.

### **1.2 Contracting authority**

European Union Delegation to the Republic of Moldova.

### **1.3 Implementing organisation**

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<sup>1</sup> Previously referred in the DoA as High Judicial Council, a more precise translation, reflecting the official name of this body, is Superior Council of Magistracy.

The Council of Europe is co-founder and responsible for the implementation of the project and the use of the project funds under the European Community agreement with the European Union Delegation to the Republic of Moldova. Within the General Secretariat of the Council of Europe in Strasbourg, Directorate General of Human Rights and Rule of Law, the Directorate of Information Society and Action against Crime, and more specifically the Action against Crime Department, Economic Crime and Cooperation Division will be the responsible structure for the overall management and supervision of the project. A Project Team based in Chisinau supported by the Economic Crime and Cooperation Division in the Headquarters of Council of Europe will be responsible for day to day implementation of the project.

## **2 THE PROJECT**

### **2.1 Overall Objective**

CLEP overall objective is to strengthen the anti-corruption framework in the Republic of Moldova in line with the CoE conventions and other international treaties.

### **2.2 Project Purpose**

To support the reform of the anti-corruption regulatory framework and relevant institutions in line with European and international standards and re-enforce national and international co-operation of specialised law enforcement and prevention systems.

### **2.3 Expected Results (ERs)**

The following are the expected results of this project. Their achievement, will lead to the achievement of the project purpose and contribute to the overall objective:

ER 1 Gaps and deficiencies in the regulatory framework concerning prevention and fight against corruption and money laundering/terrorism financing are addressed in line with relevant CoE and EU practices.

ER 2 Capacities of authorities to design and implement corruption and money laundering prevention measures are enhanced;

ER 3 Strengthened asset recovery framework and capacities of relevant involved and dedicated structures;

ER 4 Upgraded information sharing systems and capacities for the national mechanisms concerning corruption offences/violations and of tracing of assets and their recovery;

ER5 National and international co-operation between the national and international law enforcement agencies on data exchange and international tracing of crime proceeds concerning corruption and other forms of economic crime are supported and enhanced;

ER6 Public awareness and participation in the fight against corruption is increased.

### 3 SITUATION IN THE REPUBLIC OF MOLDOVA

#### 3.1 Overall baseline of the sector

Corruption, in spite of incremental advances of anticorruption policies, remains one of the main impediments for development and investments, affecting all sectors of society. The Republic of Moldova has most of the formal ingredients of a solid anti-corruption architecture, including institutions in charge of anti-corruption policies and legislation, as well as institutions responsible for prevention and repression.

In the [EU Association Implementation Report](#) from 2017, the EU stressed that “further reform efforts are needed to improve the rule of law and the business environment, which is still affected by endemic corruption”. In the field of money-laundering, the report has also found that “a comprehensive new legislative framework and strategy with the necessary provisions for effective implementation and follow-up are needed together with increased resources for the relevant authorities.” The Joint Statement following [the third Association Council meeting between the European Union and the Republic of Moldova](#) highlighted the need for legislative changes but also the commitment to more consultation with civil society.

While steady improvements were recorded in the [Transparency International’s Corruption Perception Index](#) over the last decade (2016: 30 and ranking 123 over 176 countries), stagnation is reported by the [World Bank’s indicator](#) (Control of Corruption, 1,3 in 2015 with the new data to be published in fall 2017). The World Bank “Ease of Doing Business” ranking shows an improvement in 2016-2017, gaining overall three positions. Nevertheless, it is noteworthy to mention that the “starting a business” value, instead, lost three positions.

Other international indexes record the following status and evolutions for the Republic of Moldova:

- Basel Institute of [Governance’s Country Risk Ranking for Money-Laundering](#) shows an improvement for the Republic of Moldova in 2012-2016 from 5.93 to 5.24. The scores range from 0 (low risk) to 10 (high risk);
- [TRACE’s Global Business Bribery Risk Index](#) 2016 maintained Moldova in the category of High risk countries with a score of 70 (with Sweden leading with 10), mostly due to the negative scoring under “Interaction with the Government”;
- [Freedom House’s Nations in Transition Report](#) 2017, Corruption Index rating, remained at 6, as for 2016. The scores range from 1 (best) to 7 (worst);
- Heritage Foundation’s Index of Economic Freedom/Freedom from Corruption Ranking improved by 0.6 points from 2016 to 2017, standing currently at 58.

The project team will monitor these indexes throughout the three years of project implementation.

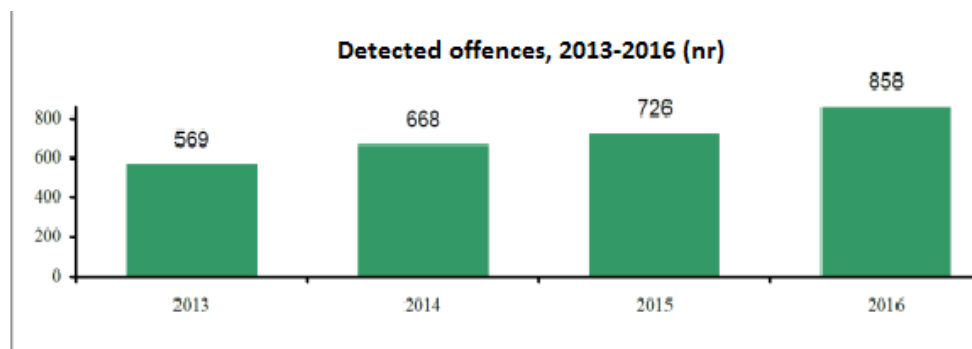
#### 3.2 Institutional framework

A number of authorities exercise duties of preventing and combating corruption in the Republic of Moldova. The essential role in preventing and fighting corruption is vested with three specialized anti-corruption agencies: the **National Anti-Corruption Centre (NAC)**, the **National Integrity Authority (NIA)**, and the **Anti-Corruption Prosecution Office (ACPO)**.

The **NAC** has competency in both preventing and combating corruption, reflected in its three main divisions: Criminal Investigation, Fight against Corruption and Prevention of Corruption. NAC also covers important areas such as corruption proofing of legislation, integrity testing of public officials as well as anti-corruption risk assessments in different areas. Two agencies are placed under the NAC’s management as autonomous sub-divisions: the Office for Prevention of Money Laundering and Financing of Terrorism (FIU) and the Asset Recovery Agency for Proceeds of Crime (ARO, created by law in 2017).

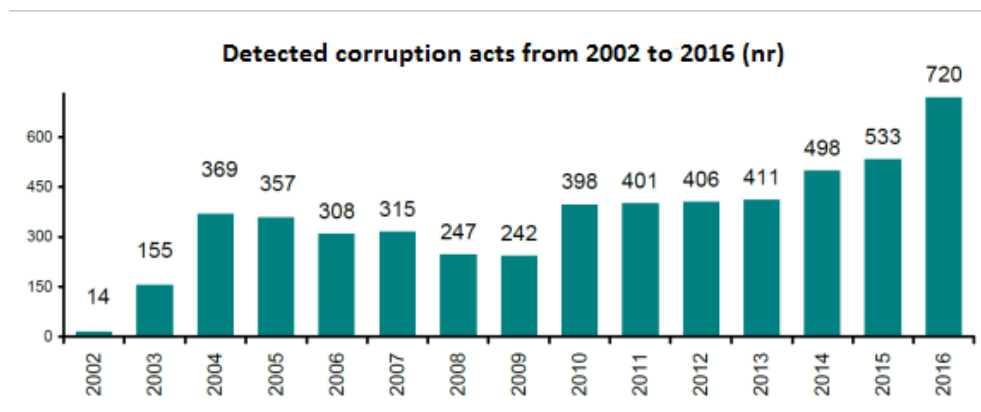


Data from the 2016 NAC Activity report, show an increase of 18% of crimes identified (720 corruption, 32 money laundering and 106 others) from 569 (2013) to 858 (2016).



Source: <http://www.cna.md/doc.php?l=ro&idc=143&id=1479>

For corruption acts exclusively, there was an increase of 35% of detection from 2015 to 2016, as shown in the graph below:



Source: <http://www.cna.md/doc.php?l=ro&idc=143&id=1479>

The categorization of the type of corruption and corruption related cases initiated is as below:

Type of corruption or corruption related case	Percentage to total for corruption-related cases
Passive corruption and bribery	24%
Active corruption and bribery	13%
Trade of influence	43%
Abuse of power	14%
Embezzlement of third party using official position	7%

Source: <http://www.cna.md/doc.php?l=ro&idc=143&id=1479>

Out of the cases initiated in 2016 which went to court, 84% of the defendants were convicted.

NAC has calculated the total annual damage for corruption and corruption related acts as being over 906.664.000 MDL (over 43 million EUR). Only 2.347.000 MDL (roughly 113.000 EUR) was recovered, 709.500.000 MDL (about 34 million EUR) seized.

The mandate of the current head and deputy heads will expire by the end of October 2017. The Parliament's Legal Committee will launch a competition for the selection of the head, and deputy heads subsequently.

In July 2017, the NAC selected the new head of the **Assets Recovery Agency for Proceeds of Crime** who was officially appointed at the beginning of September 2017. The ARO will have five subdivisions with competences to deal with parallel financial investigations, special investigations and operations, information and analysis, international co-operation and evaluation and administration of goods seized in connection to a selection of corruption-related offences, money laundering, misuse of foreign funds and financing of terrorism. The ARO will also have the authority to request the seizure of goods coming from criminal acts via *freezing order* (up to 15 days) based on the request of a foreign country.

While the legislation is already in place, the ARO is beginning its operations at the time of reporting and is as yet lacking key internal documents (standard operating procedures/internal regulations, strategy) and capacities. The ARO aspires to meet the requirements of EUROPOL to fully access the Security Information Exchange Network Application (SIENA) in order to obtain effective capabilities for international information exchange. A number of issues have been identified, as presenting potential problems and gaps for the functioning of the ARO: lack of multidisciplinary nature of the agency, explicit right of the agency to have free access to national databases and request freely information and documents to all other relevant authorities (including financial information). The ARO to date does not have a plan for the establishment of a concrete database of its own, however this is seen as a priority. Strategic documents are also under consideration as an immediate necessity, such as Standards Operating Procedures, an institutional development Strategy. The ARO will also need to look into avenues for cooperation with other offices dealing with seizure and confiscation, such as the FIU/NAC, GPO, MIA but also NIA (for civil confiscation) as well as internationally, where secure info-sharing channels are not yet available. Further, the framework for assets management will need to be developed and capacity building provided to staff.

The Office for the Prevention and Fight against Money Laundering (**FIU**), composed of 18 staff members (16 staff, plus deputy head and head of the unit) and embedded within NAC acts as an autonomous division in terms of programming activities and decision-making. The FIU has led a National Risk Assessment (NRA) with the World Bank methodology during 2016-2017 and has drafted an action plan based on these findings for 2017-2019. The Anti-Money Laundering Strategy and Action Plan are coming to an end in December 2017, with reportedly most of the activities accomplished. There will be a need to assess the effectiveness and impact of the Strategy and consider a review of the strategic framework taking into account the NRA Action Plan. The FIU has however expressed a preference to postpone the development of a new national AML/CFT strategy until after the 5<sup>th</sup> round MONEYVAL evaluation. A number of threats and vulnerabilities were identified as impacting negatively the effectiveness of the AML/CFT system, namely: ineffectiveness of current interagency coordination mechanisms and MoUs, lack of capacities to undertake parallel financial investigations, defensive reporting by obliged entities, lack of a risk-based approach among DNFBPs and continuing difficulties with beneficial ownership identification.

**The General Prosecution Office (GPO)** The GPO is responsible for setting strategic policies and leading law enforcement investigations. A major advancement has been the operation of an E-case system as of 1 July 2017. The E-case represents a means for collecting, storing, processing and transmitting information relating to criminal cases. The E-case shall interconnect at a later stage with the Court (Integrated Case Management System) and with police IT systems. Due to lack of infrastructure and early stage of the implementation, the E-case is not yet used in all prosecution offices and still lacks interconnectivity with other systems. Thus, the info-sharing capabilities are not fully developed. In this context there is the risk that prosecutors currently perceive the E-case as a tool that requires more time and effort and the use of E-case will be minimal, as it will overburden prosecutors.

The **Anti-Corruption Prosecutor’s Office (ACPO)** and **Prosecution for Combating Organized Crime and Special Cases (PCOCSC)** are currently operational. The PCOCSC was created in 2016 and the ACPO was created in 2013 and reorganised in 2016. Efforts to undertake parallel financial investigations have been undertaken but are not yet mandatory for all major acquisitive crime. There are gaps in institutional capacities to deal with complex forensic issues and their presentation in court. Outreach to the public through the media is being made more systemic in order to report on result achieved. I

The **courts** are the competent authority to apply confiscation, seizure or other measures regarding goods resulting or used in criminal acts. The recent case-law shows difficulties for judges in examining cases related to money laundering and analyzing specific evidence for such cases given their complexity. Additionally, court judgments allowing for assets recovery are enforced in a very deficient manner due to lack of a clear assets’ management system.

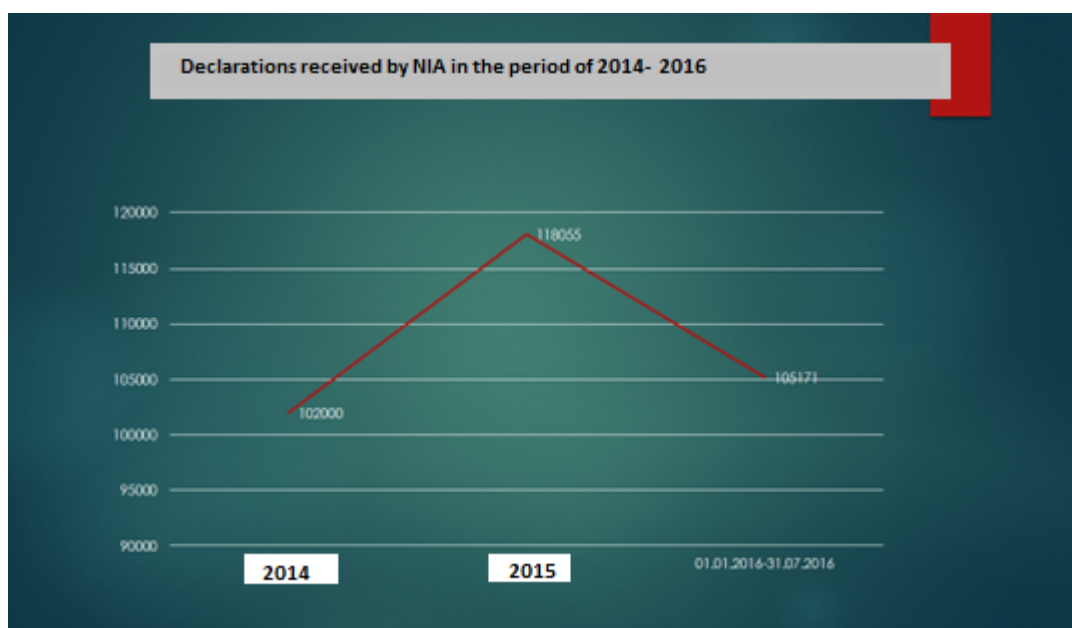
The **National Integrity Authority (NIA)** is in charge of verifying the assets and personal interests of public officials, monitoring and solving conflicts of interest and situations of incompatibilities if the subject is a public official. After the structural changes introduced by law in 2016, the NIA is still struggling to become fully functional and effective. The process to appoint a new head of **NIA** reached the stage of polygraph testing with two candidates. As none of them passed the test, the National Integrity Council has recently announced that the competition will be reinitiated. For this reason, the selection procedure of the inspectors, key staff members to carry out NIA’s duties, is at a stalemate. It was noticed that NIA lacks analytical and strategic capacities, also in terms of human resources allocations, and the collection and analysis of statics remain a problem. In 2016, NIA received 261 claims (170 from private persons and 91 from legal entities) regarding the violations of the integrity regime. Consequently, and following up on previously submitted complaints, NIA initiated 260 procedures (130 regarding declarations of assets, 72 on conflict of interests, 51 on incompatibilities and restrictions, 6 on declaration of personal interests). Out of the 303 on-going controls in 2016, in 37% of the cases NIA found a violation:



Source: NIA Annual Report 2016

The new online assets declaration system to be implemented as of 2018 may represent a challenge as the declarations should be submitted online only and all civil servants will need a digital signature to complete their declaration. Reportedly, NIA has signed an agreement with the Ministry of Technology for the provision of digital signatures. NIA remains positive about this agreement, which reportedly is moving ahead. As the system is currently not running, the assets declarations submitted in 2015 and

2016 have not been reviewed. In July 2016, as shown below, NIA received 105,171 declarations of assets and personal interests (considering about 50,000 public officials, plus those joining or leaving office), all submitted on paper. The remarkable amount clearly explains the urgency to have a functioning online system.



Source: NIA Annual Report 2016

Similarly, managing conflicts of interest appears to be problematic, coupled with the low level of understanding of the concept among public officials. In addition, the current legal framework does not punish conflict of interest itself but the failure to declare it, resulting in the fact that public officials are not barred from office under such cases. It is also worth mentioning that managers of public institutions have a very prominent role in identifying and solving conflicts of interest under the current legislation. However, their preparation and understanding of their role are arguable. More generally, NIA needs support to define its structure and management, positioning among other anti-corruption/ethics bodies, it requires guidelines and bylaws to define working procedures.

The **Ministry of Internal Affairs (MIA)** has several subdivisions dealing with criminal investigation, financial investigations and internal anticorruption security policies. The National Inspectorate of Investigations (INI) carries out special investigative activity and offers support in conducting criminal investigations lead by the Prosecution Service. INI has a specialized unit on economic fraud crimes and INI investigators work closely with both specialized prosecution offices in cases of money laundering and corruption.. Being recently created, this unit requires an enhancement of capacities in parallel financial investigations, tracing of criminal proceeds as well as assets recovery.

The Criminal Investigation Department of the General Police Inspectorate is responsible for conducting criminal investigation, including money laundering, under the supervision of the Specialized Prosecution Offices. Additionally, MIA has created in 2014 an internal security division responsible for fight and prevention of corruption at the institutional level (Internal Protection and Anticorruption Service - IPAS) which requires sustainable capacity building, and the development of an internal strategy. Intelligence-led policing is not yet applied, but has been identified by MIA as a priority. MIA is also part of the new National Integrity and Anti-corruption Strategy 2017-2020 and participated in the implementation of the AML Strategy. It has been noticed that despite genuine efforts, reporting from the Policy, Monitoring and Evaluation Division is exclusively activity based and no steps are taken to measure effectiveness.

The **National Bank of Moldova**'s mandate is to maintain financial stability and to strengthen the banking system. The NBM is responsible for supervising banks, exchange offices and financial institutions through off-site and on-site inspections and can also apply sanctions. A separate AML/CFT division of the NBM is responsible for actions in these areas. General concerns were raised by the NBM on non-banking entities and their relevant regulations, including on the draft law for these entities, currently under discussion before being sent to the Parliament.

Also the **National Commission for Financial Markets** (NCFM) has a dedicated anti-money laundering unit. The NCFM reiterated the need to further train reporting entities and reported once again the issue of the lack of transparency of beneficial ownership.

### **3.3 Summary of GRECO and MONEYVAL's recommendations**

The Republic of Moldova's anti-corruption policy and legal framework have been subject to international monitoring, most notably by the Council of Europe's Group of States against Corruption (**GRECO**). GRECO's recommendations to the Republic of Moldova have been implemented slowly. Recommendations from the Second Round of Evaluation are still applicable. Indeed, more work needs to be done to ensure that the links between organised crime and money laundering are taken into account in all aspects of the fight against corruption, including by providing capacity building for institutions and professions to assist the detection and reporting of acts of corruption. The project will carry out activities focused on institutions and professions required to declare their suspicions, making sure that they are better prepared to detect and report act of corruption (V recommendation, II round). In addition, CLEP will also support actions in the area of monitoring public officials' declaration of assets and interest, by closely working on the new e-system managed by NIA (IX recommendation, II round).

GRECO's Fourth Evaluation round report underpinned the need for better compliance by members of Parliament, judges and prosecutors with the rules on conflicts of interest, incompatibilities, statements of personal interest and statements of income and property. The compliance report for the Fourth Evaluation round is in GRECO's pipeline. In order to avoid over-lapping with on-going work of UNDP, CLEP will not focus on members of the Parliament. On the other hand, CLEP has already started working with the Ministry of Justice by assessing the pillar related to integrity of the justice actors of the Justice Sector Reform Strategy. This assessment will further guide CLEP's activities which shall support institutions in addressing some of the recommendations of the IV round of GRECO.

Between **MONEYVAL**'s fourth evaluation report in 2012, the 1<sup>st</sup> Follow-up report in December 2014 and the 2<sup>nd</sup> follow-up report in December 2015, little progress has been made in respect of the FATF key/core recommendations. In addition, needs to support the Republic of Moldova in implementing the revised international standards (FATF Recommendations) are still evident. **MONEYVAL** plans the 5<sup>th</sup> Evaluation in 2018, with the questionnaire to the institutions in June and the on-site visit in September-October.

### **3.4 Anti-Corruption and Anti-Money Laundering Legislative Framework**

The following relevant laws are in place:

- Law on Integrity, nr. 82 from 25.05.2017;
- Law on institutional integrity, nr. 325 from 23.12.2013;
- Law on the declaration of assets and personal interests, nr. 133 from 17.06.2016;
- Law on the Asset Recovery Agency for Proceeds of Crime, nr. 48 from 30.03.2017;
- Law on the National Integrity Authority, nr. 132 from 17.06.2016;
- Law on the National Anticorruption Center, nr.1104 from 06.06.2002;
- Law on prevention and fight against money laundering and financing of terrorism, nr. 190 from 26.07.2007;
- Draft law on prevention and fight against money laundering and financing of terrorism (pending in Parliament for second reading);

- Law on Specialized Prosecutions, nr. 159 from 07.07.2016;
- Criminal Code, nr. 985 from 18.04.2002;
- Criminal Procedure Code, nr.122 from 14.03.2003;
- National Anticorruption and Integrity Strategy 2017 – 2020;
- National Strategy on Fight against Money Laundering and Terrorism 2013 – 2017.

For both anti-corruption and specifically anti-money laundering, as assessed at the time of drafting this report, further reviews and development will be needed on the following pieces of legislation:

- Draft amendments to the national framework to improve investigation and fight against financial crimes;
- Draft new amendments to Criminal Procedure Code to enhance investigation of corruption, money laundering offence and terrorism financing;
- Bylaws, Regulations and Guidelines necessary to properly implement the new AML/CFT Law and all integrity-related legislation, as well as that related to the Assets Recovery Agency for Proceeds of Crime.

The Integrity Law, recently approved by the Parliament, sets the general anti-corruption framework for the work of the involved agencies. A proper evaluation of any gaps in the legislation can be possible following a certain period of implementation. The draft AML Law, which should mirror some key provisions of the European Union Fourth Anti-Money Laundering Directive (2015) and respond to MONEYVAL recommendations, once approved, will require implementing regulations.

The Law on Institutional Integrity was amended substantively in November 2016, after the Constitutional Court declared the former mechanism of professional integrity testing as unconstitutional. The newly approved sampling of institutional integrity started in 2017, and it is too early to assess any gaps in the process.

The ARO has already completed substantive work on the necessary bylaws. However, it is in need for standard operating procedures (SOPs) and overall support in developing internal working practices. The law may need adjustments after some months of ARO operations. Additionally, a national coordination mechanism of all authorities responsible for asset recovery needs to be set up, as ARO will be responsible for the asset recovery of only a selection of specific crimes (corruption, money laundering).

The Criminal Code has been amended several times as concerns the sanctions for corruption and money laundering offences. With the introduction of special confiscation in 2014, the Prosecution Office has only now reported the first case of its application (July 2017, case pending at the Appellate Court). Notably, the World Bank has recently started a legislative review on the legislation concerning assets recovery as well as the package of the National Integrity Authority.

### **3.5 Institutional and sector policies**

The **National Anti-Corruption Centre (NAC)** published the new **National Integrity and Anti-Corruption Strategy (NIAS, 2017-2020)** in June 2017. The NIAS is divided into 7 pillars:

1. Parliament
2. Government, public sector and local public administration
3. Justice and anticorruption authorities
4. Central Electoral Commission and political parties
5. Court of Accounts
6. People's Advocate
7. Private sector

While the seven pillars are linked with the UN Sustainable Development Goals (SDGs), the NIAS 2017-2020 foresees additional provision for independent and impartial monitoring by civil society. For the first seven pillars, NAC is developing an action plan with specific areas of engagement. In

addition, it is foreseen to draft 36 local action plans covering the regions of Moldova. The indicators of the overall action plan also mirror those selected for the SDGs. The Strategy sets three monitoring groups under different pillars with civil society representatives be appointed for each group.

The **National Strategy of Fighting against Money laundering and Financing of Terrorism** (2013-2017,) implemented by the FIU, is soon coming to an end. The FIU has worked on the NRA using the World Bank methodology and has already drafted an action plan to address the identified flaws. No concrete plans have been made so far to draft and publish a new Strategy nor is there clear willingness to have a strategic document in place before the 5<sup>th</sup> MONEYVAL evaluation due in late 2018/early 2019. This needs to be considered in combination with the on- NRA action plan, which cannot serve as a replacement for a fully-fledged strategy. A vacuum of at least eighteen months between the end of the current strategy and the new one is not deemed ideal. Additional policy measures need to be taken in order to mitigate this gap.

### **3.6 Inter-agency coordination and cooperation (national and international)**

**Horizontal cooperation** among anti-corruption institutions is formally set up but there is room for improvements in the effectiveness and in the mechanisms. There is the need to establish clear working arrangements between NAC and NIA as well as to review the agreements between FIU and other institutions. There is no coordination mechanism at national level in the area of Money Laundering, the FIU being responsible for the general oversight and coordination of the policies in this area. This arrangement is clearly insufficient, and represents a major flaw in the system. The current exchange of information is done through official exchange of letters rather than regular meetings of all institutions involved in the fight against money laundering. For technical issues and classified information, the circulation is jeopardized by the lack of a secure electronic channel among the institutions. The creation of liaison officers, a coordination bureau or an inter-ministerial coordination structure could represent a solution, to be analysed in light of good practices set out in other countries. However, a full assessment of the situation for national and international cooperation, including an analysis of the impact of the current lack of domestic coordination, has never been undertaken and becomes highly recommendable.

Similarly, the effectiveness from the side of **international cooperation** has never been gauged. Especially when it comes to verification of foreign assets for NIA, a regional protocol is in place but NIA is not satisfied about its application and results. In both cases, it is necessary to develop defined protocols for cooperation and exchange of information. The newly established ARO will be in charge of exchange of information and documents with foreign counterparts. For money-laundering, FIU is the focal point for international cooperation in anti-money laundering, which was also one of the pillars of the relevant Strategy, and has a unit in its organogram dealing with external relations and cooperation. 45 MoUs with FIUs from foreign countries are currently active.

### **3.7 Media and civil society**

The cooperation between state institutions in charge of the fight against corruption and the **civil society** is restated as a priority in the NIAS 2017-2020, where civil society is part of the monitoring groups and has the role of independent oversight. This relationship, which was already established before the NIAS 2017-2020, has brought to positive joint initiatives, such as elaboration of legal acts, strategic documents and substantive monitoring inputs. Despite this, further collaboration could be sought and more organizations could be encouraged to collaborate with NAC, including those more focused in the regions.

Many of the beneficiary institutions reported lack of relevant skills in dealing with the media. While NAC and NIA have a PR officer, this does not apply to the ACPO. In addition, the quality of the outputs produced, including the website content, widely differ. Lack of skills focused on handling media and web content creates unnecessary tense situations when officials have to inform journalists of ongoing anti-corruption efforts.

The **Centre for Investigative Journalism** has organized several Clubs for Investigative Journalists, with the participation of representatives from ACPO and NAC. During these discussions, journalists had the opportunity to become more familiar with the reform of the ACPO and the work of the NAC, mostly in the preventive area. At the same time, due to reluctance of law enforcement in speaking with journalists, the information given during these discussions was very superficial and limited to official statements.

The **Centre for Analysis and Prevention of Corruption (CAPC)** is active in anti-corruption, undertaking national and sectorial studies and promoting public oversight. CAPC expressed the need to support civil society in drawing up a clear monitoring methodology for the progress of the NIAS 2017-2020.

Ten NGOs comprise an **Anticorruption Alliance (ACA)** in operation for over 10 years. The association includes several journalist associations, expert and advocacy groups and **Transparency International**. Some of the organizations provide expertise and shadow monitoring reports regarding the activity of the anti-corruption institutions. Only few of the NGOs part of ACA have in-depth expertise in the field of corruption. In addition, some tension among the members may hamper the proper functioning and eventually effectiveness of the platform. NGOs are rather seen as being critical towards the activity of law enforcement and anti-corruption institutions, which set the grounds for poor cooperation among the two parties. Several investigative journalism platforms publish on a regular basis investigative articles regarding the incomes and assets of different public officials. Such information should serve as basis for internal investigations, but also for official controls performed by NIA.

For money laundering, there is less engagement from the side of civil society organizations. The situation may be remedied by involving these organizations in the drafting of the new AML/CFT strategy. However, NGOs may need capacity building to acquire knowledge in this field.

### **3.8 Rationale of CLEP**

CLEP will support the Republic of Moldova in fulfilling its anti-corruption and anti-money laundering obligations as a Council of Europe member state. As part of the EU/CoE Joint Programme framework, CLEP was included under the priorities for “Countering Threats to the Rule of Law” of the 2016-2017 Programme and Budget document of the Council. It contributes specifically to one of the programme objectives, namely that “*States take effective measures to prevent and combat crime as a threat to the rule of law*”.

CLEP also contributes to the rule of law pillar of the “Council of Europe Action Plan for the Republic of Moldova 2017-2020”, which supports the national authorities in reforming the legal and regulatory framework in line with European and international standards to enhance cooperation among concerned bodies and to enhance their capacities as law enforcement and prevention agencies. The project also aims at supporting authorities in addressing recommendations stemming from the GRECO and MONEYVAL reports.

The intervention will integrate in the current national policy and strategic framework of the Republic of Moldova in the field of anti-corruption. A large number of project activities have been designed in line with the eight pillars of the new National Integrity and Anti-Corruption Strategy (NIAS 2017-2020). The project will also be involved in supporting the implementation of selected sectorial action plans, from which future assistance will cascade. In addition, CLEP will support the creation of policy and strategic documents for different institutions (e.g. NIA and MIA) with the aim to enhance their functioning and effectiveness. More indirectly, the project will also touch upon the National Development Strategy 2020 (currently under review), in the components related to improving the investment climate.

The project aligns with the [EU Association Agenda for the Republic of Moldova](#) when it comes to “Further reforming the justice sector, in particular ensuring the independence, impartiality,



professionalism and efficiency of the judiciary, the prosecution, and law enforcement agencies, which should be free from political or any other undue interference, and intensifying the prevention of and fight against corruption in all its forms and at all levels”. More specifically, in Title VI of the EU-Moldova Association Agreement, the country is requested to further align its legislation with EU acts and international instruments concerning passive and active corruption, conflict of interest and money laundering.

### **3.9 Identified risks for project implementation**

Differing policy approaches among stakeholders, fluctuating priorities and interagency disagreements, pose one of the most significant risks for effective project implementation in the future. Slow recruitment and procedural impediments to the appointment of management in key anti-corruption institutions pose another major risk.

Furthermore, potential institutional restructuring of key institutions, such as the NAC and the FIU has been flagged by policy makers. There is a risk, that any potential reforms will further diminish the capacities of these institutions, which are already insufficient to meet the required tasks.

## **4 OTHER RELEVANT TECHNICAL ASSISTANCE**

### **4.1 Synergies with the CoE/EU Partnership for Good Governance (PGG - 2018)**

The CLEP Project will work in synergy with the CoE/EU Partnership for Good Governance and in particular its regional dimension, where Moldovan experience on selected issues would be beneficial for countries of the region. Moldova would be considered a reference country under PGG outputs 2 and 3, as identified below:

#### Output 1:

Recommendations on strengthening operational independence and effectiveness of specialised prevention and enforcement anti-corruption bodies and prevention structures in the EaP region through exchange of country reform experiences

*Reference countries: Azerbaijan and Ukraine*

#### Output 2:

Study on corruption prevention and enforcement policies with respect to illicit enrichment and integrity of civil servants

*Reference countries: Armenia, Moldova and Ukraine*

#### Output 3:

Guidance on introduction and effective implementation of beneficial ownership requirements in line with the FATF standards, EU 4th AML Directive and international good practices

*Reference countries: Moldova and Ukraine*

#### Output 4:

Regulatory and enforcement capacities building of AML/CFT supervisory authorities in EaP countries through use of a risk-based approach

*Reference countries: Georgia*

### **4.2 Other initiatives**

In the area of anti-corruption and anti-money laundering, the principal beneficiary institution is the National Anti-Corruption Centre. Currently NAC is receiving assistance from a project funded by the Kingdom of Norway and implemented by UNDP, which focuses on the prevention side. FIU benefitted from the World Bank’s support for the implementation of the National Risk Assessment. World Bank also supported the creation of the online system for declaration of assets and personal

interest to be piloted by NIA in 2018. The NCFM has benefitted from a Twinning project (Development and consolidation of the operational and institutional capacities of the National Commission for Financial Markets in the field of prudential regulation and supervision), which closed at the end of August 2017.

Other relevant projects that are under process or planned to be supported through international technical assistance are:

1. *UNDP's Strengthening the Corruption Prevention and Analysis Functions of the National Anti-Corruption Center*: this project will end in January 2018, however a follow-up prevention project is in the pipeline and plans to assist the implementation of the NIAS 2017-2020. The start-up date is currently unknown.
2. *Upcoming EU Twinning Project on anti-money laundering*: this initiative will start in 2018 and will enhance policy implementation, support the analytical and investigative capacities of the OPFMLFT, develop databases and supervision mechanisms. The call for expression of interest is to be published in the near future;
3. *EU Twinning Project*: Support to strengthening of operational capacities of the Law Enforcement Agencies of Moldova in the field of prevention and investigation of criminal acts of corruption. This initiative will work on investigative and operative capacities of anti-corruption institutions and will be officially launched in December 2017.
4. US Embassy's support to the Ministry of Internal Affairs in implementing the reform of police continues with visiting experts in the area of criminal investigation as well as training and study visits;
5. EU Technical Assistance "Support to efficient prevention and fight against corruption in the justice sector", starting in March 2018, for 36 months. The overall objective is to accelerate the sustainable reform of the justice sector in the Republic of Moldova by supporting the implementation of the legislation to prevent and combat corruption in the justice sector. The project envisages to promote the zero tolerance concept, consolidate the capacities of the beneficiary institutions and improve their internal and external communication;
6. UK funds will be made available shortly to assist FIU in the selection of an appropriate software for analytical purposes. In addition, there is a plan to assist FIU in elaborating procedures for DNFBPs and to provide training for the reporting entities.
7. The Romanian Embassy is facilitating exchange of expertise between the National Integrity Authority and their counterpart in Romania.
8. ABA ROLI Moldova – the anticorruption component of the Criminal Law reform project focuses on training for judges, prosecutors, NAC investigators as well as on special investigative activity, corruption cases, off-shore money laundering and extended confiscation.

In addition, the EU is funding the High-Level Advisors mission deployed to support the work of FIU and the prosecutors but also to advise on anti-corruption matters, with one anti-corruption advisor working directly with the Prime Minister's Office.

Currently, there is no donors' coordination framework exclusively focused on issues of corruption and money laundering. These topics are sporadically discussed at the Justice Sector donors' coordination meetings. It has been noticed that it is hard to gather complete information about ongoing and planned projects in this field. Therefore, a separate coordination and info-exchange mechanism may be a good solution to make sure there are no overlaps in the activities, but also to find synergies but also to build a common voice to channel relevant political messages. This situation has also been highlighted by USAID representatives in the last Justice Sector Donors Coordination meeting (14 September 2017). As a follow-up, USAID has called for a first coordination meeting at the beginning of December 2017.

## **5 SUMMARY OF PROJECT OUTPUTS/PURPOSES AND ACTIVITIES**

## 5.1 Summary of Activities (per Expected Result)

***ER I: Gaps and deficiencies in the regulatory framework concerning prevention and fight against corruption and money laundering/terrorism financing are addressed in line with relevant CoE and EU practices.***

*1.1. Review of the national regulatory framework concerning: a) Anti-corruption; b) Anti-money laundering and financing of terrorism; c) Asset Recovery; d) Integrity for elected public officials and civil servants.*

The project will support the alignment of the review of the national regulatory framework with international standards focused on anti-corruption, anti-money laundering and financing terrorism but also assets recovery and integrity. The new Institutional Integrity Law has been approved in spring 2017, the new AML draft Law is planned to enter into force by the end of 2017 and the legislation related to ARO will soon be implemented. With the aim to identify and remedy possible gaps, the project will support the formation of working groups to discuss possible adjustments to the legislation and at the same time to give inputs to a legislative review of the concerned pieces of legislation after some months of implementation. The review of the current structure for the sanctions linked to economic crime and corruption as well as for the AML infringements will also be performed.

*1.2. Development of the national regulatory framework concerning: a) Anti-corruption; b) Anti-money laundering and financing of terrorism; c) Asset Recovery; d) Integrity for elected public officials and civil servants.*

In agreement with the Ministry of Justice, CLEP will assist in assessing the achievements of the Justice Sector Reform Strategy, under Pillar IV, related to integrity of the judiciary. This assessment, which took place between 19 and 22 September 2017, will inform the development of future strategic documents. The final assessment should be available by the end of October whereas the compilation for all pillars will be finalized by the end of 2017.

CLEP will also work side-by-side with the institutions to provide technical advice on the necessary sub-legal acts on registration of beneficial ownership, and guidelines for politically exposed persons and for DNFBPs. The FIU has also requested support in reviewing the current draft guidelines on the identification of suspicious transactions. For the NIA, once the head of the authority is appointed and the selection of the inspectors underway, CLEP will support the draft of the regulations on the role and responsibilities of these new officers. This activity may however be delayed if the appointment remains pending. All these activities will directly contribute to developing a functional regulatory framework while addressing the previously identified deficiencies.

*1.3. Trained judges, prosecutors, police and other beneficiaries on the implementation of AC and AML/CFT legislation*

CLEP will train a range of beneficiaries (NAC officers, judges and prosecutors but also DNFBPs and private sector directly) on the application of new and existing AC legislation and regulations. Work with judges and prosecutors will be performed through the National Institute of Justice. CLEP will draft the concept of training activities as well as the agendas and lead the trainings, which will thereafter be taken over by the NIJ in 2019 and absorbed into the regular curriculum. In 2020, CLEP shall update these training materials in order to include new and emerging good practices.

***ER II: Capacities of authorities to design and implement corruption and money laundering prevention measures are enhanced.***

*2.1. New national AML/CFT Strategy is based on an effectiveness-oriented framework and the findings of the National Risk Assessment on money laundering and financing of terrorism*

As the current AML Strategy is coming to an end in 2017, the project will assist the FIU in drafting the design of a new strategic framework. Efforts are currently being made with various stakeholders involved to agree on the immediate next steps in this process.

*2.2. Support the development and monitoring capacities of the National Anti-corruption Strategy (NIAS, 2017-2020) and Action Plan especially through monitoring and implementation tools.*

The NIAS 2017-2020 has been approved in March 2017 and published in June 2017. From the seven pillars composing the strategy, NAC foresees 9 sectorial action plans and 36 regional level action plans (currently under draft by UNDP) which require a common monitoring and reporting system.. As part of this action, the project foresees a training of focal points on the monitoring methodology and data collection data and reporting.

*2.3. Corruption Risk assessed in high-risk sectors (e.g. Judiciary/Police, Customs, Tax, Healthcare, Education, Political Financing) along with developed mitigation action plans.*

As other technical assistance providers (UNDP) will produce mitigation action plans for the areas covered by the strategy CLEP will not fund specific actions related to the drafting phase of these assessments but will participate in some of the consultations supported by UNDP for each sector as part of the finalization process Nevertheless, the project foresees support to the implementation of the mitigation plans. As these documents will be finalized only by the end of the year, concrete actions will be designed with NAC only once the plans are approved. Provisionally, CLEP has selected the private sector and the judiciary as priority areas for risk assessment.

*2.4 Ensure capacity building measures on controlling and monitoring asset declarations and conflict of interest declarations.*

CLEP is in the process of creating a video tutorial on asset declarations for civil servants to be posted on NIA's website and widely shared among all concerned institutions. The video will also serve as training material for focal points. CLEP is supporting NIA in developing guidelines and a compendium of likely scenarios/situations for managers of public institutions.

*2.5. Build operational capacities of the NAC, NIA, Customs and Office for Prevention and Fight against Money Laundering through review, design and training, as well as preparation of internal guidelines.*

The project envisions activities to guide NIA's inspectors and NIA as an institution in its management, cooperation needs and positioning. In the case of MIA, the project will draft an internal anti-corruption Strategy and Action Plan supporting the Ministry at the managerial level with a study on applicable lean management principles. CLEP will also support the inclusion of intelligence-led policing as a concept in MIA's operations. Training sessions on analytical techniques are planned for the FIU as well as a workshop on good practices with methods for profiling and seizure of cash based on suspicions of money laundering, to be carried out in an inter-agency setting.

***ER III: Strengthened asset recovery framework and capacities of relevant involved and dedicated structures***

*3.1. Support the authorities in drafting a Strategy on Asset Recovery and guidelines on its application*

A comprehensive needs assessment for the ARO will be carried out, taking into account training, infrastructure, personnel, international cooperation, and other needs. SOPs will be prepared defining roles, responsibilities and work practices within the ARO. A fully-fledged strategy for the ARO will be prepared in the course of 2018. In addition, CLEP will facilitate a technical visit for selected ARO personnel to the EUROPOL HQ to discuss compliance requirements of the new ARO with the SIENA system.

*3.2. Provide specialized training and guidelines on investigation of economic and financial crimes (search and seizure) as well as use of SIMs (special investigative measures), and financial investigations.*

Following the needs assessment supported under 3.1., CLEP will deliver specialized training necessary to ARO staff. Trainings on parallel financial investigation and assets tracing, open source

intelligence and covert online techniques have already been defined as priorities. In order to target civil confiscation, the project will train staff from NIA on methods of conducting inspections into unexplained wealth.

*3.3. Provide specialized training/guidelines on asset management.*

As a first step in the development of a framework for assets management, CLEP will develop guidelines on asset management. This should serve a procedural framework to manage the assets and will involve several institutions, as joint efforts are necessary for the effectiveness of these operations.

*3.4. Enhancing national and international cooperation and sharing of good practices in seizure and confiscation of proceeds of crime and asset recovery.*

As the ARO is a new body and needs to be familiarized with the relevant international standards and their application in daily work, the project will facilitate a study visit where selected officers will be able to learn good practices for assets recovery work.

***ER IV: Upgraded information sharing systems and capacities for the national mechanisms concerning corruption offences/violations and of tracing of assets and their recovery.***

*4.1. Supported and guided assessment, development and implementation of the new e-case system(focused on interoperability)*

This component will heavily rely on an initial needs assessment and feasibility study carried out in MIA, NIA, NAC, FIU, ARO and GPO including specialized offices, still taking into account that the beneficiary institutions have expressed an urgent need for upgrades of the existing infrastructure but also that any new systems should not overlap with the previously procured software. The needs assessment will also help the project team to better target institutions with more potential to achieve results linked to increasing interoperability. Apart from procuring software and hardware, CLEP will provide training on their use and maintenance.

*4.2 Necessary IT (hardware and software) equipment are made available to facilitate operational capacities of authorities and provide training on its use*

Once the IT needs are assessed, the project will procure the necessary equipment and provide training on its use, management and maintenance to all relevant staff. Currently, CLEP foresees the procurement of visualization software for investigations. In addition, NIA has expressed the need to develop a database of people banned from holding public offices, which would support their goals in terms of monitoring public office incompatibility.

***ER V: National and international co-operation between the national and international law enforcement agencies on data exchange and international tracing of crime proceeds concerning corruption and other forms of economic crime are supported and enhanced.***

*5.1. Establishment of liaison officers between relevant institutions ensuring data exchange on tracing of assets and their recovery, financial investigations and other economic crime information sharing.*

Information exchange and coordination modalities and guidelines (methodologies, good practices, efficient tools and standardized templates) will be prepared, which will guide the daily work and set good practices for continued coordination between institutions, in particular the NAC and NIA. Once the guidelines are finalized, the creation of a permanent coordination bureau involving all anti-corruption institutions will be undertaken.

*5.2. Enhanced international cooperation between the relevant institutions on the data exchange concerning tracing of assets and their recovery, financial investigations and other economic crime information sharing.*

An assessment of the current situation with regards to international co-operation on data exchange has never been carried out and is considered highly necessary to identify opportunities and

weaknesses. The project also foresees a mentoring programme on sanitized cases for FIU and GPO, where an international expert would advise the institutions directly on concrete scenarios. While authorities welcome this activity, the project team will closely work with them to implement it through specific confidentiality agreements.

### *5.3. Training on national and international cooperation - cross border investigation and information sharing concerning economic crime/asset recovery cases.*

This capacity building component directly enhances international and national co-operation, necessary to increase the effectiveness of the anti-corruption and anti-money laundering operations. CLEP foresees training sessions for judges, prosecutors and court experts on the presentation of evidence of criminal cases and on forensics in cases with elements of cross border investigation or international assets tracing. ARO, FIU and other relevant actors will benefit from a general training on assets recovery in international cases.

### *5.4. Assistance provided for supervisors and regulators in reviewing national compliance regulations in line with international standards and relevant Moneyval recommendations.*

The private sector is becoming increasingly important in the fight against corruption and anti-money laundering, as also highlighted by the NRA. The project will assist in developing national standards/regulatory framework for anti-corruption compliance in the private sector. Further activities in this sector may be explored at a later stage. With regards to money laundering, CLEP will review the AML compliance requirements for the financial sector and DNFBPs.

## ***ER VI: Public awareness and participation in the fight against corruption is increased.***

### *6.1. Training on reporting on corruption and money laundering and financing of terrorism cases for communication officers at relevant state institutions and journalists*

While journalists in the capital received training on ways to report on corruption, those working in the regions have not yet been targeted and are in need of assistance with such training. Additionally, the ACPO has requested help to increase their capacity in dealing with media, through their PR office. This activity attracted interest from many institutions. The project team will consider using the experience with the ACPO to create a blueprint of training. Additionally, the project team has noticed a lack of reporting in the media about money laundering cases. For this reason, and together with FIU, the project will facilitate a workshop on the topic.

### *6.2. Provide training on Special Investigative journalism and media coverage*

CLEP will carry out a training on open source intelligence for investigative journalists and will also create guidelines for interpreting assets declarations and reporting on them, which could potentially help NIA's work.

### *6.3. Support participation of civil society in monitoring the implementation of the National AC and AML/CFT Strategies*

CLEP will work on supporting the role of civil society as a watchdog for the implementation of the NIAS 2017-2020 and the new AML Strategy. The project will carry out two separate workshops where NAC and FIU will have the chance to introduce and openly discuss the strategies. Furthermore, the project envisages capacity building activities for organizations interested in deepening their knowledge on the concepts behind integrity (ethics, conflict of interest, etc.), again targeting the local level. Lastly, with the aim to increase participation of NGOs at the local level in the monitoring of the NIAS and the action plans, the project will offer training on the methodology for monitoring implementation of the NIAS

## **5.2 Inputs**

The project will provide for the following inputs while supporting and assisting the achievement of the expected results in line with the approved work plan and emerging needs as appropriately agreed through the Steering Committee Meetings:

- Research studies;
- Expert advice/opinions;
- Roundtables and Seminars;
- Workshops and conferences;
- Training courses;
- Study/technical visits;
- Translation/Interpretation;
- Publication/dissemination;
- Press coverage and visibility actions.

## 6 INCEPTION ACTIVITIES

### 6.1 Summary of Actions

The following activities and actions were carried out during the inception phase of the project and subsequently prior to the launching activities (01 June 2017 – 30 September 2017):

Description of Inception Phase Activities	Status (as of 16 October 2017)
Recruitment of the Project Team (Strasbourg and Chisinau): <ul style="list-style-type: none"> <li>• Project Adviser (Chisinau – 100% time): Recruited and Operational;</li> <li>• Senior Project Officer (Chisinau - 100% time): recruited, new recruitment to be launched due to resignation of the selected candidate;</li> <li>• Project Linguistic Assistant (Chisinau – 100% time): Recruitment finalised and operational.</li> </ul>	Completed
Allocation and Set up of the Project Office	Completed
Introduction of the project to beneficiary institutions	Completed
Designing and approving the Workplan	Completed
Steering Committee Meeting	Held on 29 September 2017
Project Launching Conference	Held on 29 September 2017
Preparation and submission of draft inception report	Submission 20 October 2017

## **6.2 Set-up of the Project Team/Recruitment**

The recruitment of the project team was completed in the first month of the inception phase. The team became fully operational on 12 July 2017 and the project office was set up by that date.

The **Project Adviser** was recruited and became operational in July 2017. The Adviser is in charge of leading the project team and the overall project implementation in the country. Her responsibilities are linked to the design, implementation and evaluation of project activities, reporting as well as drafting policy documents. The Project Adviser also maintains contacts with the EU Delegation and other relevant international actors and with all beneficiaries and stakeholders. The Project Advisor supervises the work of the other two team members.

The **Senior Project Officer** was recruited and became operational in July 2017, but has left the Project team for expatriate employment following the end of the Inception Phase. A new recruitment procedure has been launched, in meantime a temporary 3-month replacement has been put in place, pending the completion of the recruitment. The Senior Project Officer is in charge of supporting project implementation in all its aspects, both content-wise and administratively.

The **Project Linguistic Assistant** was recruited and became operational in July 2017. The Linguistic Assistant provides administrative support to project activities, maintains records and files, carries out translation/interpretation as required.

## **6.3 Project Office/Premises**

The project offices are situated within the premises made available at the Council of Europe Office in Chisinau which also provides the technical and IT infrastructure necessary for the team. The Project Office address is:

Project: CLEP – Republic of Moldova  
Council of Europe Office in Chisinau  
Strada V. Parcalab, 63, Skytower, 4<sup>th</sup> Floor  
Phone: + 373 22 888905  
Giulia.re@coe.int

## **6.4 Start-up activities – (June – September 2017)**

In June 2017, the CoE held an on-site mission to Chisinau with the aim to meet the main stakeholders and preliminarily discuss the activities to be included in the draft work plan of the project. The CoE team met with the NAC, FIU, NIA, MIA, SCM, SCP, ACPO, as well as the EU Delegation. The project was introduced to the stakeholders and a first draft of the workplan was prepared with their inputs by the beginning of July 2017.

Following its operationalization, the project team held a number of bilateral meetings in July 2017 with the Deputy Head of NAC, Head of the FIU, Acting head and officers from the NIA, the Chief ACPO, representatives from GPO and PCOCCS, MIA and the NIJ. Meetings were also held with civil society organizations, including all members of the Anti-Corruption Alliance. Standing issues related to each institution were discussed in order to prepare the workplan. For coordination purposes, the team met with EU high-level Advisers for anti-money laundering, prosecution and anti-corruption, the US Embassy (International Narcotics and Law Enforcement Affairs - INL), the ABA-ROLI and UNDP project teams in the anti-corruption field.



This series of meetings allowed for the collection of necessary updates on the situation on anti-corruption and anti-money laundering legislation in order to prepare a workplan fully based on the needs and constraints of the stakeholders.

#### Work Plan Workshop (12 September 2017)

On 12 September 2017, representatives from the PCOCCS, NBM, MIA, INI, FIU, ARO, NAC, NIA, ACPO, GPO, NCFM, and MoJ took part in a workshop to discuss the draft workplan of the CLEP project. The group also included the EU High Level Advisor for prosecution, anti-corruption and money laundering as well as the EUD. The representative from the civil society, although invited, did not take part in the event.

The workshop paved the way to the finalization and subsequent approval of the workplan at the project steering committee.

#### CLEP Launch Event (29 September 2017)

On 29 September 2017, in Chisinau, the project launch event was held in the presence of about 80 guests from national institutions, development partners and media. All speakers stressed the importance of CLEP in supporting key reforms in the field of anti-corruption and anti-money laundering. In the opening remarks, the deputy Minister of Justice, the Ambassador of the EU Delegation to the Republic of Moldova and the Prosecutor General stressed the importance to give impetus to law enforcement, as a high priority of the EU Association Agreement. The need to enhance interagency coordination was stressed by the CoE. The Deputy Head of the National Anti-Corruption Centre, the Anti-Corruption Chief Prosecutor and a representative of the National Integrity Council reiterated the commitment of their institutions to effectively fight corruption. The need for implementing MONEYVAL and GRECO recommendations, and preparations for upcoming evaluations was stressed during the discussions. The CLEP results framework and planned activities for the coming years were presented.

#### Justice Sector Reform Strategy Assessment (JSRS): Pillar IV (August-October 2017)

At the request of the Ministry of Justice the CoE is carrying out an assessment of the Justice Sector Reform Strategy, where the CLEP Project is focusing on the implementation of Pillar IV: *“Clear regulation of the behaviour of judges, prosecutors, investigators, lawyers and bailiffs in relation to other people with a view to combat corruption; creating a mechanism to safeguard the behavioural integrity”* and *“Developing and implementing effective tools to prevent the interference in the work of justice and preventing corrupt behaviour of actors in the justice sector”*. Between 20 and 22 September, the CoE expert met with a range of actors in Chisinau: Ministry of Justice EU High level advisor to the MoJ, National Union of Bailiffs, the SCP, the PCOCCS, the SCM, the NAC, MIA and the Moldovan Bar Association. The expert also met with several NGOs, such as CAPC, TI Moldova, AO Crondrom, Human Rights Resources Centre and Legal Resources Centre. The assessment report will be delivered in October 2017, where effectiveness issues are expected to be raised as the main concern.

The assessment will serve as guiding document to direct the preparation of the new Justice Sector Reform Strategy.

This will also provide insight for CLEP’s future interventions in relation to judges, prosecutors, investigators, lawyers, bailiffs and their integrity.

#### Design of the new Anti-Money Laundering strategy (August-September 2017)

As an immediate priority, the CLEP project was requested to assist Moldovan authorities to prepare a new AML/CFT strategy following the expiration of the current one in December 2017. An expert scoping mission took place on 9-10 August 2017 with the aim of preparing a preliminary assessment and recommendations on this issue. Meetings were held with the FIU, MIA, NCFM, NBM, Ministry

of Finance, Ministry of Technology and Information, Customs, GPO and specialized prosecution offices. The expert concluded that there is the need for an effectiveness review of the current strategy and for the set-up of a strategic AML/CFT coordination group to oversee the initiatives, without usurping the role of the FIU. The expert review recommends that a new AML/CFT strategy for 2018 and onwards be prepared based on effectiveness-oriented outcomes prescribed by the FATF standards. Subsequently beneficiary institutions changed their position proposing to delay the development of a new strategy until the end of 2018, while using the recently prepared National Risk Assessment Action Plan as an interim document. CLEP has emphasized that this would not be sufficient given the FATF requirements in this area. Consultations with stakeholders are on-going on this issue.

## 6.5 Steering Committee composition

According to the Description of Action and following consultations with the EU Delegation, representatives from the following institutions have been included to be part of the project steering committee as permanent members:

- National Anti-Corruption Centre (NAC);
- National Integrity Authority (NIA);
- Anti-corruption Prosecutor's Office (ACPO);
- Office for Prevention and Fight against Money Laundering of NAC (FIU);
- Ministry of Internal Affairs (MIA);
- Legislative Division of the MoJ;
- Supreme Council of Magistracy (SCM);
- Supreme Council of Prosecutors (SCP);
- National Institute of Justice (NIJ);
- Representative of the Civil Society (selected among the organizations part of the ACA);
- European Union Delegation in the Republic of Moldova;
- Economic Crime and Cooperation Division of the Council of Europe.

The Project Coordinator from the Ministry of Foreign Affairs has also been invited to join the meetings, which will be called every six months. *Ad hoc* meetings to discuss specific issues may be called, if needed. The Steering Committee meetings will involve other relevant authorities related to the project results and activities on *ad-hoc* basis. Any decision will be taken with a majority of 50% plus one vote. The role of chair of the steering committee will be shared between the Council of Europe and the EU Delegation.

On 29 September 2017, following the kick-off event, the project held its first project steering committee. The SC decided to expand its composition to include a nominee from the investigative journalism community of Moldova. The SC composition, its terms of reference and the project workplan were discussed and approved. The SC discussed at length the approach to for a new strategic/policy framework in the AML/CFT area, following the expiry of the current AML/CFT strategy in December 2017. It was agreed that comprehensive a policy steps would need to be taken, despite the existence of a new action plan prepared as a result of the recent National Risk Assessment.

## 6.6. Project monitoring and evaluation arrangements

The project team is in charge of on-going **monitoring and evaluation** efforts to measure progress towards the overall objective and the six expected results of the project. The project team will periodically collect data to monitor how the activities are contributing to the expected results and the higher level goals. An internal monitoring and evaluation plan has been prepared by the Project team

to this effect, which will include international benchmarks and analysis of progress made to achieve GRECO and MONEYVAL recommendations.

The project envisions an external **evaluation**, to be commissioned by the Council three months prior to the end of the project. The Final Evaluation report will be drafted in English and translated into Romanian, uploaded in both languages in the project's website.

## **7 VISIBILITY/MEDIA COVERAGE**

### **7.1 CoE and CLEP websites**

A **Communication and Visibility Plan** was drafted and agreed together with the Description of Action. The aim of this plan is to ensure that CLEP is visible and recognizable by Moldovan authorities, professionals and general public.

The project website was made operational in July and can be found at the following link: <https://www.coe.int/clep>. Additionally, the project team produced and demonstrates/distributes in its activities visibility items for the project, such as banners for the events, pens, notebooks, textile bags and folders. For each completed activity, there is a short summary published on the project website. Media was informed and briefed about the high-level events and other important activities where specific deliverables of the project will be presented. Publications funded through the projects will also be publicized.

All visibility materials have been designed according to the Council of Europe's visual identity manual and the project team ensured the visibility of the EU contribution at all stages of the activities. All reporting and information used and disseminated will acknowledge that actions have been carried out "with funding from the European Union" by also displaying in an appropriate way the European Union logo.

### **7.2 The EU visibility**

The project will ensure the visibility of the EU contribution at all stages of its activities. The Council of Europe will take all appropriate measures to publicise the fact that the project's funding is being received from a European Union agreement. All reporting and information used and disseminated will acknowledge that actions have been carried out "with funding from the European Union" by also displaying in an appropriate way the European Union logo. The project will implement the Communication and Visibility Plan (Annex VI of the contract EU/CoE). An elaborated Communication and Visibility Plan is enclosed in Annex VII of this report.

### **7.3 Disclaimer**

All publications will include the following disclaimer: "This document was produced with the financial assistance of the European Union and the Council of Europe. The views expressed herein can in no way be taken to reflect the official opinion of the European Union and/or of the Council of Europe".

### **7.4 Publications**

The Project will produce reports to update and inform the European Union Delegation to the Republic of Moldova on their findings and progress of the project's implementation. As stipulated in the General Conditions of the Project Agreement, "Any [project deliverable] publication and press release will be communicated to the Contracting Authority [European Union Delegation to the Republic of Moldova] as and when they are issued". If any publication takes place, they will acknowledge the

financial contribution of the EU, and will contain the above-mentioned disclaimer. They will also be made available for the public.

## **8 BUDGET AND CONTRIBUTIONS**

The total cost of the project for the period of 36 months involves a total of €2,225,000. This amount includes 89% from EU and 11% from CoE.

Upon the signature of the contract (16 May 2017), and upon the submission of the 1<sup>st</sup> Request for Payment, the Council of Europe received an initial amount of **579,166.21 Euro** as first pre-financing instalment in line with the Article 4(2) of the Special Conditions.

## **9 NEXT STEPS AND CONCLUSIONS**

### **9.1 Next Steps**

Following the successful completion of the Inception Phase, all subsequent project implementation will be guided by the Project Workplan as adopted by the Steering Committee.

### **9.2 Conclusions**

As a result of the Inception Phase the CLEP Project has managed to set up the necessary components for an effective implementation framework, by establishing relations with key stakeholders, securing political support, designing and approving the project workplan and setting up an operational project team

A number of high priority activities have been carried out, based on the immediate needs of beneficiaries. These have highlighted differing approaches among stakeholders, fluctuating priorities and interagency disagreements, which pose one of the most significant risks for effective project implementation in the future. Slow recruitment and procedural impediments to the appointment of management in key anti-corruption institutions pose another major risk.

Efforts need to be made to ensure the full and effective operationalization of the Asset Recovery Office and the National Integrity Authority. There is a pressing need to develop a new and robust AML/CFT policy based on identification of current and emerging risks. The upcoming general election in 2018 may yield further institutional reforms and initiatives, which need to be carefully reviewed from the point of view of feasibility and effectiveness.

In this context CLEP represents an opportunity for the beneficiary institutions to further build and enhance their anti-corruption, anti-money laundering and asset recovery systems with reference to leading international practices and standards. Following intensive consultations with all beneficiaries, the project workplan includes all of the necessary components in order to guarantee effective support in all of the abovementioned areas. The effective relationships built with stakeholders provide a positive setting to ensure the overall success of future project activities and achievement of its expected results.

Ardita Abdiu



Head of Economic Crime and Cooperation Division  
Action against Crime Department  
Directorate General Human Rights and Rule of Law (DG I)

## **1 LIST OF ANNEXES**

Annex I: Workplan

Annex II: Terms of Reference of the Project Steering Committee

Annex III: CLEP Project Launching Conference Agenda, 29 September 2017

Annex VI: CLEP Website