

# PGG II ANNUAL REPORT

## ANNUAL REPORT 2019 - YEAR 1 OF IMPLEMENTATION

### PROJECT INFORMATION

<b>Project reference and title:</b>	EU-JP/2352 - PGG II : 15. Strengthening measures to prevent and combat economic crime in the Eastern Partnership countries
<b>Project type:</b>	Regional
<b>Target country:</b> Ukraine; Republic of Moldova	Georgia; Belarus; Azerbaijan; Armenia;
<b>Project planned starting date:</b>	01/01/2019
<b>Project effective starting date:</b>	01/01/2019
<b>Project duration:</b>	36 months
<b>National partners:</b>	
<b>Target groups and/or final beneficiaries:</b>	Financial Intelligence Units in EaP countries; Criminal Justice Sector in EaP countries; Policy Advise institutions at the central administration level in EaP countries; Members of Parliament and high ranking officials in EaP countries; AML/CFT Supervisory authorities in EaP countries; Specialised anti-corruption bodies in EaP countries
<b>Date of report:</b>	<b>31/12/2019</b>
<b>Project team:</b>	
Project Manager in Council of Europe Headquarters:	Zahra AHMADOVA
Project supervisors:	Igor NEBYVAEV; Mustafa FERATI

## I. EXECUTIVE SUMMARY – OVERALL ASSESSMENT

In line with its overall objective, the PGG II-Regional Project contributed to strengthening capacities of Eastern Partnership countries to fight and prevent economic crime. The consultations with national stakeholders during the project's inception phase confirmed that the regional approach is particularly appropriate for addressing the anti-corruption and anti-money laundering challenges in a transversal manner and supporting countries to reach a level of uniformity. In addition to benefiting from Council of Europe assistance, the countries learn from the good practices of the other countries and the lessons learned in the process of addressing corruption, money-laundering and terrorist financing. All proposed regional activities remain relevant and consequently, no modifications were done to the project workplan.

During the reporting period, the primary focus of the regional interventions was on corruption prevention in relation to Members of Parliament, while also integrating anti money-laundering and financing terrorism actions aimed at enhancing transparency of beneficial ownership and effective implementation of targeted financial sanctions.

**Key areas where progress was made** through the PGG regional interventions in supporting measures to prevent and combat economic crime and ensure progress towards achieving the goals set in the EU 20 Deliverables for 2020 during this reporting period include:

- Operational and strategic capacities of specialised corruption prevention, enforcement and financial intelligence bodies was strengthened, through: a) making available a toolkit which enables institutions to develop and enhance existing parliamentary codes of conduct; and b) improved capacity to implement targeted financial sanctions.

At the regional level the intervention carried five actions. In doing so, the project produced three advisory (technical) papers, and organised two capacity-building workshops.

In total 34 participants, of which 66% were men and 34% were women representing institutions from EaP countries, participated and benefited from the project activities. Full list of individual interventions is provided in Section X.

## II. RESULTS ASSESSMENT

### *Intermediate outcome 1*

#### *Effective measures on prevention of corruption*

Progress was made in providing the parliamentary oversight bodies with a Toolkit on Code of Conduct for the Members of Parliament as a single document – thus helping the beneficiary countries in addressing a frequent recommendation from the [GRECO fourth round evaluations](#). Further, oversight capacities on compliance with rules of conduct for MPs were improved through a regional workshop in which among others the participants had an opportunity to discuss the modalities for the application of the Toolkit on Code of Conduct to country specific contexts. This is an area where only Georgia and Azerbaijan have made progress by putting in place a code of conduct for MPs, according to the GRECO Fourth Round Evaluation. Against this background and expanding upon the regional action, a tailored expertise in this area will be provided to the national authorities in Armenia through the bilateral PGG anti-corruption project in 2020.

#### *Output 1.1.2*

##### *Strengthened controlling mechanisms on conflict of interests*

The Toolkit on Drafting Code of Conduct for Members of Parliament aims to assist the policy makers in developing a code of conduct or augmenting the existing codes. Going beyond, the countries can benefit from the toolkit in the process of developing guidance on managing specific conflict of interest situations. This toolkit and other materials developed previously under the PGG umbrella, including legislative toolkits on lobbying regulation and in conflict of interest, were the key documents used for the discussions in the thematic regional workshop in November 2019, which was attended by parliamentary self-regulatory and external oversight bodies from the EaP region.

### ***Intermediate outcome 3***

#### ***Effective measures on prevention and detection of money laundering/terrorist financing***

During the reporting period, the regional project focused on enhancing effectiveness of measures in two areas which are important pillars in the prevention of money laundering and terrorist financing: implementation of targeted financial sanctions and establishment of beneficial ownership registries. Through a specialised training, seventeen practitioners and policy makers increased knowledge on effective implementation of targeted sanctions related to terrorism and proliferation financing. As an important first step in facilitating the development of beneficial ownership registries, a roadmap was developed for putting in place effective mechanisms to increase transparency and ensuring the availability and accessibility to up-to-date information on their ultimate beneficial owners.

#### ***Output 3.1.2***

##### ***Strengthened the capacities of the Financial Intelligence Units***

The need for effective implementation of targeted financial sanctions in order to deprive terrorist and proliferation financiers of their funds has often been raised in the MONEYVAL evaluation reports. The EaP countries are taking steps to improve compliance and effectiveness in this field, however deficiencies remain. Addressing this need, the regional workshop on effective implementation of targeted financial sanctions in December 2019, contributed to the improvement of the understanding of seventeen practitioners and policy makers from the beneficiary countries on the good practices in identifying and tracing terrorist and proliferation funds, effective national coordination mechanisms, and enforcement of sanctions concerning terrorism and proliferation financing.

#### ***Output 3.1.3***

##### ***Enhanced regulatory framework or/and operational regimes on beneficial ownership***

All countries in the EaP region will be required to introduce registries of beneficial ownership in line with internationally acknowledged regulatory frameworks, as set by the FATF and the EU. The 5th EU AML Directive, introduces the requirement for countries to set up central registers of beneficial ownership containing information on the final owners of legal entities and legal arrangements. Addressing this issue, the regional project developed a technical paper setting out a conceptual and practical roadmap for the implementation and interconnection of ultimate beneficial ownership registers in the EaP countries, based on the advanced practices and regulations in the EU. The technical paper is an input to the upcoming regional workshop in May 2020, where other issues in focus will be data protection and privacy in beneficial ownership disclosure and cross-border exchange of data

### ***Intermediate outcome 4***

#### ***Enhanced (cross border) cooperation and regulatory framework on seizure, confiscation of proceeds from crime***

One of the areas where the PGG regional project seeks to support the EaP countries is recovery of illicitly acquired assets. While traditional confiscation measures appear to be providing limited results, development of non-conviction-based recovery is being explored within the EaP context. In a resolution adopted in 2018, PACE invited all member States of the Council of Europe to provide for non-conviction-based confiscation or similar measures in their national laws, while establishing appropriate safeguards, and adopt successfully tested good practice. These measures are strongly supported as the most realistic way for States to tackle the enormous, and inexorably growing, financial power of organised crime, in order to defend democracy and the rule of law. With this in mind, a paper outlining good international practices was developed, aiming to raise awareness of benefits and challenges of non-conviction based confiscation, as well as the compatibility of such confiscation system with the European Convention on Human Rights.

#### ***Output 4.1.1***

##### ***Reviewed regulatory and institutional framework for seizure, confiscation, management and disposal of proceeds from crime***

The regional project produced a technical paper addressing the key principles and model components to develop robust and procedurally fair non-conviction based recovery regimes compatible with international standards. As the countries are looking into extending their confiscation regimes to non-conviction based confiscation (NCB), its impacts on the rights of an individual spark debate over procedural fairness. Responding to this challenge, the technical paper raises awareness of different

models and touches upon issues of compatibility of a non-conviction based confiscation system with the European Convention on Human Rights. The paper will be made available and disseminated at a subject-matter regional workshop in March 2020. The regional workshop aims to introduce different models of non-conviction based confiscation, and to discuss the benefits and challenges related to the use of such confiscation measures with representatives of the six EaP countries.

### III. CROSS-CUTTING ISSUES

#### - *Gender mainstreaming*

Gender statistics were collected for all events conducted under the Regional project. Of total participants in the project events, 66% were men and 34% were women representing institutions from the Eastern Partnership countries.

### IV. SUSTAINABILITY AND STAKEHOLDERS' OWNERSHIP

### V. COMPLEMENTARITY

Overall, cooperation with the Regional Project coordinating institutions was efficient. Project Focal Points were responsive to activity planning and implementation requests and facilitated communication between the PGG project team and direct beneficiaries.

The project team liaised with international organisations working on the same and similar issues in the EaP countries (e.g. OECD/ACN, OSCE, country specific twining projects) in order to ensure complementarity and avoid overlap. Communication was namely focused on exchange of information on respective activities. This is most pertinent for Armenia and Ukraine which are experiencing increased technical assistance programs in the field. The project team took part in donor coordination groups and continues to exchange information on activities with organisations represented in the EaP countries.

### VI. RISK AND RISK MITIGATION MEASURES

The following risks and mitigation measures at project, human resources and political levels were identified:

- **Project/programme delivery:** (Risk) Given the multiplicity of the countries covered, there is a likelihood of the themes covered by the project to be also targeted through other national donor-funded interventions. (Mitigation measure) The Regional Project's Technical Committee (TC) Meeting as well as other existing coordination platforms within the PGG, including PGG Local TCs for bilateral projects and Local Steering Committee meetings provide a viable channel to raise awareness of the regional activities among stakeholders. Updates in the project work planning and outputs are available through the dedicated website.
- **Human resources:** (Risk) The national institutions nominate participants who do not match the participant profile of the regional events. (Mitigation Measure) The programme and the practical information about the regional events provide clear and specific information on the participant profile, event's aim and expected outcomes to ensure that only those who are subject-matter practitioners and policy makers are nominated.
- **Political:** (Risk) The unstable political situation in some of the Eastern Partnership countries, most recently in the Republic of Moldova and 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. (Mitigation Measure) The Regional Project closely monitors the situation in the EaP countries including through the project teams in the CoE external offices and through frequent communication and coordination with the Regional Project's country focal points.

### VII. COMMUNICATION AND VISIBILITY

Visual identity of PGG Regional Project follows the PGG Communications Strategy, agreed between the European Union and the Council of Europe, and 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).

A project specific Communication and Visibility Plan was developed with the objectives to:

- Improve understanding about the areas of intervention as they relate to implementation of the national and regional priorities in the fight against economic crime 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;
- Foster donor awareness of the project outcomes and ensure coordination with other EU-funded projects in the region.

In line with the Communication and Visibility Plan, the Regional Project carried out visibility actions for its interventions. List of key project documents and information on programmatic events and deliverables (e.g. technical papers) can be found on the webpage of the Council of Europe Economic Crime Cooperation Division and the dedicated webpage to the PGG Regional Project. Lastly, information on PGG Regional Project interventions is readily available within EaP countries through webpages and media feeds of respective partner and beneficiary institutions.

#### **VIII. LESSONS LEARNED AND POSSIBLE FOLLOW-UP**

The implementation the project was fully focused on activity implementation through the regional interventions. Providing EaP countries with tools, best practices, information exchange and networking on a number of relevant topics have been main contribution of the regional project to the on-going country reforms.

A follow-up will be given in 2020 to two outputs produced within the first year of the project – a technical paper on beneficial ownership and a good practices paper on non-conviction based confiscation measures. Dedicated subject-matter regional workshops will be organised to discuss these topics with the EaP practitioners and policy makers in greater detail.

#### **IX. KEY DELIVERABLES (publications, etc.)**

##### **1. Major reports and documentation produced with project support**

- PGG II- Economic Crime Programme Inception Report (ECCD-PGGII-TP-01/2019)
- Toolkit for Drafting Codes of Conduct for Members of Parliament (ECCD-PGGII-REG-TP-02/2019)
- Technical Paper on a practical roadmap for the implementation and interconnection of ultimate beneficial ownership registers (ECCD-PGGII-TP-03/2019)
- Best Practices Paper: The Use of Non-Conviction Based Seizure and Confiscation (ECCD-PGGII-REG-TP-04/2019)

##### **2. List of activities**

- Regional Workshop on Parliamentary Integrity (12-13 November 2019, Vilnius; Number of participants: 11 men/6 women)
- Regional Workshop on Effective Implementation of Targeted Financial Sanctions (9-10 December 2019; Number of participants: 11 men/6 women)