

TECHNICAL ASSISTANCE COMPLETION REPORT¹

Division: SEFM

TA No. Country and Name			Amount Approved: \$400,000	
TA 4601-PHI: Strengthening the Anti-Money Laundering Regime (Phase II)			Revised Amount: n/a	
Executing Agency:		Source of Funding:	Amount Undisbursed:	Amount Utilized:
Anti-Money Laundering Council		Cooperation Fund for Regional Trade and Financial Security Initiative	\$58,882	\$341,118
TA Approval Date:	TA Signing Date:	Fielding of First Consultants:	TA Completion Date	
24 Jun 2005	1 Jul 2005	15 Sep 2005	Original: 30 Jun 2006	Actual: 31 Dec 2007
			Account Closing Date	
			Original: 30 Jun 2006	Actual: 24 Apr 2008
<p>Description. The Philippines was removed from the Financial Action Task Force's (FATF) list of non-cooperative countries and territories (NCCT) with respect to anti-money laundering (AML) in February 2005 following substantial progress in establishment of its AML regime.² Continuity of support over the medium-term, however, was needed to allow for development of nascent institutions and inter-institutional frameworks and support effective implementation of the AML regime. The TA supported Government efforts in this regard with a view to helping address fundamental governance and security issues affecting the investment climate and providing needed continuity of support for work begun under TA 3847-PHI: Strengthening the AML Regime.</p> <p>Expected Impact, Outcome and Outputs. The TA aimed to support effective implementation of the AML regime through strengthening of the institutional framework for AML. At the time of TA processing, the Philippines had made significant progress in some aspects of implementation, such as reporting of high value transactions by financial institutions, but significant impediments remained as suggested by lack of convictions on AML-related cases. For overall implementation to be effective, it was important for issues to be identified and addressed in a systematic rather than piecemeal fashion.</p> <p>Towards this end, the TA sought to achieve a number of key outputs—among which was conduct of a process mapping exercise to allow for systematic identification and addressing of issues impeding implementation. The TA also aimed to provide support for: (i) strengthening compliance with suspicious transaction reporting requirements, (ii) strengthening the legal framework, (iii) capacity development, and (iv) strengthening international cooperation.</p> <p>TA objectives supported addressing of core priorities identified under the <i>Country Strategy and Program</i>³ and its design reflects close consultation with stakeholders, including development partners active in this area. Formulation of the TA and its terms of reference were generally adequate with objectives and deliverables being relevant to addressing of identified issues as well as achievable.</p> <p>Delivery of Inputs and Conduct of Activities. The TA emphasized use of local resources and stakeholder inputs in the conduct of its activities with a view to promoting capacity development, ownership, and relevance, as well as allowing for cost effectiveness.</p> <p>Training initiatives supported under the TA made use, where possible, of staff expertise and experience that had been building within the financial intelligence unit (FIU) as well as other agencies with AML-related responsibilities—complemented, where appropriate, by locally-based resource persons from other development partners active in this area.⁴ This approach proved not only cost effective, but also valuable in fitting training to local needs, developing skills and confidence of FIU staff, and in establishing a wide and effective network of working relationships between FIU staff and their counterparts from institutions participating in the training.</p> <p>The process mapping exercise was conducted mainly using consultants drawn from local universities. Their inputs, however, were limited to production of discussion drafts of the process map. These provided the basis for a series of workshops where issues related to AML implementation were discussed and further refined by representatives from</p>				

¹ In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

² FATF is the principal international body concerned with money laundering issues. Placement of the Philippines on its NCCT list negatively affected the country's credit rating and carried with it the threat of countermeasures.

³ i.e. weak investment climate.

⁴ e.g. Australian Federal Police and US Treasury and Justice Departments.

stakeholder institutions. Agency-specific action plans to address issues were then developed and proposed directly by stakeholders who also consequently assumed responsibility for implementation.

Two outputs, originally targeted under the TA, were dropped during implementation due to changed circumstances and client needs. Support for strengthening compliance with suspicious transaction reporting requirements was not pursued as submission of such reports increased markedly early in the course of TA implementation due to the impact of stricter enforcement by supervisory authorities as well as realization of relevant capacity in reporting institutions. Likewise, while the Government had originally requested support for strengthening of the legal framework, it reconsidered this during implementation out of recognition that while there were deficiencies in the AML law, it was workable; whereas opening the law to amendment risked weakening it due to opposition from vested interests represented in the legislature. The Government then chose to adopt a conservative but practical approach and focus its efforts on achieving effective implementation of the existing legal framework.

Performance of consultants engaged under the TA is rated as satisfactory. Delivery of inputs and conduct of activities as reflected above was generally competent as well as cost effective, and in some cases such as the development of training material for small nonbank financial institutions, notably innovative in approach.⁵ The executing agency (EA) and other stakeholders considered quality of inputs provided to be generally satisfactory.

ADB's performance is rated as satisfactory. TA design was relevant to identified needs at the time of processing, and implementation was timely as well as flexible in response to changing circumstances and client needs. The approach taken of emphasizing use of local resources proved not just cost effective, but also effective and practical as a means of strengthening capacity development, ownership, and relevance.

The EA's performance is rated as highly satisfactory. The Anti-Money Laundering Council (AMLC) and its secretariat were actively involved in the implementation of the TA. Secretariat staff served as a key resource in the design and conduct of capacity development and other activities supported under the TA; while clear signaling of support to stakeholders by AMLC's senior leadership for the process mapping exercise proved instrumental to the marked success of that initiative.

Evaluation of Outputs and Achievement of Outcome. As noted earlier, of the five outputs originally targeted by the TA, two were dropped due to changed circumstances and client needs. The remaining three, however, were all successfully accomplished—often significantly exceeding original expectations.

The process mapping exercise was crucial in helping to systematically identify and address existing weaknesses in the institutional framework for AML. It brought together the wide and often disparate range of stakeholders involved in implementation of the AML regime, providing them with a common forum to allow for joint identification of issues and the reaching of agreement on measures needed to address these. Workshops, under the exercise, actively engaged a wide range of stakeholders from both public and private sectors with keynotes being given by the Chief Justice of the Supreme Court as well as the Central Bank Governor.⁶ These culminated in the development of agency-specific action plans to address identified issues. Progress on implementation of these plans (monitored by the FIU) has been notable and sustained well beyond completion of TA-supported activities. The exercise was widely appreciated by stakeholders and proved particularly valuable in establishing ownership of needed reforms and improving interagency coordination.

The scope and impact of capacity development activities under the TA also turned out to be greater than expected due to effective use of locally-available resources. This approach allowed training to be both well-tailored to local issues and audiences and remarkably cost-effective. As a consequence, the TA was able to provide targeted training involving a range of specialized subject matter for close to a thousand participants across the country. Support was also provided for the successful development of computer-based training materials and the establishment of locally-based training programs (previously unavailable) in areas such as forensic accounting.

Finally, the TA provided support for strengthening international cooperation on AML related issues including provision of guidance from neighboring jurisdictions with well-developed AML regimes (e.g. Malaysia). Stakeholders found advice provided to be relevant as well as highly practical particularly with respect to better understanding and addressing FATF concerns.

The TA achieved its objective of helping strengthen the institutional framework for AML in the Philippines. The process mapping exercise proved instrumental towards systematically identifying and addressing weaknesses in the AML regime, while training initiatives supported by the TA added significantly to the establishment of capacity needed for effective implementation, and strong working relationships between AML authorities in the Philippines

⁵ The materials adopt an engaging story-telling approach and make use of both interactive video and a comic book medium.

⁶ There were some two dozen government agencies and industry associations represented with roughly a hundred participants in each of the main stakeholder workshops.

and other jurisdictions were developed with support from the TA.

It should be emphasized that the TA built on work begun under TA 3847-PHI and provided continuity of support over the medium term that was crucial to allow for effective development of nascent institutions and inter-institutional frameworks. While support from the TA was only one of many contributing factors, it should be noted that the AML regime in the Philippines has now achieved a level of maturity that would have been difficult to imagine less than five years ago when the country was on FATF's NCCT list and faced with the prospect of countermeasures.

International recognition of this progress is reflected in a range of ways including most recently in the findings of a detailed evaluation conducted by the World Bank and Asia/Pacific Group on Money Laundering in late 2008. Further reflecting this level of maturity, officials from the Philippines now regularly participate in international evaluations of other AML regimes, and the country now appears to be regarded as a relevant model by specialized agencies such as United Nations Office on Drugs and Crime with it being regularly selected as a destination for study visits by officials from jurisdictions seeking to strengthen their AML regimes.

Overall Assessment and Rating. The TA is rated as successful. Its focus on supporting effective implementation of the AML regime was relevant to addressing core priorities identified under the CSP. Its realized outputs effectively helped strengthen the institutional framework for AML, and its emphasis on use of local resources proved highly efficient. Sustainability of outcome is considered likely given the level of maturity now achieved by the regime.

Major Lessons. (1) Establishment and strengthening of new institutions and inter-institutional frameworks require sustained attention and support over the medium-to-longer term. (2) Effective use of local resources including stakeholder inputs can notably strengthen capacity development, ownership, relevance, and cost effectiveness with respect to production of outputs.

Recommendations and Follow-Up Actions. Continued monitoring of progress in this area with a view to drawing upon Philippine expertise and experience as a resource to support strengthening of AML regimes in other jurisdictions.

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