

PGG II ANNUAL REPORT

ANNUAL REPORT 2019 - YEAR 1 OF IMPLEMENTATION

PROJECT INFORMATION

Project reference and title:	EU-JP/2346 - PGG II : 9. Enhancing the systems of prevention and combatting corruption, money laundering and terrorist financing in Georgia
Project type:	Bilateral
Target country:	Georgia
Project planned starting date:	01/01/2019
Project effective starting date:	01/01/2019
Project duration:	36 months
National partners:	
Target groups and/or final beneficiaries:	Ministry of Finance of Georgia (საქართველოს ფინანსთა სამინისტრო); State Security Service of Georgia (სახელმწიფო უსაფრთხოების სამსახური); Financial Monitoring Service of Georgia (საქართველოს ფინანსური მონიტორინგის სამსახური); Ministry of Justice (საქართველოს იუსტიციის სამინისტრო); Georgian Bar Association (ასოციაციის ადმინისტრაცია); Prosecutor's Office (საქართველოს მთავარი პროკურატურა); AML/CFT Inter-Agency Council of Georgia (ფულის გათეთრებისა და ტერორიზმის დაფინანსების წინააღმდეგ ბრძოლის (AML/CFT) უწყებათშორისი კომისია); Secretariat of the Anti corruption Council (Analytical Department of the MOJ); Anti-Corruption Council (ანტი-კორუფციული საბჭო); Insurance State Supervision Service of Georgia (დაზღვევის სახელმწიფო ზედამხედველობის სამსახური); High School of Justice (იუსტიციის უმაღლესი სკოლა); National Bank of Georgia (საქართველოს ეროვნული ბანკი); Civil Service Bureau of Georgia (საჯარო სამსახურის ბიურო)
Date of report:	31/12/2019
Project team:	
Project Manager in Council of Europe Headquarters:	Zahra AHMADOVA
Project supervisors:	Mustafa FERATI

I. EXECUTIVE SUMMARY – OVERALL ASSESSMENT

The overall objective of the EU/CoE Partnership for Good Governance project "Enhancing the systems of prevention and combating corruption, money laundering and terrorist financing in Georgia" is to strengthen capacities of national authorities to fight and prevent economic crime, in particular corruption, money laundering and terrorist financing (ML/TF). The project represents continuation of the EU/CoE Partnership for Good Governance project "Strengthening anti-money laundering institutions in Georgia" implemented since 2015.

Key areas of technical assistance provided by the project during the reporting period relate to:

- Improving regulation and monitoring of systems of asset declarations and conflict of interest;
- Increasing capacities of the Georgian law enforcement agencies to investigate, prosecute and adjudicate corruption offences, corporate criminal liability;
- Reinforcing capacities of supervisors and monitoring entities to implement anti-money laundering/counter financing of terrorism (AML/CFT) obligations; Improving frameworks and operational capacities for investigations, prosecution and adjudication of money laundering/financing of terrorism (ML/FT) cases.

During the reporting period, **the project interventions contributed to fostering institutional capacities** in the following areas:

(i) Effective measures on prevention of corruption:

- Over 10 representatives of the Civil Service Bureau (Staff of the Asset Declaration Monitoring Department) and the specialized investigators trained through the training on "Efficient monitoring of public officials' asset declarations and prevention of conflict of interest";
- Over 80 law enforcement officials and judges increased specialization in investigating and prosecuting of corruption offences, including corporate crimes.

(ii) Comprehensive measures on prevention and detection of money laundering and terrorist financing:

- Over 30 representatives of the Georgian gambling business sector increased understanding on money laundering/financing of terrorism (ML/FT) compliance and control through tailored training on "Anti-money laundering and countering of financing of terrorism (AML/CFT compliance) for the gambling sector" and the developing the Guidance on "AML/CFT compliance for the gambling sector";
- Over 25 representatives of the Georgian law enforcement agencies and judges increased their capacity to investigate, prosecute and adjudicate terrorist financing offences;
- Workshop for the discussion of the draft AML/CFT National Risk Assessment Report of Georgia informed over 65 representatives of relevant public and private sector representatives on main findings and priority actions of the NRA Report, areas of improvement as well as lessons learned from countries assess under the relevant recommendations.

II. RESULTS ASSESSMENT

Intermediate outcome 1

Effective measures on prevention of corruption

Over the past decade Georgia implemented important reforms in fighting corruption. The achievements related to efficient preventive and enforcement measures. However, the country is still facing new challenges of high level or complex corruption. Project "Enhancing the systems of prevention and combating corruption, money laundering and terrorist financing in Georgia" supports the national authorities to address such challenges by supporting the development of effective measures for combating corruption.

Progress was made in improving the regulation and monitoring of systems of asset declaration, conflict of interest and integrity.

The staff of the Civil Service Bureau (CSB) and the specialized investigators enhanced their knowledge and professional skills on the efficient implementation of asset declarations systems, prevention and

regulation of conflict of interest. The activity assisted the national authorities to identify crucial aspects of public officials' disclosure systems and the areas Georgia needs to pay special attention when designing the national system in compliance with European standards.

In addition of prevention, the project seeks to support the Georgian authorities in increasing capacity to investigate and prosecute corruption cases effectively. For this purpose tailored trainings provided during the reporting period aimed at fostering the networking and exchanging of practical experience and good practice among investigators, prosecutors and judges working in the area of fight against corruption and establishing the effective system of corporate criminal liability.

Output 1.1.1

Improved regulation and monitoring of systems of asset declarations and conflict of interest

Electronic system of asset declarations is a relatively new preventive mechanism established in Georgia. Civil Service Bureau (CSB) oversees monitoring of asset declarations and their compliance with the law.

Responding to the recommendations of international organizations (GRECO 4th Round Monitoring Report and the OECD 4th round monitoring of the Istanbul Anti-Corruption Action plan), the project workplan included training CSB staff on efficient implementation of system for asset declarations and prevention/regulation of conflicts of interest.

For this purpose, the training on "Efficient monitoring of public officials' assets declarations and prevention of conflict of interest" was delivered in cooperation with the CSB on 5-6 June 2019 in Tbilisi, Georgia.

Activity expanded the practical skills of participants including the Staff of the Department of Asset Declaration Monitoring and the competent investigators to monitor asset declarations and implement legal provisions on prevention/regulation of conflict of interest.

The project will continue supporting the national authorities including CSB, Anti-Corruption Agency (State Security Service of Georgia) to improve the legislative and institutional framework in the area of regulation and monitoring of systems of asset declarations, conflict of interest and integrity.

Output 1.1.3

Increased capacities to investigate, prosecute and adjudicate corruption

The project supports the Georgian law enforcement and judiciary sector officials to improve specialization in investigation and prosecution of corruption and corporate criminal liability for corruption offences. During the reporting period over 80 practitioners (investigators, prosecutors) and judges benefited from the trainings on investigation and prosecution of corruption offences as well as on corporate criminal liability.

The training on "Investigation and prosecution of corruptions offences" was delivered on 11-12 June 2019 in Tbilisi, Georgia. The activity contributed to enhance the capacity of national authorities to identify corruption offences, to establish links between corruption and organized crime, using financial disclosure forms in investigating corruption or indirect evidence to prove corruption, the importance of inter-agency cooperation and coordination.

The trainings dedicated to corporate economic crimes addressed the lack of investigation of corporate liability in the country, indicating the need for further capacity building and greater awareness, as also outlined in the OECD anti-corruption monitoring report. This is an area which the PGG supported since its first phase by developing a Manual on Corporate Criminal Liability in cooperation with the General Prosecutor's Office, which serves as a guide and reference for the use of practitioners in Georgia aiming to facilitate an effective enforcement of the legislative framework.

As follow up, during the reporting period two trainings (18-19 November 2019 and 17-18 December 2019) on "Corporate criminal liability" were organized for the Georgian law enforcement agencies and judges. Activities enhanced the capacities of the competent authorities to establish corporate criminal liability in practice, to analyze good experience in investigating and prosecuting such activity, to cooperate and share information with other relevant institutions as well as to establish relevant sanctions.

Through relevant activities project will continue to support the Georgian authorities to strengthen national capacity to combat economic crime, including corruption.

Intermediate outcome 2

Comprehensive measures on prevention and detection of money laundering and terrorist financing

Project "Enhancing the systems of prevention and combating corruption, money laundering and terrorist financing in Georgia" supports the national authorities in providing comprehensive measures on prevention and detection of money laundering and terrorist financing.

During the reporting period Georgia adopted its first ever national anti-money laundering risk assessment report in October 2019, thereby setting out key areas where countermeasures are needed. The Council of Europe, through the PGG anti-money laundering project in Georgia, supported this assessment process since its inception by providing the national stakeholders with continuous expertise on the methodology, data and remaining gaps. An inter-agency workshop, ahead of the finalisation of the assessment report in 2019, brought together law enforcement and intelligence agencies, private sector and supervisors. The workshop facilitated a greater understanding among involved parties about the risks and priority actions of the national risk assessment, and the areas of improvement and the lessons learned during the assessment process.

The PGG project has already started to support the national authorities in taking countermeasures in areas which the national risk assessment has assessed as high-risk. Gambling business (online and land based) is one such sector, which is especially vulnerable to the money laundering risks because the compliance is weak, and the current arrangements do not comply with international standards and practices. Thirty-three representatives of the gambling sector, supervisory and regulatory authorities enhanced their understanding about risks and vulnerabilities specific to the sector and ways to ensure compliance with the anti-money laundering requirements at a thematic workshop in 2019. An additional outcome is the provision of the business representatives and the sector regulators with a bespoke guidance paper on anti-money laundering compliance for the gambling sector to improve detection and reporting of suspicious activities.

In addition to the national risk assessment, Georgia has a more robust anti-money laundering legislation aligned with the international standards thanks to the new law adopted in October 2019. At its drafting stage, this legislation benefited from the Council of Europe recommendations through the PGG project in its first phase, to improve its compliance with international good practices and standards, including with the EU's 4th Anti-Money Laundering Directive. Engagement with the national stakeholders in this regard continued in 2019. The main improvements concern implementation mechanism of the United Nations targeted financial sanctions, introduction of comprehensive risk-based approach and enhanced customer due diligence measures.

Additionally, over 30 practitioners and judges benefited from the trainings on investigation, prosecution and adjudication of terrorist financing cases. Further, the Training Centre of the Prosecutor General's Office was provided with a training curriculum on money laundering investigation and prosecution, ensuring a more systematic in-house training in the future.

Output 2.1.1

Improved frameworks and operational capacities for investigations, prosecution and adjudication of ML/TF cases

During the implementation period, the project contributed to increase capacities of competent authorities to investigate, prosecute and adjudicate money laundering/financing of terrorism (ML/FT) cases.

Training on "Investigation and prosecution of terrorist financing cases" (27-28 November 2019) was organized in cooperation with the State Security Service of Georgia (SSSG) and gathered relevant prosecutors, investigators, judges and representatives of the Financial Monitoring Service of Georgia (FIU of Georgia). Through this activity, the project enhanced the capacity of twenty-five (25) participants to analyze new and emerging methods and techniques to detect and investigate terrorist financing cases, using undercover operations, obtaining and analyzing information and its use as evidence of the court. In the future such trainings will encourage trained representatives of the Georgian law enforcement agencies (LEAs) to apply acquired practical knowledge to more efficiently investigate and prosecute terrorist financing cases.

Additionally, the project has developed the Training module on “Investigation, prosecution and adjudication of money laundering/ financing of terrorism (ML/FT) cases”. The module was prepared in cooperation with the Training Centre of the Office of the Prosecutor General of Georgia for the purpose to organize Training of Trainers and to prepare local trainers in the area of ML/FT investigation, prosecution and adjudication. The activity will provide an understanding of the international, regional and national frameworks on money laundering and terrorism financing; improve capacity to prepare prosecutors in the management and conduct of ML/FT cases; to build capacity across the GPO in dealing with serious and organized crime.

Output 2.1.3

Increased compliance of AML/CTF Regulatory and supervisory legal framework with international standards and good practices

Since 2016, the first phase of the PGG programme, the project actively supported the Georgian national authorities to draft country’s first National AML/CFT Risk Assessment (NRA). The project provided the continuous methodological support to the NRA inter-agency working group members. The report was finalized in October 2019.

Before the adoption of the NRA Report, the project in cooperation with the Financial Monitoring Service of Georgia organized a workshop for the discussion of the draft AML/CFT National Risk Assessment Report of Georgia (October 18, 2019). The activity gathered all relevant state authorities and non-state institutions in charge of ensuring AML/CFT compliance in the country. The workshop aimed to discuss the main findings and priority actions of the NRA report, areas of improvement as well as lessons learned from countries assessed under the relevant recommendations. The NRA Report was adopted on October 31, 2019. The purpose of the Risk Assessment Report is to raise the awareness of the competent authorities and the private sector on the risks of money laundering and financing of terrorism in Georgia. In particular, the key findings of the report will help the competent authorities to determine priorities consistent with risks and allocate resources correspondingly. The information contained in the report shall also help obliged entities to identify and manage money laundering and terrorist financing risks related to their activities.

In that context the project will continue to support to the national authorities to implement findings of the NRA in conjunction with the MONEYVAL Recommendations provided under the 5th Round Evaluation of Georgia.

In terms of capacity building activity and advisory support, the project provided support to the national AML/CFT regulatory/supervisory institutions and reporting entities. For this purpose, representatives of the Georgian gambling business sector benefited from the training on “AML/CFT compliance for the gambling sector” organized on 15-16 October in Tbilisi, Georgia. During the meeting participants discussed international anti-money laundering/counter terrorist financing (AML/CFT) standards, local legislative requirements, risks and vulnerabilities typical for gambling sector, AML/CFT supervision. Through cases studies tailored to the needs of beneficiaries, sector representatives had the opportunity to discuss current implementation challenges, importance of cooperation and best practices regarding supervision methods and procedures. As a follow up of the training the Guidance on Anti-money laundering and counter terrorist financing compliance for the gambling sector has been developed with support of the CoE expert and in cooperation with the FMS of Georgia.

The project will continue to support the activities aiming to increase the compliance of AML/CTF Regulatory and supervisory legal framework with international standards and good practice. Such involvement will strengthen the Risk Based Approach (RBA) to supervision of the DNFBPs (Designated Non-Financial Businesses and Professions) and increase awareness for AML/CFT regulatory requirements as they apply to non-financial institutions.

III. CROSS-CUTTING ISSUES

- Gender mainstreaming

During the implementation period (2019), the project involved a total of 220 participants in all activities. Woman made up 40% of all participants.

Due to the specificity of the project expected results, project beneficiaries involved only state authorities, AML/CFT reporting entities (financial institutions and designated non-financial businesses

and professions) and their supervisory/regulatory institutions defined as such under the AML/CFT Law of Georgia.

IV. SUSTAINABILITY AND STAKEHOLDERS' OWNERSHIP

During the reporting period, the project cooperated actively with national stakeholders in order to plan project activities fully based on Georgian reality, legal and institutional framework and the current needs of project beneficiaries.

V. COMPLEMENTARITY

The project maintained close cooperation with the EU Delegation to Georgia by exchanging regularly information on-going or upcoming activities. The project maintains close relations with national stakeholders. In order to avoid duplication as well as to respond to the current needs of beneficiaries each activity is discussed and tailored with the relevant national representatives. In order to avoid overlap the project team always tries to be updated on-going projects delivered in the country by other international organizations in the area of organized crime and corruption.

VI. RISK AND RISK MITIGATION MEASURES

Risks:

- Recent unstable political situation in Georgia, can adversely impact the Project implementation through inability or refusal of the authorities to participate in project actions or reverse the course of anti-corruption and anti-money laundering reforms;
- There is a risk of overlap with the EU-funded public administration reform and the twinning project "Capacity Building of the Civil Service Bureau of Georgia to Implement the Civil Service Reform" in terms of anti-corruption activities.

Mitigation measures:

- The country specific Project closely monitors the situation in the country including through the project team in the CoE Office in Georgia and through frequent communication and coordination with the Project's country focal points and beneficiaries;
- The project held several coordination meetings and discussions with both EU-funded projects at the inception period to ensure complementarity between the projects. The project's workplan which details all activities and outputs and their timelines have been shared with the respective EU project experts and manager. Coordination is on-going, including through the Project's Technical Committee Meeting, and the Council of Europe team will meet regularly with the EU team to discuss planned activities in order to ensure close co-operation and avoid an overlap.

VII. COMMUNICATION AND VISIBILITY

Visual identity of the project follows the Communication and Visibility Plan, agreed between the European Union and the Council of Europe. According to the document main objectives of the communication are to:

- Improve understanding about the areas of intervention as they relate to implementation of the national priorities in the fight against corruption, money laundering and terrorist financing, and highlight the results produced through the project;
- Inform about the role of the Council of Europe and the European Union in supporting the reforms and capacities to effectively combat economic crime, including corruption, money laundering and terrorist financing;
- Foster donor awareness of the project outcomes and ensure coordination with other EU-funded projects in the country.

Communication and Visibility Plan is applicable to all programmatic outputs, including official communication, technical papers, activity agendas and presentations, news/media feeds, and project visibility kits (i.e. banners, folders, notepads, and pens). Information on the Project interventions is readily available through CoE and PGG webpages and media feeds of respective partner and beneficiary institutions.

VIII. KEY DELIVERABLES (publications, etc.)

Major reports and documentation produced with project support:

1. Training Module "Investigation, prosecution and adjudication of money laundering/financing of terrorism cases" (ECCD-PGG-GE-TP-01/2019);
2. Technical Paper "Guidance on Anti-money laundering and counter terrorist financing compliance for the gambling sector" (ECCD-PGGII-GE-TP-02/2019).

List of activities:

1. Training on "Efficient monitoring of public officials' asset declarations and prevention of conflict of interest" (5-6 June 2019) - participants 10: 9M/1F;
2. Training on "Investigation and prosecution of corruption offenses" (11-12 June 2019; Tbilisi, Georgia) - participants 30 (27M/3F);
3. Training on "Anti-money laundering and counter terrorist financing compliance for the gambling sector" (15-16 October 2019) - participants 33: M23/F10
4. Workshop for the discussion of the draft AML/CFT National Risk Assessment Report of Georgia (18 October 2019; Tbilisi, Georgia) - participants 66: 27M/39F;
5. Training on "Investigation and prosecution of terrorist financing cases" (27-28 November 2019) – participants 25: 19M/6F
6. Training on "Corporate Criminal Liability" (18-19 November 2019) – participants 29: 24M/5F;
7. Training on "Corporate Criminal Liability" (17-18 December 2019) – participants 26: 20M/6F