

Partnership for Good Governance
პარტნიორობა კარგი მმართველობისთვის

ევროკავშირი
საქართველოსთვის
The European Union for Georgia



ევროპის საბჭო

FINAL NARRATIVE REPORT

Project on 'Combating money laundering and terrorist financing in Georgia'

1 PROJECT DATA

Project title: 2015/DGI/JP/3256 Combating money laundering and terrorist financing in Georgia (PGG-GE)

Project type: Bilateral

Target country: Georgia

Project duration: 1 January 2015 – 31 December 2017

National partners: *Ministry of Finance (including the Revenue Service, Investigation Service and Accounting, Reporting and Auditing Supervision Service of the Ministry of Finance), Financial Monitoring Service of Georgia (FIU), Chief Prosecutor's Office, State Security Service, Insurance State Supervision Service, National Bank of Georgia, Ministry of Justice (National Agency of Public Registry, Notary Chamber of Georgia), Georgian Bar Association*

MAE implementing the project: Economic Crime and Cooperation Division, Action against Crime Department, DG I.

Project Team	
Field Office - Kyiv	Headquarters - Strasbourg
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2 OVERALL ASSESSMENT

The overall objective of the project “Combating money laundering and terrorist financing in Georgia” (PGG-GE) is to contribute to democracy and the rule of law through prevention and control of money laundering and terrorist financing in Georgia in accordance with European and other international standards.

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

- i) Advice on the aligning anti-money laundering/countering of terrorist financing (AML/CTF) legislation with relevant international standards and good practices;
- ii) Supporting the conduct of national and sectorial risk assessments;
- iii) Strengthening the role of non-financial sector supervisory units;
- iv) Regulation of transparency of beneficial ownership; and
- v) Strengthening capacities of prosecutors, law enforcement entities as well as judges to investigate, prosecute and adjudicate money laundering and terrorist financing cases.

While it is too early to speak about tangible impact of the actions undertaken within the project on “Combating money laundering and terrorist financing in Georgia” it can be noted that following a three year implementation the Georgian authorities have shown a good degree of absorption of the technical assistance and advice provided within the project. Thus it can be said that the project has already achieved results through influencing reform processes and having an initial impact on legislative, policy development and institutional capacity building levels.

Relevant authorities have been advised on the reinforcing of the AML/CFT supervisory and regulatory framework, including on preventive measures for sectors such as insurance, casinos, lawyers, notaries, dealers in precious metals and stones, real estate agents and NPOs.

The project enhanced authorities’ capacities to investigate prosecute and adjudicate money laundering and other economic crime as well as terrorist financing cases. The importance of the project should be emphasized particularly in light of newly adopted international (FATF¹) and European AML/CFT standards² requiring new approaches of the country to many issues in combating money laundering/terrorist financing.

Overall, the project interventions contributed to the legislative processes and institutional capacities in the following areas:

¹ Financial Action Task Force - <http://www.fatf-gafi.org/>

² EU [4th AML Directive](#)

- i) The project provided a **legal opinion** with recommendations for amendments to the draft **Law of Georgia on “Facilitating the prevention of money laundering and terrorism financing”**. The opinion analyses the compliance of the draft law against international standards³ and provides recommendations for strengthening the draft legislation based on the identified gaps and shortcomings. As the law is still at a draft stage it is not possible to discuss the level of intake of recommendations, though initial feedback is positive.
- ii) The project provided **technical papers on specific aspects of the national AML/CFT legal framework** relating to non-profit organizations (NPOs), dealers of precious metals and stones (DPMSs), gambling/casinos, cash couriers, leasing;
- iii) In an advisory role, the project provided support and recommendations to the members of the AML/CFT Interagency Council in the development of “Anti-Money Laundering/Countering Financing of Terrorism National Risk Assessment (NRA) Report”;
- iv) Around 200 representatives of criminal justice institutions benefited from capacity building activities aiming to enhance the institutional capacities to investigate, prosecute and adjudicate corporate crimes, money laundering, terrorist financing and other forms of economic crimes.
- v) With the purpose of reinforcing the impact of trainings, the law enforcement agencies were equipped with bespoke manuals on “**Liability of the legal persons**” and on “**Investigation and prosecution of money laundering/terrorist financing cases in Georgia**”;
- vi) Tailored trainings on AML/CFT compliance requirements boosted knowledge of AML/CFT supervisory entities and reporting entities on Customer Due Diligence (CDD), Risk Based Approach (RBA), Politically Exposed Persons (PEPs), and reporting obligations;
- vii) AML/CFT supervisory and monitoring entities fostered their understanding of international standards and good practices, and received recommendations for an effective regime for transparency of beneficial ownership in relation to legal persons and legal arrangements.
- viii) Established a pool of 23 trainers from the legal professions, capable of replicating sector specific trainings as delivered by the project. Thus ensuring long term sustainability of the input by the project.

³ These standards include the: 2012 FATF Recommendations; the 4th EU AML directive; Council of Europe’s Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (CETS 198);and relevant UNSC Resolutions.

During the three-year implementation period, the PGG Georgia project carried out 28 actions, thereby completing 98% of the planned project interventions for a three year period. In doing so, the project produced 11 technical papers, and organised 19 events including capacity-building workshops, seminars and conferences. In total 538 participants, of which 65% were men and 35% were women representing Georgian institutions benefited from these activities.

3 ASSESSMENT OF PROJECT RESULTS

3.1 Achievements of project outcomes and expected results

3.1.1 ER1 – Legislative proposals available to make Georgian legislation and sub-legal acts compliant with the applicable European and international standards

The PGG Project provided the Georgian authorities with four sets of analysis and recommendations to enhance national anti-money laundering/counter terrorist financing legislation in line with applicable European and international standards. The recommendations for AML/CFT mechanisms related to the following sectors under Georgian legislation: (i) non-profit organizations; (ii) financial leasing companies, casinos, gambling institutions, and cash couriers under Georgian legislation; (iii) dealers in precious metals and stones; and (iv) A legal opinion was provided on the Draft law of Georgia on “Facilitating the prevention of money laundering and terrorist financing”.

Expected result 1: Legislative proposals available to make Georgian legislation and sub-legal acts compliant with the applicable European and international standards
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Status (fully achieved, partially achieved, not achieved) - <i>Fully achieved</i>
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Description (based on evidence/feedback/evaluation sources)
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Pursuant to request of the Georgian Ministry of Finance, authorities were provided with the analysis of existing legislation concerning regulation of the non-profit sector and leasing, casinos, and gambling institutions and advice on necessary improvements that would bring the legislation in line with relevant standards and good practices. Recommendations provided were considered during the development of set of legislative amendments by the Georgian Revenue Service.

Additionally, beneficiaries were provided with an outline of standards and good practices on regulating dealers in precious metals and stones (DPMSs), a sector currently not regulated, and recommended solutions for Georgia.

In 2017, the project provided the Financial Monitoring Service of Georgia with an assessment of the Draft Law on “Facilitating the prevention of money laundering and

terrorist financing” to ensure its compliance with the relevant international standards (FATF Recommendations, 4th EU AML Directive, CoE Standards, etc.). The assessment identified shortcomings and provided a number of recommendations to strengthen the proposed draft law in compliance with the applicable international standards.

Overall, technical assistance provided under this ER is expected to enhance legislative framework in Georgia in view of the MONEYVAL 5th round assessment planned in 2019.

Outcome indicator(s) under ER1:

- Level of progress in bringing the Georgian anti-money laundering legislation in line with applicable international standards.

Status (fully achieved, partially achieved, not achieved)- *Fully achieved*

Description (based on evidence/feedback/evaluation sources)

Objectives under ER1 have been fully achieved through advice to the Georgian authorities on areas for improvement, and provision of recommendations for further reform of the AML/CFT regime in Georgia.

The findings in the technical papers also provide a basis for updating the national AML/CFT Strategy and Action Plan of Georgia, thus contributing to building a solid AML/CFT legal and institutional regime of the country.

3.1.2 ER2 – Risks of money laundering/terrorism financing at the national and sectorial level are understood and mitigating measures are elaborated

Through this ER, the Project has supported Georgia in launching its first AML/CFT National Risk Assessment (NRA) in 2015, to implement measures that mitigate AML/CFT risks. Technical assistance was provided in close cooperation with the AML/CFT Interagency Council of Georgia, a body in-charge of implementation of the National AML/CFT Strategy and its Working Group⁴. The activities focussed on provision of advice on NRA methodology in 2015, and in successive years of project implementation progressed into supporting domestic institutions with data gathering and analysis.

Expected result 2: Risks of money laundering/terrorism financing at the national and sectorial level are understood and mitigating measures are elaborated

Status (fully achieved, partially achieved, not achieved)- *Partially achieved*

⁴ AML/CFT Interagency Council of Georgia and its Working Group

Description (based on evidence/feedback/evaluation sources)

In October 2015, Georgia began the process of developing the National AML/CFT Risk Assessment (NRA) with PGG-GE support. At the onset of the process, the Project informed the representatives of the inter-agency NRA Working Group about the NRA process and methodology, sources of data, required and expected input from various institutions, and lessons learned from experiences of other countries.

Pursuant to recommendations provided by PGG-GE, Georgian authorities in 2016 and 2017 focused on gathering and analysing data at the national level. In order to ensure high level political support to the process, a high-level workshop to discuss the NRA and requirements for harmonizing legislation and practices with international standards, as outlined in MONEYVAL reports, was held with the Georgian Interagency Council for the Development and Coordination of Implementation of the Strategy and Action Plan for Combating Money Laundering and Terrorism Financing. The initiative resulted in heightened awareness of high-level government representatives on the importance of open inter-agency cooperation and communication for the NRA process and faster inter-agency communication regarding the NRA. To steer and advance the data collection and analysis, the Project provided expert assessment outlining needs and parameters of additional data gathering in 2017. The risk assessment report is expected in 2018.

Outcome indicator(s) under ER2:

- Level of implementation of the national anti-money laundering and terrorism financing strategy and action plan; Level of progress in finalisation of National AML/CFT Risk Assessment process

Status (fully achieved, partially achieved, not achieved)– *Partially achieved*

Description (based on evidence/feedback/evaluation sources)

During the implementation period, the project made significant progress in developing the NRA outline including collection of relevant quantitative and qualitative data on sectorial and national AML/CFT threats, vulnerabilities and consequences, conducting related on-site meetings and workshops, developing a technical paper and recommendations.

The NRA was expected to be completed in 2017, however, certain political developments, notably frequent changes of senior officials at key institutions, resulted with difficulties in institutional coordination, were a major factor in delaying the finalization of the report in 2017.

3.1.3 ER3 – The supervisory and regulatory framework of preventative measures is reinforced for the sectors of insurance, casinos, lawyers, notaries, dealers in precious metals and stones, real estate agents and NPOs; beneficial ownership and transparency of legal persons is enhanced

The PGG project provided capacity building trainings and advisory support to the national AML/CFT regulatory and supervisory institutions, and AML/CFT reporting entities. A total of **146 representatives** of reporting entities in targeted sectors **benefited from discussions in 5 workshops** and increased their understanding of compliance requirements according to international standards and Georgian legislation.

AML/CFT supervisory authorities gained knowledge on international standards and good practices for effective AML/CFT supervision, and on Transparency of Beneficial Ownership through a joint session involving monitoring entities. The workshops were supplemented with provision of technical guides on transparency of beneficial ownership; AML/CFT compliance for commercial banks; and training modules for insurance sector and legal profession.

Expected result 3: The supervisory and regulatory framework of preventative measures is reinforced for the sectors of insurance, casinos, lawyers, notaries, dealers in precious metals and stones, real estate agents and NPOs; beneficial ownership and transparency of legal persons is enhanced

Status (fully achieved, partially achieved, not achieved) – Fully achieved

Description (based on evidence/feedback/evaluation sources)

With support from PGG-GE, beneficiary institutions developed internal guidelines and practices in line with international standards and good practices. Accordingly, representatives of the insurance sector, the legal profession, and supervisory bodies covering all the sectors have been equipped with knowledge of relevant international standards and good supervision practices, including ways to conduct risk-based assessments of the respective sectors and develop adequate mitigation measures. The insurance sector and the legal professionals sector have also been equipped with training modules and **a pool of national trainers in the legal professions (consisting of 23 trainers)** capable of replicating sector specific trainings.

AML/CFT supervisory and monitoring entities received training on international standards and good practices and guidance on possible solutions for establishing an effective regime for transparency of beneficial ownership in relation to legal persons and legal arrangements.

Outcome indicator(s) under ER 3:

- Level of compliance of reporting entities with AML/CFT requirements.

Status (fully achieved, partially achieved, not achieved)– *Fully achieved*

Description (based on evidence/feedback/evaluation sources)

Activities under ER3 have been fully delivered. The project provided trainings for monitoring entities (financial and non-financial) and their supervisory bodies.

The awareness of representatives of monitoring entities and supervisory institutions on recent AML/CFT requirements and best practices as well as their capacity to apply national AML/CFT requirements is enhanced.

3.1.4 ER4 – Capacities of authorities to investigate prosecute and adjudicate money laundering and economic crime cases are enhanced

Under ER4, the PGG project increased capacities of law enforcement agencies, prosecutors and judiciary to detect, investigate and prosecute money laundering/terrorist financing (ML/FT) offences and to discuss effective mechanisms for confiscation of proceeds of crime. Tailored trainings supported capacity building of customs authorities and judges. The set of trainings on corporate liability and a manual on the topic analysed in-depth the different approaches to regulating corporate liability in common law and civil law countries, Georgian practice and challenges that beneficiaries face on gathering evidence and dealing with pre-trial and trial issues.

Expected result 4: Capacities of authorities to investigate, prosecute and adjudicate money laundering and economic crime cases are enhanced

Status (fully achieved, partially achieved, not achieved)– *Fully achieved*

Description (based on evidence/feedback/evaluation sources)

Capacities of criminal justice and law enforcement officials to investigate, prosecute and adjudicate complex economic crime were enhanced through specialised trainings.

A total of **173 representatives of the prosecution service and law enforcement agencies** benefited from trainings on investigating and prosecuting legal entities for economic crimes; terrorist financing cases; and money laundering offences.

In addition to the above, representatives of the prosecution service and law enforcement agencies improved their knowledge and skills regarding asset tracing, seizure, and forfeiture through a specialised course provided under PGG-GE. The Georgian General Prosecutor's

Office was provided with (a) a manual on prosecution of legal entities in handling corporate crime cases (to be used by all prosecutors nation-wide); and (b) manual on investigating and prosecuting money laundering/financing of terrorism cases in Georgia.

Additionally, through a specialised course developed jointly with the High School of Justice, **16 judges were trained** on the complexity of the issues considered **in money laundering and terrorist financing cases**, including layering and placement typologies and use of circumstantial evidence in the absence of direct evidence.

For the purpose of improving money laundering investigations and cash seizure in Georgia, **36 representatives of customs authorities** were trained on the cash based money laundering, cash smuggling, and use of cash in terrorist financing cases.

Outcome indicators under ER4:

- Level and frequency of use of practical knowledge and tools by law enforcement agencies when dealing with investigation and prosecution of money laundering and terrorist financing cases;
- Number of money laundering related cash seizures by customs authorities.

Status (fully achieved, partially achieved, not achieved)– Fully achieved

Description (based on evidence/feedback/evaluation sources)

Activities under ER4 have been fully delivered. National criminal justice authorities developed skills and capacities to successfully investigate and prosecute corporate money-laundering. For the first time, Georgian prosecutors, investigators, and financial analysts were provided practical guidance on possible strategies and tools to be used for investigating and prosecuting corporate money laundering pursuant to Georgian legislation and comparative good practices.

Specific values for outcome indicators will become available through progress made in statistical data collection for the National Risk Assessment.

3.2 Mainstreaming and cross-cutting issues

During the implementation period (2015-2017), PGG-GE involved a total of 538 participants in all activities. Woman made up 35% of all participants.

Due to the specificity of the project expected results, project beneficiaries involved only state authorities, AML/CFT reporting entities (financial institutions/DNFBPs) and their supervisory/regulatory institutions defined as such under the AML/CFT Law of Georgia.

4 PROJECT GOVERNANCE AND CO-ORDINATION

4.1 Complementarity and co-operation

In line with its expected results, the project provided multifaceted activities at all levels. The project engaged international experts - independent consultants as well as representatives of public authorities from the EU. The engaged experts worked in close cooperation with Georgian beneficiaries in order to develop training materials/curricula, technical papers, guidelines fully based on Georgian reality, legal and institutional framework.

The project had close cooperation with the EU Delegation to Georgia by exchanging regularly information on on-going or upcoming activities. The project maintained close relations with national stakeholders. In order to avoid duplication as well as to respond to the current needs of beneficiaries each activity has been discussed and tailored with the relevant national representatives. As the PGG-GE is the first project ever in Georgia on AML/CFT issues, the possibility of overlapping was almost absent. However, project team always tried to be updated on on-going projects delivered in the country by other international organizations in the area of organized crime and corruption.

4.2 Communication and visibility

Visual identity of PGG Georgia 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).

The PGG-Regional Project paid particular attention to visibility of its interventions. List of key project documents and information on programmatic events and deliverables (e.g. technical papers on reviewed legislation) can be found on the [webpage](#) of the Council of Europe Economic Crime Cooperation Division and the dedicated [webpage](#) to the PGG-Georgia Project. A promotional [clip](#) on PGG project interventions in Georgia was developed in 2015.

Lastly, information on PGG Georgia Project interventions are readily available within EaP countries through webpages and media feeds of respective partner and beneficiary institutions.

4.3 Challenges, lessons learned and possible follow-up

Main challenges during the implementation of the project appeared to be political developments such as frequent changes of senior officials in beneficiary institutions, complicating the coordination efforts. This had significant impact on finalisation of the NRA by the end of 2017.

With assistance from the PGG-GE Project, the Georgian authorities have made progress on some of the issues identified in the 2012 MONEYVAL Mutual Evaluation Report on Georgia and National AML/CFT Strategy and Action Plan 2014-2017. Further substantive support is required to prepare for the forthcoming MONEYVAL Evaluation in 2019 against 2012 FATF Recommendations and the EU Fourth Anti-Money Laundering Directive. Process of developing for the first time the National AML/CFT Risk Assessment (NRA), launched with support from the Project, has not yet concluded and technical assistance in this area will continue under the project's no-extension in 2018.

5 ANNEX

5.1 Major reports and documentation produced with project support

- 1) Technical Paper on: National risk assessment preparation process in Georgia (ECCU-PCF-GE-1/2015)
- 2) Technical Paper on: Anti-money laundering/counter terrorist financing mechanisms for non-profit organizations under Georgian legislation (ECCU-PCF-GE-2/2016)
- 3) Technical Paper on: Anti-money laundering/counter terrorist financing mechanisms for financial leasing companies, casinos and gambling institutions, and cash couriers under Georgian legislation (ECCU-PCF-GE-3/2016)
- 4) Technical paper on: Good Practices in regulating the Dealers in Precious Metals and Stones Sector with Recommendations on legislative options for Georgia (ECCU-PCF-GE-4/2016)
- 5) Technical Paper on: Technical comments on the Draft Manual on Corporate Liability for Prosecutors in Georgia (ECCD-PCF-GE-5/2016)
- 6) Guidance on International Standards and Good Practice on Transparency of Beneficial Ownership (ECCD-PGG-GE-1/2017)
- 7) Technical Paper on: National Risk Assessment Data gathered by Georgian authorities: Needs and parameters of additional data gathering (ECCD-PGG-GE-2/2017)
- 8) Technical Paper on: Investigating and prosecuting of money laundering/financing of Terrorism (ML/FT) cases in Georgia (ECCD-PGG-GE-3/2017)
- 9) Technical paper on: Anti money laundering/countering of financing of terrorism compliance for commercial banks (ECCD-PGG-GE-4/2017)
- 10) Manual on Liability of the legal person (ECCD-PGG-GE-5/2017)
- 11) Legal Opinion: Review of the raft law of Georgia on “Facilitating the prevention of money laundering and terrorism financing” (ECCD-PGG-GE-6/2017)

5.2 List of activities (title of the activity, dates and location)

- 1) **International Conference on Combating money laundering and terrorist financing**
(launching event)
15 September, 2015, Tbilisi, Georgia
Number of participants: 69; Female/Male participants: 18/51
- 2) **Workshop on National money laundering and terrorist financing risk assessment**
20-21 October, 2015, Tbilisi, Georgia

Number of participants: 22; Female/Male participants: 5/17

- 3) **Training on “Investigation and prosecution of legal entities for economic crimes**
16-17 November 2015, Tbilisi, Georgia
Number of participants: 20; Female/Male participants: 4/16
- 4) **Anti-money laundering/countering of terrorist financing training for judges**
18-19 February, 2016, Tbilisi, Georgia
Number of participants: 16; Female/Male participants: 10/6
- 5) **Training for insurance sector on Combating money laundering and terrorist financing**
31 March-1 April, Tbilisi, Georgia
Number of participants: 28; Female/Male participants: 18/10
- 6) **First Project Steering Committee Meeting**
11 April, 2016, Tbilisi, Georgia
Number of participants: 20; Female/Male participants: 11/9
- 7) **Workshop on manual on corporate liability in Georgia: Investigation and prosecution of corruption offenses**
12 April, 2016, Tbilisi, Georgia
Number of participants: 38; Female/Male participants: 6/32
- 8) **Workshop for the AML/CFT Inter-Agency Council on Combating Money Laundering and Terrorist Financing in Georgia**
6 June, 2016, Tbilisi, Georgia
Number of participants: 37; Female/Male participants: 8/29
- 9) **AML/CFT Training for Georgian Supervisory Authorities**
16-17 June, 2016, Tbilisi, Georgia
Number of participants: 10; Female/Male participants: 6/10
- 10) **Training on Investigation and prosecution of legal entities for economic crimes**
8-9 September, 2016, Tbilisi, Georgia
Number of participants: 25; Female/Male participants: 5/20
- 11) **AML/CFT Training of Trainers (TOT) for legal professionals**
1 November, 2016, Tbilisi, Georgia
Number of participants: 23; Female/Male participants: 10/13
- 12) **Training on Confiscation and asset recovery tools and procedures and best practice**
7-8 November, 2016, Tbilisi, Georgia
Number of participants: 33; Female/Male participants: 5/28

- 13) **Training on Beneficial ownership: transparency of legal persons and legal arrangements**
17-18 January, 2017 Tbilisi, Georgia
Number of participants: 33; Female/Male participants: 5/28
- 14) **Training on AML/CFT Compliance for Accountants and Auditors**
27-28 February, 2017 Tbilisi, Georgia
Number of participants: 33; Female/Male participants: 17/15
- 15) **Training on Investigation and prosecution of terrorist financing cases**
17 March, 2017 Tbilisi, Georgia
Number of participants: 29; Female/Male participants: 10/19
- 16) **Workshop for the development of national money laundering and terrorist financing risk assessment (NRA) of Georgia**
19 May, 2017 Tbilisi, Georgia
Number of participants: 23; Female/Male participants: 7/16
- 17) **Training on Investigation and prosecution of money laundering offences and seizure of proceeds of crime**
1-2 June, 2017, Tbilisi, Georgia
Number of participants: 20; Female/Male participants: 8/12
- 18) **Training on AML/CFT compliance for commercial banks**
14-15 September, 2017, Tbilisi, Georgia
Number of participants: 29; Female/Male participants: 22/7
- 19) **Training on Cash and money laundering**
3-4 October, 2017
Number of participants: 36; Female/Male participants: 7/29