



HF – ACTION AGAINST ECONOMIC CRIME 3rd PROGRESS REPORT 2018/2019

ACTION: HF 17 – Action against Economic Crime in Republic of North Macedonia

Part I – General Information

Action starting date:	24 May 2016
Reporting period:	24 May 2018 – 23 May 2019
Action implementation period:	36 months
Action allocated/contracted funds:	894,000 (EU % and CoE %)
Action implemented by:	Economic Crime and Cooperation Division, Directorate of Action against Crime, Directorate General-I, Council of Europe
Type of Report:	3 rd Annual Progress Report
Date of report:	23 May 2019
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Part II – Assessment of progress

I – Overall assessment

The Action against Economic Crime (AEC) in the Republic of North Macedonia aims to improve implementation of specific key recommendations of the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), and to further strengthen institutional capacities to counter and prevent corruption; money laundering; and the financing of terrorism in accordance with Council of Europe, European Union and other international standards. In order to achieve this aim, the Action provides support for the strengthening of legislative and regulatory frameworks, institutional capacity building and enhanced inter-agency and international cooperation.

The political situation continued to impact the pace in which activities took place and subsequently in the realization of outputs. That said, as in the previous years of the Action maintained good cooperation with the beneficiary institutions and the flexibility built in the Workplan allowed for adjustments in organising activities in line with the foreseen Workplan.

During the reporting period, the Action against Economic Crime progressed in several directions as outlined below.

At the **legislative level** the Action:

- i. Contributed to alignment with international standards of the **"Law on combating money laundering and financing of terrorism"**, adopted by Parliament in June 2018 and entered into force in July 2018, with relevant international standards. 100% of the recommendations provided by the Action feature as solutions in the new Law.

At **policy level** the Action:

- i. Provided the Financial Intelligence Office (FIO) with the **"Guidelines on the risk-based approach"**. The Guidelines were adopted by FIO and became binding for all reporting entities obliged to conduct due diligence in line with the new Law on combating money laundering and financing of terrorism.
- ii. Recommended approaches for an **improved AML/CFT risk based supervision**, in line with international standards and good practices. Guidelines to assist the supervisory authorities, were delivered by the Action, as well as a risk matrix as bases for the AML/CFT risk based supervision.
- iii. Produced a **"Roadmap for the Establishment of an Asset Recovery Office"** outlining step by step guidance on the measures that need to be undertaken in order to establish the Asset Recovery Office in the Republic of North Macedonia. The Roadmap will be used as a baseline for initiating the establishment of the ARO in the country.
- iv. Guided national authorities on introducing effective transparency of beneficial ownership systems and international restrictive measures policy solutions;
- v. Supported the launch of the updating of the National AML/CFT Risk Assessment.

At the **institutional capacity building level**, the Action:

- i. Strengthened oversight capacities of the AML/CFT Council¹ in-charge of monitoring the implementation of the National Anti-Money Laundering (AML) and Countering Financing of Terrorism (CFT) Strategy.
- ii. Developed strategic analysis skills of the FIO and other law enforcement agencies through provision of specialised Egmont certified training.
- iii. Contributed to effective protection of whistleblowers in the public and private sector through training and provision of guidance on implementation.
- iv. Developed capacities of relevant authorities to conduct non-profit organization terrorist financing risk assessments.
- v. Improved strategic analysis skills of financial analysts and law enforcement agencies for assessing money laundering and terrorist financing threats.

Throughout the third year, the Action continued to maintain good working relationship with all beneficiary institutions, other stakeholders and the European Union Delegation in the Republic of North Macedonia. All stakeholders displayed strong commitment and readiness to cooperate and work together with the Council of Europe in achieving the Action's expected results.

The Action **Outputs and Outcomes** obtained and those that are currently underway continue to be directly linked to the shortcomings identified by the last MONEYVAL evaluation from 2014 and the EU Progress Reports for the Republic of North Macedonia.

¹ The AML/CFT Council members are: FIO, National Bank, Ministry of Interior, Financial Police, Public Prosecutor's Office – Department for organised crime, Customs Office, Public Revenue Office, Securities and Exchange Commission, Agency for Insurance Supervision and the Agency for Supervision of Fully Funded Pension Insurance.