



Completion Report

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Technical Assistance Number: 8515
August 2016

Papua New Guinea: Supporting Anti-Money Laundering and Combatting the Financing of Terrorism in Papua New Guinea

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TA Number, Country, and Name:		Amount Approved: \$225,000	
TA 8515-PNG: Supporting Anti-Money Laundering and Combatting the Financing of Terrorism in Papua New Guinea		Revised Amount: None	
Executing Agency: ADB	Source of Funding: TASF- Others	Amount Undisbursed: \$44,391.45	Amount Utilized: \$180,608.55
TA Approval Date: 14 November 2013	TA Signing Date: 30 April 2014	Fielding of First Consultant: 30 April 2014	TA Completion Date Original: 30 June 2015 Actual: 30 June 2015 Account Closing Date Actual: 01 December 2015 Original: 30 June 2015
<p>Description</p> <p>On 8 October 2013, the Papua New Guinea (PNG) Government formally requested Asian Development Bank (ADB) assistance to support the authorities' efforts to comply with the Revised Standards for Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT) adopted in 2012 by the Financial Action Task Force (FATF) and the Asia-Pacific Group on Anti-Money Laundering (APG). In 2011, the PNG Government's implementation of the standard recommendations was peer reviewed and the country was found to be non-compliant with 14 of the recommendations. As a result of these deficiencies, PNG was 'grey listed' by the FATF and APG in February 2014, which involved being publicly identified as a jurisdiction with strategic AML/CFT deficiencies. Following this 'grey-listing' the PNG Government was required to sign up to a Public Action Plan and was given 18 months to rectify the deficiencies with its AML/CFT regime by implementing all Public Action Plan items. Failure to do so would have resulted in PNG being 'black-listed' and could have encountered significant negative effects on trade and investment. Investors and traders in PNG would have faced difficulties in transferring payments through the banking system.</p> <p>The PNG Government took significant high level commitment to address its AML/CFT deficiencies. The Committee developed a roadmap for timely addressing the AML/CFT deficiencies and ensuring PNG is removed from the 'grey list'. The PNG Government identified a lack of specialized technical knowledge required to convert AML/CFT policies into legislation that is fully compliant with the FATF and APG standards as being the key constraints for the AML/CFT efforts. The legislative drafting technical assistance would complement work proposed to be undertaken by the Office of the General Counsel (OGC) on providing technical assistance to support the preparation of the national risk assessments. Moreover, the technical assistance was developed in close collaboration with the Australian Government who also supported PNG Government's efforts to address AML/CFT deficiencies.</p> <p>Expected Impact, Outcome, and Outputs</p> <p>The impact of the TA was to reduce vulnerability to transnational financial crime and money-laundering risks in PNG. The expected outcome was to strengthen legislative framework to combat transnational financial crime and to comply with FATF and APG Standards. The TA was expected to produce the following outputs: (1) advice on draft AML/CFT criminalization bill, (2) draft proceeds of Crime Act, (3) draft AML/CFT Regulation Act, (4) draft CFT Listing and Freezing Act, and (5) increase stakeholder understanding of new legislation, regulations, institutional arrangements and enforcement mechanisms.</p> <p>Delivery of Inputs and Conduct of Activities</p> <p>The TA was well-prepared and the terms of reference (TOR) for consultants was clear, comprehensive, and specific. The TOR included guidance for the consultants in undertaking the tasks and outlined the technical approaches to be followed. Officials from the DJAG provided comprehensive drafting instructions for each component of legislation to the consultant. These drafting instructions were prepared with the assistance of the Australian Government's anti-money laundering technical assistance team already working within DJAG. The instructions took account of consultations with key agencies responsible for implementing the legalisation on a day to day basis. This included the Bank of PNG as the leading regulator of financial institutions, the Police and Customs Departments and those who will interpret the legalisation, namely the Courts. The instructions also reflected domestic policies of PNG with regard to implementation of the FATF standards and of the current inter-related domestic legislative framework and the development of the financial services.</p> <p>One consultant was hired for 7.5 person months to complete all of the required legislative drafting in the stipulated time frames. The outputs included the preparation of the AML/CFT Act; the Proceeds of Crime Act (asset confiscation); The Criminal Code Amendment Bill; the Financial Sanctions Bill; and the Cash Courier Draft Bill. The consultant was able to work effectively with a small legislative drafting team and was flexible with changing circumstances. The performance of the consultant was rated satisfactory in delivering the TA outputs.</p> <p>The client expressed satisfaction with the inputs and activities in addressing AML-CFT deficiencies in PNG. Both ADB and DJAG played an effective role in closely monitoring the deliverables and maintaining regular</p>			

communications to timely resolve the issues. The performance of ADB and the executing agency is rated satisfactory.

Evaluation of Outputs and Achievement of Outcome

The expected outputs of the TA were all achieved satisfactorily. The project met all its timelines and milestones and undertook final comprehensive (line by line) review of the draft Acts/Bills. The consultant was able to liaise effectively across various stakeholders to complete the outputs of the TA. This included the preparation of the AML/CFT Act; the Proceeds of Crime Act (asset confiscation); The Criminal Code Amendment Bill; the Financial Sanctions Bill; and the Cash Courier Draft Bill. These Bills were approved by the Parliament on 30th July 2015 and were published in the gazette on the 4th February 2016. All of the required legislative drafting was achieved within the stipulated time frames, which in turn strengthened PNG's legislative framework to combat transnational financial crime and comply with global and regional standards. In addition to assisting the PNG authorities to prepare the draft legislation, the project also enabled a number of subsidiary benefits. For instance, the development of a cadre of "experts" in FATF AML/CFT standards within the DJAG who now have a comprehensive knowledge of regulatory policy and the laws that have been developed and the practical challenges of implementation and who can pass on this knowledge to other domestic stakeholders.

The TA achieved the expected outcome of strengthening the legislative framework to combat transnational financial crime and to comply with FATF and APG Standards. In recognition of the improvements made to PNG's AML/CFT legislation and the implementation of enhanced regulatory standards, PNG was successfully removed from the FATF "grey-list" at the plenary meeting of the FATF in Busan held on the 22–24 June 2016. In comments made by the FATF Regional Review Group, it was indicated that PNG has shown, 'unprecedented reform and commitment of the highest standard to strengthening its AML/CFT systems and ensuring action is taken to prevent money laundering and terrorist financing in PNG'.

Additionally, it was acknowledged by the FATF in its final assessment prior to delisting, the considerable resources PNG devoted to the preparation of national and supporting implementation plans and procedures in anticipation of the new AML/CTF legislation coming into force and, ensuing implementation activities. This was to ensure that not only were its AML/CTF systems strengthened but that there is comprehensive understanding across all sectors, of the reforms resulting in the effective operation of the system. The Government has established the Financial Analysis and Supervision Unit (FASU) at the Bank of PNG, which also acts as a secretariat to the committee responsible for monitoring and enforcing rules on AML/CFT. FASU is actively increasing its global network with similar organizations, which in turn will help better monitor AML/CFT issues. The establishment of FASU and its effective functioning will contribute to the sustainability of the outcomes of the TA.

Overall Assessment and Rating:

The TA was highly relevant and effective in assisting PNG address the AML/CFT deficiencies, and was consistent with ADB's Midterm Review of Strategy 2020, Financial Operations Plan and the Pacific Approach. The TA achieved its outcomes of strengthening the legislative framework on AML/CTF and complying with FATF and APG standards. The legal and institutional reforms undertaken by PNG means that the outcomes are likely to be sustainable. The TA is rated highly successful.

Major Lessons:

Preparatory work done by DJAG prior to the consultant's mobilization allowed for large body of new legislation to be completed in a relatively short time frame. Effective coordination between the ADB, DJAG and Australian assistance meant a relatively small amount of financial resources was able to produce significant outputs in a short time.

Recommendations and Follow-Up Actions

PNG will now need to prepare the National Risk Assessment (NRA) for the next round of monitoring scheduled in 2018. OGC will provide technical assistance to FASU to prepare the NRA. It is recommended that OGC continue to work closely with BPNG and Australia, which will provide capacity building support, to ensure that the various efforts are coordinated.

AML/CFT = Anti-Money Laundering and Combatting the Financing of Terrorism; APG = Asia-Pacific Group; BPNG = Bank of PNG; DJAG = Department of Justice and Attorney General; FATF = Financial Action Task Force; OGC = Office of the General Counsel; TOR = Terms of Reference; PNG = Papua New Guinea; ADB = Asian Development Bank; FASU = Financial Analysis and Supervision Unit; NRA = National Risk Assessment; TA = technical assistance.

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